

Relentless Resources Ltd.

Condensed Interim Financial Statements

(Unaudited)

For the Three and Nine Months Ended

September 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 nine months ended September 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 nine months ended September 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	September 30, 2014	December 31, 2013
Assets			
Current			
Cash		\$ 520,666	\$ 192,567
Accounts receivable		565,788	125,403
Prepaid expenses and deposits		51,685	129,502
		1,138,139	447,472
Property, plant and equipment	5	7,898,779	2,202,574
		\$ 9,036,918	\$ 2,650,046
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,647,962	\$ 265,827
Current portion of decommissioning obligations	7	64,286	158,208
		1,712,248	424,035
Decommissioning obligations	7	2,315,385	1,468,350
		4,027,633	1,892,385
Shareholders' equity			
Share capital	8	10,913,228	6,925,722
Contributed surplus	11	960,533	804,810
Deficit		(6,864,476)	(6,972,871)
		5,009,285	757,661
		\$ 9,036,918	\$ 2,650,046

See note 15 - Contingency

See note 16 - Subsequent event

SIGNED ON BEHALF OF THE BOARD

"Dan Wilson"
Director

"Murray Frame"
Director

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

Relentless Resources Ltd.

Condensed Interim Statements of Comprehensive Income (Loss)
For the Three and Nine Months Ended September 30,
(Unaudited)

	Note	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine Months ended September 30, 2014	Nine Months ended September 30, 2013
Revenue					
Oil and natural gas sales	14	\$ 1,077,975	\$ 393,465	\$ 1,899,139	\$ 1,060,708
Royalties		(134,559)	(42,299)	(222,466)	(1,644)
Net revenue		943,416	351,186	1,676,673	989,064
Other income	8	166,667	-	166,667	192,000
		1,110,083	351,186	1,843,340	1,181,064
Expenses					
Production, operating and transportation		261,177	111,262	581,501	391,502
Depletion and depreciation	5	300,928	165,400	533,705	328,396
Impairment	5	-	-	-	470,777
General and administrative		144,663	70,823	405,013	231,920
Share based compensation	10	-	111,538	155,723	111,538
Finance expense		14,337	1,545	58,933	183,654
		721,105	460,568	1,733,945	1,717,787
Comprehensive income (loss) for the period		\$ 388,978	\$ (109,402)	\$ 108,395	\$ (536,723)
Comprehensive income (loss) per share, basic and diluted	12	\$ 0.01	\$ (0.00)	\$ 0.00	\$ (0.02)

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 Nine Months Ended September 30,
(Unaudited)

	Note	Number	2014 Amount	Number	2013 Amount
Share capital					
Balance, beginning of period		30,025,085	\$ 6,925,722	30,025,085	\$ 6,927,571
Issuance of share capital	8	22,202,381	4,200,000	-	-
Exercise of stock options	8	235,000	31,250	-	-
Flow through share premium	8	-	(166,667)	-	-
Share issuance costs	8	-	(77,077)	-	-
Share capital, end of period		52,462,466	10,913,228	30,025,085	6,927,571
Warrants					
Balance, beginning of period		-	-	66,750	-
Warrants issued	9	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	10	-	155,723	-	111,538
Contributed surplus, end of period		-	960,533	-	751,690
Deficit					
Balance, beginning of period		-	(6,972,871)	-	(5,282,204)
Comprehensive income (loss) for the period		-	108,395	-	(536,723)
Balance, end of period		-	(6,864,476)	-	(5,818,928)
Total Shareholders' equity, end of period		-	\$ 5,009,285	-	\$ 1,860,604

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 Nine Months Ended September 30,
(Unaudited)

	Note	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine Months ended September 30, 2014	Nine Months ended September 30, 2013
Cash from operating activities:					
Comprehensive income (loss) for the period		\$ 388,978	\$ (109,042)	\$ 108,395	\$ (536,723)
Adjustments for:					
Other income		(166,667)	-	(166,667)	(192,000)
Depletion and depreciation	5	300,928	165,400	533,705	328,396
Impairment	5	-	-	-	470,777
Accretion	7	14,515	1,000	46,770	180,228
Share based compensation	10	-	111,538	155,723	111,538
		537,754	168,536	677,926	362,216
Change in non-cash working capital	13	346,977	(19,036)	156,124	(85,229)
Cash from operating activities		884,731	149,500	834,050	276,987
Cash from (used in) investing activities:					
Additions to property, plant and equipment	5	(1,737,930)	(46,353)	(5,523,567)	(548,086)
Change in non-cash working capital	13	1,486,513	(4,832)	863,443	(74,521)
Cash used in investing activities		(251,417)	(51,185)	(4,660,124)	(622,607)
Cash provided by financing activities:					
Proceeds from (repayment of) bank debt		(83,490)	-	-	-
Issuance of common shares, net	8	(29,158)	-	4,154,173	-
Cash provided by (used in) financing activities		(112,648)	-	4,154,173	-
Change in cash		520,666	98,315	328,099	(345,620)
Cash, beginning of period		-	6,197	192,567	450,132
Cash, end of period		\$ 520,666	\$ 104,512	\$ 520,666	\$ 104,512
Interest paid (earned)		\$ (178)	\$ (24)	\$ 12,233	\$ (1,591)

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

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

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 November 20, 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

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

and effective date have been issued.

- In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted. Relentless intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.
- On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. Relentless is currently evaluating the impact of adopting IFRS 9 on the financial statements.

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 68% of the Company's revenue and natural gas makes up the remaining 32% 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 September 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.

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

(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 September 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)

		PP&E Assets
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
Additions		1,737,930
Change in decommissioning obligations		54,000
Balance at September 30, 2014	\$	10,803,114

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

	PP&E Assets
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)
Depletion and depreciation for the period	(300,928)
Balance at September 30, 2014	\$ (2,904,335)
Net book value	
Balance at December 31, 2013	\$ 2,202,574
Balance March 31, 2014	2,291,952
Balance June 30, 2014	6,407,777
Balance at September 30, 2014	\$ 7,898,779

(a) Collateral:

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

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

6. Demand operating facilities

As at September 30, 2014 the Company had a \$3,000,000 demand operating loan facility, subject to the banks' 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 1.375 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 September 30, 2014. As at September 30, 2014 the Company had drawn \$nil on this loan facility.

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

7. Decommissioning obligations

A reconciliation of the decommissioning obligations is provided below:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Balance, beginning of year	\$1,626,558	\$303,172
Additions	706,343	-
Change in estimate	-	315,600
Accretion	46,770	179,228
Balance, end of period	<u>2,379,671</u>	<u>798,000</u>
Less current portion of decommissioning obligations	64,286	-
Non-current decommissioning obligations	<u>\$2,315,385</u>	<u>\$798,000</u>

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 \$64,286.

An average risk-free rate of 2.67 (2013 – 3.07%) based on the Bank of Canada long term bond rate 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 income (loss).

8. 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

	<u>September 30, 2014</u>		<u>September 30, 2013</u>	
	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	-	(77,077)	-	-
Balance, end of period	<u>52,462,466</u>	<u>\$10,913,228</u>	<u>30,025,085</u>	<u>\$6,927,571</u>

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

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, and are subject to a four-month-plus-a-day hold period from the date of issuance expiring February 11, 2019, in accordance with applicable securities laws.

At September 30, 2014 all 2,142,856 warrants have vested.

On June 30, 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 \$50,257 resulting in net proceeds of \$3,699,743.

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 September 30, 2014 the Company had expended \$1,000,000 on eligible flow-through expenditures and \$166,667 was credited to other income.

9. Warrants

	Nine Months ended September 30, 2014		Nine Months ended September 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 September 30, 2014, 2,142,856 warrants (2013 – 66,750) were outstanding.

10. 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

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

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 policies 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 nine months ended September 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 September 30, 2014 is as follows:

Price per share	Options outstanding	Weighted average contractual life (years)
\$ 0.100	677,500	1.00
0.300	650,000	1.55
0.165	1,100,000	3.75
0.140	240,000	4.25
0.190	428,580	4.25
0.300	200,000	4.65
\$ 0.100 to 0.300	3,296,080	2.75

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

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

11. Contributed surplus

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Balance, beginning of year	\$804,810	\$751,690
Share based compensation	155,723	-
Balance, end of period	\$960,533	\$751,690

12. Loss per share

	<u>Three months ended September 30, 2014</u>	<u>Three months ended September 30, 2013</u>
Net and comprehensive income (loss) for the period	\$388,978	(\$109,402)
Net and comprehensive income (loss) per share, basic and diluted	\$0.01	(\$0.00)
Weighted average shares outstanding	52,462,466	30,825,085
	<u>Nine months ended September 30, 2014</u>	<u>Nine months ended September 30, 2013</u>
Net and comprehensive income (loss) for the period	\$108,395	(\$536,723)
Net and comprehensive income (loss) per share, basic and diluted	\$0.00	(\$0.01)
Weighted average shares outstanding	40,231,244	30,825,085

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

13. Supplemental cash flow information

	Three months ended September 30, 2014	Three months ended September 30, 2013
Change in non-cash working capital items:		
Accounts receivable	\$1,740,942	(\$11,552)
Prepaid expenses and deposits	23,898	(119,130)
Accounts payable and accrued liabilities	68,650	106,814
	<u>\$1,833,490</u>	<u>(\$23,868)</u>
Amount related to operating activities	\$346,977	(\$19,036)
Amount related to investing activities	1,486,513	(4,832)
	<u>\$1,833,490</u>	<u>(\$23,868)</u>
	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Change in non-cash working capital items:		
Accounts receivable	(\$440,385)	(\$63,197)
Prepaid expenses and deposits	77,817	(128,479)
Accounts payable and accrued liabilities	1,382,135	31,926
	<u>\$1,019,567</u>	<u>(\$159,750)</u>
Amount related to operating activities	\$156,124	(\$85,229)
Amount related to investing activities	863,443	(74,521)
	<u>\$1,019,567</u>	<u>(\$159,750)</u>

14. Revenue by product

	Three months ended September 30, 2014	Three months ended September 30, 2013
Oil and NGL revenue	\$777,090	\$315,127
Natural gas revenue	300,885	78,338
Total revenue	<u>\$1,077,975</u>	<u>\$393,465</u>
	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Oil and NGL revenue	\$1,308,568	\$820,189
Natural gas revenue	590,571	240,519
Total revenue	<u>\$1,899,139</u>	<u>\$1,060,708</u>

Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements (Unaudited)
Three and Nine months ended September 30, 2014 and 2013

15. 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 was allowed.

The estimated outcome of the reassessment ranges from \$350,000 to \$450,000. At September 30, 2014, no amount has been recorded in the Company’s condensed interim financial statements as the outcome of reassessment is not determinable.

16. Subsequent event

On October 27, 2014 pursuant to the terms and conditions of its stock option plan the Company granted, in the aggregate, 1,950,000 stock options to purchase common shares. The grant of options to the current directors and officers of the Company are for a five year term. The options vested immediately and are exercisable at a price of \$0.28 per common share.