

# **Relentless Resources Ltd.**

***Condensed Interim Financial Statements  
for the Three and Nine months ended  
September 30, 2015 and 2014  
(Unaudited)***

## **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, 2015 and 2014, 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, 2015 and 2014 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, 2015	December 31, 2014
<b>Assets</b>			
Current			
Cash		\$ -	\$ 1,630,784
Accounts receivable		296,169	597,207
Prepaid expenses and deposits		62,031	15,260
		358,200	2,243,251
Property, plant and equipment	4	11,002,585	8,298,459
		\$ 11,360,785	\$ 10,541,710
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 830,194	\$ 1,259,223
Bank debt	5	2,954,320	-
Flow through share premium	7	26,192	305,223
Current portion of decommissioning obligations	6	103,311	43,105
		3,914,017	1,607,551
Decommissioning obligations	6	4,262,248	3,747,917
		8,176,265	5,355,468
Shareholders' equity			
Share capital	7	13,498,563	13,413,878
Contributed surplus	10	1,474,236	1,359,145
Deficit		(11,788,279)	(9,586,781)
		3,184,520	5,186,242
		\$ 11,360,785	\$ 10,541,710

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, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
<b>Revenue</b>					
Oil and natural gas sales	13	\$ 825,321	\$ 1,077,975	\$ 2,718,635	\$ 1,899,139
Royalties		(99,679)	(134,559)	(378,040)	(222,466)
Net revenue		725,642	943,416	2,340,595	1,676,673
Other income	7	112,365	166,667	279,031	166,667
		838,007	1,110,083	2,619,626	1,843,340
<b>Expenses</b>					
Production, operating and transportation		382,359	261,177	1,203,671	581,501
Depletion and depreciation	4	399,226	300,928	1,251,567	533,705
Impairment	4	1,158,028	-	1,669,426	-
General and administrative		142,395	144,663	441,451	405,013
Share based compensation	9	-	-	132,027	155,723
Finance expense		42,083	14,337	122,982	59,003
		2,124,091	721,105	4,821,124	1,734,945
<b>Comprehensive income (loss) for the period</b>		\$ (1,286,084)	\$ 388,978	\$ (2,201,498)	\$ 108,395
Comprehensive income (loss) per share, basic and diluted	11	\$ (0.02)	\$ 0.01	\$ (0.03)	\$ 0.00

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

# Relentless Resources Ltd.

## Condensed Interim Statements of Changes in Shareholders' Equity (Unaudited)

	Note	September 30, 2015 Number	Amount	December 31, 2014 Number	Amount
<b>Share capital</b>					
Balance, beginning of period		63,759,095	\$ 13,413,878	30,025,085	\$ 6,925,722
Issuance of share capital	7	-	-	33,499,010	7,046,965
Exercise of stock options	7	677,500	84,685	235,000	54,349
Flow through share premium	7	-	-	-	(471,890)
Share issuance costs	7	-	-	-	(141,268)
Share capital, end of period		64,436,595	13,498,563	63,759,095	13,413,878
<b>Warrants</b>					
Balance, beginning of period		2,142,857	-	-	-
Warrants issued	8	-	-	2,142,857	-
Warrants, end of period		2,142,857	-	2,142,857	-
<b>Contributed surplus</b>					
Balance, beginning of period		-	1,359,145	-	804,810
Exercise of stock options	7	-	(16,936)	-	(23,099)
Share based compensation expense	9	-	132,027	-	577,434
Contributed surplus, end of period		-	1,474,236	-	1,359,145
<b>Deficit</b>					
Balance, beginning of period		-	(9,586,781)	-	(6,972,871)
Comprehensive loss for the period		-	(2,201,498)	-	(2,613,910)
Balance, end of period		-	(11,788,279)	-	(9,586,781)
Total Shareholders' equity, end of period		-	\$ 3,184,520	-	\$ 5,186,242

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, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
<b>Cash from operating activities:</b>					
<b>Comprehensive income (loss) for the period</b>		\$ (1,286,084)	\$ 388,978	\$ (2,201,498)	\$ 108,395
Adjustments for:					
Other income	7	(112,365)	(166,667)	(279,031)	(166,667)
Depletion and depreciation	4	399,226	300,928	1,251,567	533,705
Impairment	4	1,158,028	-	1,669,426	-
Share based compensation	9	-	-	132,027	155,723
Accretion	6	16,886	14,515	86,659	46,770
		175,691	537,754	659,150	677,926
Change in non-cash working capital	12	(26,029)	346,977	(32,115)	156,124
<b>Cash provided by operating activities</b>		149,662	884,731	627,035	834,050
<b>Cash (used in) investing activities:</b>					
Additions to property, plant and equipment	4	(1,050,245)	(1,737,930)	(5,137,242)	(5,523,567)
Change in non-cash working capital	12	(44,434)	1,486,513	(142,647)	863,443
<b>Cash (used in) investing activities</b>		(1,094,679)	(251,417)	(5,279,889)	(4,660,124)
<b>Cash provided by (used in) financing activities:</b>					
Proceeds from (repayment of) bank debt	5	877,267	(83,490)	2,954,320	-
Issuance of common shares, net	7	67,750	(29,158)	67,750	4,154,173
<b>Cash provided by (used in) financing activities</b>		945,017	(112,648)	3,022,070	4,154,173
Change in cash		-	520,666	(1,630,784)	328,099
Cash, beginning of period		-	-	1,630,784	192,567
Cash, end of period		\$ -	\$ 520,666	\$ -	\$ 520,666

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

# Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements  
Three and Nine months ended September 30, 2015 and 2014  
(Unaudited)

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## 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, 700-4<sup>th</sup> 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, 2014 Annual Report available on SEDAR at [www.sedar.com](http://www.sedar.com).

These condensed interim financial statements were approved by the Company's Board of Directors on November 19, 2015.

### (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, 2014.

## 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, 2014, except as highlighted in Note 3 (a) below which were adopted January 1, 2015:

### (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.
- 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:

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material impact on the Company's condensed interim financial statements.

- On May 28 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 early adoption permitted. On

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April 28, 2015, the IASB proposed to defer the effective date by one year to January 1, 2018, which was approved on July 22, 2015. The Company intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its condensed interim financial statements.

- 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 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its condensed interim financial statements.
- On December 18, 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". These amendments will not require significant changes to the Company's current practices but are aimed to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect these amendments to have a material impact.

## 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 and NGL sales make up 84% of the Company's revenue and natural gas makes up the remaining 16% 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, 2015, 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 United States ("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

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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 US dollar. The Company had no forward exchange rate contracts or foreign denominated assets or liabilities in place as at or during the period ended September 30, 2015.

(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 \$30,000 during the nine months ended September 30, 2015 (2014 - \$nil).

(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.

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

<b>Assets</b>		<b>PP&amp;E Assets</b>
Balance at December 31, 2014	\$	13,417,549
Additions		3,643,655
Change in decommissioning obligations		158,985
Balance at March 31, 2015		17,220,189
Additions		443,343
Change in decommissioning obligations		-
Balance at June 30, 2015		17,663,532
Additions		1,050,245
Change in decommissioning obligations		328,891



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Notes to Condensed Interim Financial Statements  
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Balance at September 30, 2015	\$	19,042,668
<b>Depletion, depreciation and impairment</b>		
Balance at December 31, 2014		(5,119,090)
Impairment		(385,169)
Depletion and depreciation		(438,157)
Balance at March 31, 2015		(5,942,416)
Impairment		(126,228)
Depletion and depreciation		(414,185)
Balance at June 30, 2015		(6,482,829)
Impairment		(1,158,028)
Depletion and depreciation		(399,226)
Balance at September 30, 2015	\$	(8,040,083)
<b>Net book value</b>		
Balance December 31, 2014	\$	8,298,459
Balance at March 31, 2015		11,277,772
Balance at June 30, 2015		11,180,703
Balance at September 30, 2015	\$	11,002,585

(a) Collateral:

At September 30, 2015, all of the Company's oil and natural gas properties are pledged as collateral for the bank debt.

(b) Depletion:

At September 30, 2015, estimated future costs to develop the proved plus probable reserves of \$108,000 (September 30, 2014 - \$35,000) were added to property, plant and equipment for depletion and depreciation purposes.

(c) Impairments:

At March 31, 2015, the Company evaluated its PP&E assets for impairment and recorded an impairment of \$332,145 on the Gordondale CGU and \$53,024 on the Peace River Arch CGU. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The CGU's were written down to their recoverable amount based on the future value of cash flows less costs to sell.

At June 30, 2015, the Company evaluated its PP&E assets for impairment and recorded an impairment of \$86,761 on the Willesden Green CGU and \$39,467 on the Peace River Arch CGU. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The CGU's were written down to their recoverable amount based on the future value of cash flows less costs to sell.

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At September 30, 2015, the Company evaluated its PP&E assets for impairment and recorded an impairment of \$1,158,028. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The PP&E assets were written down to their recoverable amount based on the future value of cash flows less costs to sell.

## 5. Bank debt

As at September 30, 2015, the Company had a \$4,000,000 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 working capital ratio is calculated as current assets plus the undrawn balance of the loan facility divided by current accounts payable. The Company was in compliance with this ratio at September 30, 2015. As at September 30, 2015, the Company had drawn \$2,954,320 on this loan facility. The date of the next annual review is April, 2016.

## 6. Decommissioning obligations

A reconciliation of the decommissioning obligations is provided below:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Balance, beginning of period	\$3,791,022	\$1,626,558
Additions	447,325	1,689,486
Dispositions	-	(126,123)
Change in estimate	40,553	553,502
Accretion	86,659	47,599
Balance, end of period	<u>4,365,559</u>	<u>3,791,022</u>
Less current portion of decommissioning obligations	<u>(103,311)</u>	<u>(43,105)</u>
Non-current decommissioning obligations	<u>\$4,262,248</u>	<u>\$3,747,917</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 current decommissioning obligation is \$103,311. An average risk-free rate of 2% (2014 – 2%) and an inflation rate of 2% (2013 – 2.00%) 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.

## 7. 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.

# Relentless Resources Ltd.

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(b) Issued

	September 30, 2015		December 31, 2014	
	Shares	Amount	Shares	Amount
Balance, beginning of period	63,759,095	\$13,413,878	30,025,085	\$6,925,722
Issuance of common shares	-	-	33,499,010	7,046,965
Exercise of stock options	677,500	84,685	235,000	54,349
Flow through share premium	-	-	-	(471,890)
Share issuance costs	-	-	-	(141,268)
Balance, end of period	64,436,595	\$13,498,563	63,759,095	\$13,413,878

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. All the warrants vested in 2014.

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 \$50,167 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 December 31, 2014, the Company had expended \$1,000,000 on eligible flow-through development costs and \$166,667 was credited to other income on settlement of the flow-through share liability.

On December 12 and 18, 2014, Relentless closed a non-brokered private placement for gross proceeds of \$2,846,965. The Company issued 6,782,740 common shares on a flow-through basis at 27 cents per share for gross proceeds of \$1,831,340 and 4,513,890 common shares at 22.5 cents per common share for gross proceeds of \$1,015,625. Share issuance costs were \$64,281 resulting in net proceeds of \$2,782,684.

As a result of the flow-through share issuance in December of 2014, the Company recorded a flow-through share premium liability of \$305,223 with an offsetting adjustment to share capital. At December 31, 2014, the Company had a commitment to spend \$1,831,340 on eligible flow through expenditures in 2015. During the six months ended June 30, 2015, the Company had expended \$1,000,000 on eligible flow-through costs and \$166,666 was credited to other income on partial settlement of the flow-through share liability. During the three months ended September 30, 2015, the Company had expended \$674,190 on eligible flow-through costs and \$112,365 was credited to other income on partial settlement of the flow-through share liability. At September 30, 2015, the Company had an obligation to expend \$157,150 on eligible flow-through exploration costs by December 31, 2015.

On September 15, 2015, 677,500 stock options were exercised at a price of \$0.10 per share for total proceeds of \$67,750.

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## 8. Warrants

	September 30, 2015		December 31, 2014	
	Warrants	Amount	Warrants	Amount
Balance, beginning of period	2,142,857	-	-	-
Warrants issued	-	-	2,142,857	-
Balance, end of period	2,142,857	-	2,142,857	-

In conjunction with the February 11, 2014 private placement offering of units, the Company issued 2,142,857 warrants. During 2014, all of the warrants vested and were exercisable. The warrants have an exercise price of \$0.14 per share and expire on February 11, 2019.

## 9. 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 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 are as follows:

	September 30, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	5,246,080	\$0.19	2,762,500	\$0.19
Expired	-	-	(100,000)	-
Exercised	(677,500)	0.10	(235,000)	0.23
Granted	1,129,830	\$0.15	2,818,580	\$0.26
Outstanding and exercisable, end of period	5,698,410	\$0.22	5,246,080	\$0.19

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.
- September 27, 2014 – options to purchase 200,000 common shares of the Company at a price of \$0.30 per share, exercisable until September 27, 2019.
- October 27, 2014 - options to purchase 1,950,000 common shares of the Company at a price of \$0.28 per share, exercisable until October 27, 2019.

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- April 27, 2015 - options to purchase 1,129,830 common shares of the Company at a price of \$0.145 per share, exercisable until April 27, 2020.

The range of exercise prices of the outstanding options at September 30, 2015 is as follows:

Price per share	Options outstanding	Weighted average contractual life (years)
\$ 0.300	650,000	0.60
0.165	1,100,000	2.80
0.140	240,000	3.35
0.190	428,580	3.40
0.300	200,000	4.00
0.280	1,950,000	3.75
0.145	1,129,830	4.60
<b>\$ 0.14 to 0.30</b>	<b>5,698,410</b>	<b>3.40</b>

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

	February 3, 2014 option grant	February 11, 2014 option grant	September 27, 2014 option grant	October 27, 2014 option grant	April 27, 2015 option grant
Compensation expense	\$34,485	\$67,611	\$48,185	\$427,153	\$132,027
Fair value at grant date	\$0.14	\$0.16	\$0.26	\$0.22	\$0.126
Share price	\$0.17	\$0.19	\$0.30	\$0.28	\$0.145
Exercise price	\$0.14	\$0.19	\$0.30	\$0.28	\$0.145
Volatility	129%	129%	150%	108%	115%
Option life	5 years	5 years	5 years	5 years	5 years
Dividends	-%	-%	-%	-%	-%
Risk-free interest rate	1.91%	1.91%	1.82%	1.73%	0.88%
Forfeiture rate	-%	-%	-%	-%	-%

## 10. Contributed surplus

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Balance, beginning of period	\$1,359,145	\$804,810
Exercise of stock options	(16,936)	(23,099)
Share based compensation	132,027	577,434
<b>Balance, end of period</b>	<b>\$1,474,236</b>	<b>\$1,359,145</b>

# Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements  
Three and Nine months ended September 30, 2015 and 2014  
(Unaudited)

## 11. Loss per share

	Three months ended September 30, 2015	Three months ended September 30, 2014
Net and comprehensive income (loss) for the period	(\$1,286,084)	\$388,978
Net and comprehensive income (loss) per share, basic and diluted	(\$0.02)	\$0.01
Weighted average shares outstanding	63,869,557	52,462,466
	<b>Nine months ended September 30, 2015</b>	<b>Nine months ended September 30, 2014</b>
Net and comprehensive income (loss) for the period	(\$2,201,498)	\$108,395
Net and comprehensive income (loss) per share, basic and diluted	(\$0.03)	\$0.00
Weighted average shares outstanding	63,796,184	40,231,244

## 12. Supplemental cash flow information

	Three months ended September 30, 2015	Three months ended September 30, 2014
Change in non-cash working capital items:		
Accounts receivable	\$386,039	\$1,740,942
Prepaid expenses and deposits	26,038	23,898
Accounts payable and accrued liabilities	(482,540)	68,650
	(\$70,463)	\$1,833,490
Amount related to operating activities	(\$26,029)	\$346,977
Amount related to investing activities	(44,434)	1,486,513
	(\$70,463)	\$1,833,490
	<b>Nine months ended September 30, 2015</b>	<b>Nine months ended September 30, 2014</b>
Change in non-cash working capital items:		
Accounts receivable	\$301,038	(\$440,385)
Prepaid expenses and deposits	(46,771)	77,817
Accounts payable and accrued liabilities	(429,029)	1,382,135
	(\$174,762)	\$1,019,567
Amount related to operating activities	(\$32,115)	\$156,115
Amount related to investing activities	(142,647)	863,452
	(\$174,762)	\$1,019,567

# Relentless Resources Ltd.

Notes to Condensed Interim Financial Statements  
Three and Nine months ended September 30, 2015 and 2014  
(Unaudited)

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## 13. Revenue by product

	<b>Three months ended September 30, 2015</b>	<b>Three months ended September 30, 2014</b>
Oil and NGL revenue	\$694,579	\$777,090
Natural gas revenue	130,742	300,885
Total revenue	\$825,321	\$1,077,975

  

	<b>Nine months ended September 30, 2015</b>	<b>Nine months ended September 30, 2014</b>
Oil and NGL revenue	2,154,125	\$1,308,568
Natural gas revenue	564,510	590,571
Total revenue	\$2,718,635	\$1,899,139