MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2010

President's Message:

The 2010 year began as a year of change for our Company. Our objectives for the year were to strengthen the Company's balance sheet and develop an inventory of oil and gas opportunities from which to grow a sustainable production base.

To begin with, in April 2010, we issued 6,000,000 common shares for total proceeds of $300,000. After our annual shareholders meeting we consolidated the issued and outstanding shares on a two for one basis and completed the $1,250,000, before adjustments, sale of non-strategic properties. This enabled the Company to repay the outstanding loans reported in 2009 and acquire a producing property in the Peace River Arch area of Alberta.

In November 2010, Relentless acquired a 100% working interest in petroleum and natural gas rights ("P&NG rights") on 1,295 hectares (3,200 acres) of contiguous lands in southwest Saskatchewan from a private arm's length oil and gas company for a purchase price of $550,000. Concurrently, the Company issued 5,500,000 common shares for total proceeds of $1,100,000.

The interests acquired included 518 hectares (1,280 acres) of P&NG rights from the surface to the top of the Precambrian zone as well as 777 hectares (1,920 acres) of various deeper P&NG rights. The two sections of land which include Viking rights are prospective for the southwest Saskatchewan regional light oil resource play which utilizes horizontal drilling and multi-stage fracturing technology. The lands directly offset an existing Viking light oil pool and 12 prospective horizontal locations are mapped on our lands.

To finance the drilling of the Viking prospect, the Company issued 3,333,335 "flow-through" common shares for total proceeds of $1,000,000 at the end of 2010. The Company drilled its' first horizontal well on the newly acquired prospect in the first quarter 2011. Completion work on the well will follow after the local road bans are lifted and access to the field locations resumes.

Relentless plans to grow prudently in the coming year. We remain committed to maintaining balance sheet strength and issuing as few shares as possible as a means of delivering per share growth. We have made great progress to date in repositioning Relentless for a promising future.

The management and Board of directors would like to thank all shareholders for their continued support and welcome the new shareholders joining through their participation in the recent private placements. For 2011 we will continue to build on our accomplished objectives of 2010.

Yours truly,
(signed) *Dan Wilson*
President and CEO

Nature of Business and Basis of Presentation

Corporate Profile

Relentless Resources Ltd. ("Relentless" or the "Company") is a Calgary, Alberta based junior oil and natural gas corporation, engaged in the exploration, development, acquisition and production of natural gas and medium to light gravity crude oil reserves in Alberta and Saskatchewan.

Relentless' common shares trade on the TSX Venture Exchange under the symbol RRL.

The Company's primary corporate objective is to achieve non-dilutive growth and enhance shareholder value through internal prospect development, strategic production acquisitions, and prudent financial management.

Relentless was incorporated as Open Range Capital Corp. under the *Business Corporations Act* (Alberta) on April 7, 2004. On March 30, 2006, a plan of arrangement involving Open Range Capital Corp., Siga Resources Limited and Open Range Resources Ltd. was consummated and marked the commencement of oil and natural gas operations for New Range Resources Ltd. ("New Range"), the amalgamated company. Under the plan of arrangement, Open Range Resources Ltd. acquired all the issued and outstanding shares of Siga Resources Limited in exchange for cash, and immediately thereafter, New Range acquired all the issued and outstanding shares of Open Range Resources Ltd. in exchange for shares of New Range.

Effective June 9, 2010, New Range changed its name to Relentless Resources Ltd. and consolidated its' share capital on a two for one basis. On June 11, 2010 the common shares began trading under the symbol RRL on the TSX Venture Exchange.

ADVISORIES

Management's discussion and analysis ("MD&A") of Relentless Resources Ltd. ("Relentless", the "Company", "we" or "our"), provided as of April 27, 2011, should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2010 and 2009.

Basis of Presentation - The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

Non-GAAP Measurements - The MD&A contains the term 'funds generated by operations' and 'funds generated by operations per share', which should not be considered an alternative to, or more meaningful than, net earnings or cash flow from operating activities as determined in accordance with GAAP as an indicator of the Company's performance. Relentless' determination of funds generated by operations and funds generated by operations per share may not be comparable to that reported by other companies. Management uses funds generated by operations to analyze operating performance and leverage and considers funds generated by operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds generated by operations is calculated using cash flow from operating activities as presented in the statement of cash flows before settlement of asset retirement costs and non-cash working capital. Relentless presents funds generated by operations per share, which is also a non-GAAP measure. Per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. The following table reconciles funds generated by operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with GAAP.

	Year ended December 31, 2010	2009
Cash flow from operating activities	$ (272,644)	$ (159,359)
Changes in non-cash working capital	77,954	(49,821)
Funds generated by operations	$ (194,690)	$ (209,180)

Relentless uses certain industry benchmarks such as operating netback to analyze financial and operating performance. The benchmark as presented does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

Working capital, which is defined as current assets less current liabilities, is used to assess efficiency and financial strength.

Presentation of boe – Relentless bases calculations of barrels of oil equivalent (“boe”) on a conversion rate of six thousand cubic feet (“mcf”) of natural gas to one barrel (“bbl”) of crude oil. The boe unit may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf equals 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Information - This MD&A contains forward-looking or outlook information with regard to Relentless. These statements relate to future events or our future performance and are based on Relentless’ current internal estimates, plans, budgets, expectation, forecasts, guidance or other statements that are not statements of fact. In some cases, words such as “plan”, “expect”, “project”, “continue”, “believe”, “anticipate”, “may”, “will”, “potential”, “estimate” and other similar words, or statements are intended to identify forward-looking statements. Such statements represent Relentless’ internal projections, estimates and beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital spending, anticipated future debt, revenues or other expectations, beliefs, plans, objectives assumptions, intentions or statements about future events or performance. Relentless believes the expectations reflected in such forward-looking statements are reasonable. However, no assurance can be given that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Relentless cannot guarantee future results, levels of activity, performance or achievements.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to size of, and future net revenues from, crude oil and natural gas reserves; the focus of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; the allocation and timing of capital spending and the Company’s ability to maintain flexibility in its capital program; land expiries; projections of market prices and costs; the performance characteristics of the Company’s crude oil and natural gas properties, including production levels and product mix.; Relentless’ future operating and financial results; available tax pools; supply and demand for crude oil and natural gas; expected royalty rates; governmental regulations and tax laws; accounting policies and adoption of new policies; and timing of implementation of International Financial Reporting Standards. Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future.

These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. These risks include but are not limited to: crude oil and natural gas price volatility; exchange rate and interest rate fluctuations; availability of services and supplies; market competition; to employ and retain qualified personnel; uncertainties in the estimates of reserves; the timing of development expenditures; production levels and the timing of achieving such levels; Relentless’ ability to replace and expand oil and natural gas reserves; the sources and adequacy of funding for capital investments; the Company’s future growth prospects and current and expected financial requirements; the cost of future reclamation and site restoration; Relentless’ ability to enter into or renew leases and to secure adequate product transportation; changes in environmental and other regulations; general economic conditions and the ability to access capital from internal and external sources.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide Shareholders with a more complete perspective on Relentless’ future operations and such forward-looking information may not be appropriate for other purposes. Relentless’ actual results or performance could differ materially from those expressed in these forward-looking statements and accordingly, no assurance can be given that any of the anticipated events will occur, and if they do occur, what benefits the Company will receive. These statements speak only as of the date of this MD&A and Relentless does not undertake an obligation to update or revise its forward-looking statements as a result of new information, future events or otherwise.

Corporate Financial and Operational Summary

	Year Ended December 31	
	2010	**2009**
Financial *($ except for shares outstanding)*		
Total revenue	492,824	731,098
Funds used by operations	(194,690)	(209,180)
per share – basic *(1)*	(0.01)	(0.02)
Net loss	(306,448)	(430,813)
per share – basic *(1)*	(0.02)	(0.04)
Property, plant and equipment		
Capital additions	955,219	79,535
Property dispositions	1,227,326	790,000
Working capital (deficit)	1,351,845	(1,088,160)
Total assets	3,155,947	2,614,237
Weighted average common shares outstanding *(1)*	14,773,497	11,839,250
Production		
Gas (mcf/d)	173	197
Oil & NGL (bbl/d)	10	23
Total (boe/d)	39	56
Product Prices		
Gas ($/mcf)	4.06	3.84
Oil ($/bbl)	74.91	61.77
NGL ($/bbl)	45.14	28.16
Reserves (proved plus probable)		
Natural gas (mmcf)	472	363
Oil (mbbl)	7	52
NGL (mbbl)	7	12
Total (mboe)	92	125
Present value (before tax, $ thousands @ 10%)	1,043	2,015

(1) Reflects the consolidation of shares on a two for one basis on June 9, 2010

Overview

For the year ended December 31, 2010, production rates decreased 31 percent to 39 boe/d as compared to 56 boe/d in the same period of 2009. The decrease was the result of non-strategic property disposition of $1.2 million in March 2010 being offset with a producing property acquisition in July 2010. During the third quarter 2010 Relentless closed the purchase of certain petroleum and natural gas assets, located in the Gordondale are of Alberta, the net cash consideration of $405,992 after closing adjustments. The assets include 64 gross (51 net) hectares of developed land and 704 gross (666 net) hectares of undeveloped lands and a total of 3.0 gross (2.38 net) operated wells (one producing and two non-producing). Production from the assets averaged 50 boe/d gross (37 boe/d net) for the period July 1 to December 31, 2010.

In addition, on November 19, 2010, the Company acquired two sections of undeveloped land in the Loverna area of Saskatchewan for a cost of $550,000. Concurrent with the property acquisition the Company issued, on a private placement basis, 5,500,000 common shares at a price of $0.20 per share for total proceeds of $1,100,000.

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.

Overall, the average petroleum and natural gas prices received were stronger in 2010 compared to the prior year.

Revenue from Oil and Natural Gas Operations

For the year ended December 31, 2010, Relentless' production revenues were comprised of 52 percent (2009 – 48 percent) natural gas, 35percent (2009 – 40 percent) oil and 13 percent (2009 – 12 percent) NGLs.

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue ($)								
Oil	31,262	26,187	5,349	108,112	109,639	106,333	98,431	73,321
Natural gas	83,520	95,487	25,184	53,716	49,515	53,489	40,769	139,951
NGL	14,512	19,784	8,442	19,527	17,240	13,589	13,550	18,075
Sulphur	210	-	-	-	-	(325)	784	(4,264)
Other	368	229	182	470	2,952	529	529	(3,010)
Total revenue	129,872	141,687	39,157	181,825	179,346	173,616	154,063	224,074
Production								
Oil (bbl/d)	4	4	1	15	16	17	18	18
Natural gas (mcf/d)	268	268	70	118	115	203	129	340
NGL (bbl/d)	5	5	2	5	4	4	5	10
Boe/d	47	54	15	40	40	55	44	84
Average Prices								
Oil ($/bbl)	77.77	67.73	58.58	77.16	73.26	68.04	61.47	45.35
Natural gas ($/mcf)	3.83	3.87	3.96	4.91	4.51	2.78	3.35	4.43
NGL ($/bbl)	45.42	45.96	40.24	45.90	42.80	33.68	33.99	15.98
$/boe	30.03	28.73	28.68	50.68	49.18	34.23	38.80	29.64

Petroleum and natural gas revenues for the year ended December 31, 2010, were $492,824 compared to $731,098 for the same period last year, a decrease of 33 percent primarily due to lower crude production as a result of producing properties being sold in the first quarter of 2010. The lower production was partially offset by higher commodity prices in 2010.

During the fourth quarter 2010, oil, natural gas and natural gas liquids ("NGL") production averaged 47 boe/d compared to 40 boe/d during the same period of 2009. Oil, natural gas and NGL production averaged 39 boe/d during the 2010 year compared to 56 boe/d during the same period in 2009.

During the fourth quarter of 2010, average commodity prices received were $77.77 per bbl of oil (2009 - $73.26), $45.42 per bbl of NGL (2009 - $42.80) and $3.83 per mcf of natural gas (2009 - $4.51).

For the 2010 year, average commodity prices received were $74.91 per bbl of oil (2009 - $61.77), $45.14 per bbl of NGL (2009 - $28.16) and $4.06 per mcf of natural gas (2009 - $3.84).

Royalties

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Royalties ($)	792	9,084	(8,533)	5,406	(1,509)	1,501	15,432	21,755
Royalties ($/boe)	0.18	1.84	(6.11)	1.51	(.41)	.30	3.89	2.85
Royalties Rate (% of revenue)	0.6	6	(21)	3	(1)	1	10	10

Royalties are paid to various government entities and other land, mineral rights and interest holders in respect of the Company's natural gas, natural gas liquids and oil production.

Alberta Royalty Framework

The Government of Alberta has implemented a new royalty structure effective on January 1, 2009 that applies to all of the Company's wells in Alberta. Royalties calculated pursuant to the proposal are sensitive to well production rates and commodity prices for oil and natural gas. The objective, generally, is to increase the level of royalties collected from industry, particularly at higher commodity price levels and from higher productivity wells.

On March 3, 2009 the Alberta government announced an economic activity stimulus plan for the energy sector. The Company is eligible for credits that offset Crown royalties payable on existing and new production. The credit is calculated as 50% of $200 per metre drilled by the Company in the 12 months commencing April 1, 2009 and can be offset against Crown royalties in the 24 month period commencing April 1, 2009. The drilling credit expires April 1, 2011.

Operating Costs

Operating costs can vary significantly depending on such factors as production rates, reservoir quality, water content and available infrastructure.

	Q4 2010	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**Q3 2009**	**Q2 2009**	**Q1 2009**
Operating expense ($)	63,662	52,486	23,505	60,879	139,418	95,872	106,313	147,065
$/boe	14.72	10.65	17.28	16.97	37.76	18.89	26.78	19.30
Percent of revenue (%)	49	37	60	33	77	55	69	65

Operating costs averaged $14.65 per boe for the 2010 year as compared to $24.00 in 2009. The decrease is a result of disposing non-strategic non-operated producing properties in March 2010.

General Administration ("G & A") Expenses

	Q4 2010	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**Q3 2009**	**Q2 2009**	**Q1 2009**
G & A Expense ($)	145,577	95,687	119,726	98,915	154,802	56,921	79,049	47,281
$/boe	33.67	19.41	87.71	27.58	42.44	11.23	19.91	6.24

Higher G&A expenses during 2010 as a result additional officers being hired by the Company during the year.

Interest Expenses and Bank Charges

At the beginning of 2010, the Company had drawn $370,000 from a Canadian commercial bank. In addition, a $610,000 loan was payable to a related party. As a result of the property sales and the issuance of common shares, both balances were repaid in full during the year. In the third quarter 2010, the Company established a new credit facility available up to $275,000 with a Canadian commercial bank. As at December 31, 2010, the Company had a $nil balance drawn from the available credit facility. During the 2010 year, the Company paid $35,580 interest expense (2009 - $82,222) on the outstanding loans.

Netbacks

($/boe except for production)	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**Q3 2009**	**Q2 2009**	**Q1 2009**
Production *(boe/d)*	47	54	15	40	40	55	44	84
Revenue	30.03	28.73	28.68	50.68	49.18	34.23	38.80	29.64
Royalties	(0.18)	(1.84)	6.11	(1.51)	0.41	(0.30)	(3.89)	(2.88)
Operating Expense	(14.72)	(10.65)	(17.28)	(16.97)	(37.76)	(18.89)	(26.78)	(19.30)
Operating Netback	15.73	16.24	17.51	32.20	11.83	15.04	8.13	7.46
G & A Expense	(33.67)	(19.41)	(87.71)	(27.58)	(42.44)	(11.23)	(19.91)	(6.24)
Interest and other	(0.47)	(2.34)	3.31	(3.81)	(7.38)	(3.63)	(4.83)	(2.35)
Corporate Netback	(18.41)	(5.51)	(66.89)	0.81	(37.99)	0.18	(16.61)	(0.84)

Field operating netbacks in 2010 were higher as a result of lower royalty and operating expenses. Corporate netback for 2010 was lower due to higher G & A expense.

Stock-based Compensation Expense

On September 15, 2010, the Company approved the grant of a total of 932,500 stock options to directors, officers, and consultants of the Company. The options are exercisable into common shares of the Company at an exercise price of $0.10 per share, vest immediately and have a five-year term to expiry. In conjunction with the common shares issued on a "flow-through basis", the Company issued a total of 58,578 finders warrants which are exercisable into common shares at a price of $0.30 per share for a term of one year.

As a result of the stock option grants, stock-based compensation expense of $49,373 was recorded in 2010 (2009 - $nil) based on the use of the Black-Scholes economic model. The finders warrants expense of $4,983 has been recorded as common share issuance fees.

Depletion, Depreciation and Accretion ("DD&A") Expense

The 2010 rate of depletion, depreciation and accretion expense, was $18.11 per boe (2009 - $21.76) down 17 percent as a result of lower carrying values of property and equipment after the sale of non-strategic producing properties during the year.

	2010	**2009**
DD & A Expense ($)	257,885	441,165
$/boe	18.11	21.76

Income Taxes

As at December 31, 2010, the Company had approximately $2,217,273 (2009 - $2,489,380) of Canadian tax pools available for deduction against future taxable income. The Company also has non-capital tax losses of approximately $1,608,036 (2009 - $1,370,196) available for deduction against future taxable income that expire between 2014 and 2030.

Cash Flow and Earnings

Net loss for the year ended December 31, 2010 was $364,480 (2009 - $430,813) on resource revenues of $492,824 (2009 - $731,098). During 2010, lower operating royalty and depletion expenses were offset with higher general administration and stock-based compensation expenses resulting in an overall decrease in the net loss for the year.

($)	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**Q3 2009**	**Q2 2009**	**Q1 2009**
Funds generated by (used for) operations	(79,596)	(27,040)	(91,021)	2,967	(136,974)	935	(65,911)	(7,230)
Per Share - basic	(0.01)	0.00	(0.01)	0.00	(0.01)	0.00	(0.01)	0.00
Net income (loss)	(179,723)	(135,510)	55,433	(46,648)	(63,384)	(87,250)	(160,569)	(119,614)
Per Share - basic	(0.01)	(0.01)	0.00	0.00	0.00	0.00	(0.01)	(0.01)

The per share amounts reflect the two for one consolidation of shares, approved by the shareholders on June 9, 2010.

Capital Expenditures

On September 15, 2010, the Company closed the acquisition of a producing property for the net consideration of $405,992. The effective date of the acquisition was June 1, 2010.

On November 19, 2010, Relentless acquired two sections of undeveloped land in the Loverna area of Saskatchewan for $550,000. The consideration paid was $500,000 cash and 500,000 common shares at a price of $0.10.

Liquidity and Capital Resources

Relentless has a bank revolving loan facility of $275,000 to fund future activities. The borrowing base of the facility is determined by Relentless' latest reserves assessment, results of operations, current and forecasted commodity prices and the prevailing economic market. The facility is reviewed annually with the next scheduled review as at April 30, 2011. As at December 31, 2010, no amounts were drawn on the facility.

The seasonal and capital intensive nature of our activities can create a negative working capital position in quarters with high levels of exploration and development capital spending.

The industry has a pre-arranged monthly settlement day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month in which the production is sold. As a result Relentless collects sales revenues in an organized manner. Management monitors purchaser credit positions to mitigate any potential credit losses. To the extent Relentless has joint interest activities with industry partners we must collect, on a monthly basis, partners' share of capital and operating expenses. These collections are subject to normal industry risk. Relentless collects in advance for significant amounts related to partners' share of capital expenditures in accordance with the industry operating procedures. At December 31, 2010, Relentless had no material accounts receivable deemed uncollectible.

Accounts payable consists of invoices payable to trade suppliers relating to office and field operating activities and our capital spending program. Relentless processes invoices within a normal payment period.

We continually manage Relentless' capital spending program by monitoring forecasted production, commodity prices and anticipated cash flow. Should circumstances arise that negatively affect cash flow, Relentless is capable of reducing the level of future capital spending.

Relentless' investing activities, which consist primarily of capital expenditures on oil and natural gas activities, will be funded with a combination of working capital, funds generated by operations and bank debt.

Related Parties

During the year, the Company paid $108,606 (2009 - $68,655) for office and administrative expenses, to a company related by a common control person and a common director; $168,823 (2009 - $72,500) was paid for management consulting services to companies controlled by directors; $15,772 (2009 - $43,777) was paid to a Company controlled by a related party for interest on short-term loans; and $34,754 (2009 - $73,278) was paid to a law firm who employs a former director of the Company.

On March 1, 2010, the Company sold its interest in various producing properties for $1,250,000, before closing adjustments, to a related party. The parties are related with a common shareholder and director. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The $610,000 short term loan from a related party, which bore interest at prime plus four percent, was repaid during the year from the proceeds of the property sale. The parties were related with a common shareholder and director.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Share Information

On April 12, 2010 the Company issued 6,000,000 common shares at a price of five cents per share for gross proceeds of $300,000.

Effective June 9, 2010 the Company consolidated its share capital on a two for one basis. On June 11, 2010 the common shares began trading under the symbol "RRL" on the TSX Venture Exchange.

On November 19, 2010, the Company closed on the acquisition of undeveloped lands for a total consideration of $550,000. The acquisition was paid with $500,000 of cash and the issuance of 500,000 common shares at a value of $0.10 per share.

In conjunction with the closing of the acquisition, Relentless completed a private placement of 5,500,000 common shares at a price of $0.20 per share for total proceeds of $1,100,000.

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.

	December 31, 2010	December 31, 2009
Common shares issued and outstanding	24,172,585	11,839,250

On September 15, 2010 the Corporation approved the grant of a total of 932,500 stock options to directors, officers, employees and consultants of the company. The options are exercisable into common shares of the company at an exercise price of $0.10 per share, vest immediately and have a five-year term to expiry.

In conjunction with the common shares issued on a "flow-through basis" issued on December 22, 2010, the Company issued a total of 58,578 finders warrants exercisable into common shares at a price of $0.30 per share for a term of one year.

Critical Accounting Estimates

The significant accounting policies of Relentless are disclosed in Note 4 to the financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, and revenues and expenses. Relentless' management reviews its estimates regularly.

There are a number of critical estimates underlying the accounting policies employed in preparing the financial statements including cost estimates for services received but not yet billed which are estimated based on original quotes and historical cost information. In addition, estimates are provided for income taxes, stock based compensation, asset retirement obligations and depreciation, depletion and amortization of property and equipment.

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of certain assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The financial statements do not include any adjustments relating to the recoverability and the classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from estimated and recorded in the Company's financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has established and maintains disclosure controls and procedures that have been designed by, or under the supervision of, the Company's Chief Executive Officer and the Chief Financial Officer ("Certifying Officers") to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. Such disclosure controls and procedures are referred to as the "Disclosure Controls and Procedures".

The Certifying Officers have evaluated, or caused to be evaluated under the supervision, the effectiveness of the Company's Disclosure Controls and Procedures as at December 31, 2010 and have concluded that such Disclosure Controls and Procedures were effective as at that date to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized, and reported within the time periods specified in the securities legislation and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Certifying Officers believe that the Company's Disclosure Controls and Procedures are effective to provide a reasonable level of assurance, they do not expect that the Disclosure Controls and Procedures will provide an absolute level of assurance or prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are achieved.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has established and maintains internal controls over financial reporting that have been designed by, or under the supervision of, the Company's Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP applicable to the Company and reasonable assurance that all assets are safeguarded and transactions are appropriately authorized and recorded to facilitate the preparation of relevant, reliable and timely information. Such internal controls over financial reporting are herein referred to as "ICFR". The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR as required by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the Certifying Officers concluded that the Company's ICFR was effective at December 31, 2010 for the purposes described above. It should be noted that a control system, including the Company's, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the ICFR will prevent all errors and fraud.

CHANGE IN ACCOUNTING POLICIES

On January 1, 2009 the Company prospectively adopted the following Canadian Institute of Chartered Accountant (CICA") Handbook Sections:

Section 3064 Goodwill and Intangible Assets, which defines the criteria for the recognition of intangible assets. The adoption of this Section had no impact on the Company's Financial Statements.

EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of this EIC did not have a material effect on the Company's Financial Statements.

Section 3855 Financial Instruments — Recognition and Measurement and Section 3025 Impaired Loans which were amended to converge with international standards (IAS 39 Financial Instruments — Recognition and Measurement) for impairment of debt instruments by changing the categories into which debt instruments are required or permitted to be classified. The adoption of these Sections did not have an impact on the Company's Financial Statements.

Section 3862 Financial Instruments — Disclosures which was amended in June 2009 to include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after December 31, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in IFRS. The Company has included the applicable disclosures related to this Section in Note 9 of the Financial Statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS Transition Plan

In February 2009, the CICA's Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Relentless will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed a transition plan to complete the transition to IFRS by January 1, 2011, including the preparation of 2010 required comparative information.

Relentless' transition plan includes training and development throughout the organization, and three key phases:

- Scoping and diagnostic phase

This phase involves performing a high level impact analysis to identify areas that may be affected by the transition to IFRS. The results of this analysis are priority ranked according to complexity and the amount of time required to assess the impact of changes in transitioning to IFRS.

- Impact analysis and evaluation phase

During this phase, items identified in the diagnostic phase are addressed according to the priority levels assigned to them. This phase involves analysis of policy choices allowed under IFRS and their impact on the financial statements. In addition, certain potential differences are further investigated to assess whether there may be a broader impact to Relentless' debt agreements, business processes or management reporting systems. The conclusion of the impact analysis and evaluation phase will require the Audit Committee of the Board of Directors to review and approve all accounting policy choices as proposed by management.

- Implementation phase

This phase involves implementation of all changes approved in the impact analysis phase and will include changes to information systems, business processes, modification of agreements and training of all staff who are impacted by the conversion.

During 2010, Relentless made significant progress on its transition plan. The Company conducted preliminary analysis of accounting policy alternatives and preliminarily drafted several of its IFRS accounting policies. Broader business process and systems impacts have been considered for significant areas of impact, with internal control requirements taken into account.

Process and system changes will be implemented in early 2010 to ensure IFRS comparative data is captured. Relentless IFRS accounting policies are expected to be finalized mid-2010. Quantification of IFRS impacts will then be determined utilizing previously captured data.

Relentless will continue to update its IFRS transition plan to reflect new and amended accounting standards issued by the International Accounting Standards Board ("lASB").

IFRS Accounting Policies

Relentless has completed its analysis of accounting policy alternatives and determined the areas that will be most significantly affected by the adoption of IFRS. The areas identified as being significant have the greatest potential impact to the Company's financial statements or the greatest risk in terms of complexity to implement. The most significant areas continue to include:

Property, Plant and Equipment ("PP&E"), including;

- Transition on date of adoption of IFRS
- Pre-exploration costs
- Exploration and Evaluation (E&E) costs

Depletion, depreciation and amortization
Impairment testing
Decommissioning liabilities (known as "asset retirement obligations" under GAAP)
Stock-based compensation
Income taxes

Each of these significant impact areas is discussed in more detail below.

Property, Plant & Equipment

PP&E will be one of the most significant areas impacted by the adoption of IFRS. Under Canadian GAAP, Relentless follows the CICA's guideline on full cost accounting, while IFRS has no equivalent guideline. In order to facilitate the transition to IFRS by full cost accounting companies, the lASB released additional exemptions for first-time adopters of IFRS in July 2009. Included in the amendments is an exemption which permits full cost accounting companies to allocate their existing PP&E net book value (full cost pool) over reserves to the unit of account level upon transition to IFRS. Relentless expects to adopt this exemption and is currently evaluating whether to allocate based on reserve volumes or values. Without this exemption, the Company would have been required to retrospectively determine the carrying amount of oil and gas assets at the date of transition, or use the fair value or revaluation amount as the new deemed cost under IFRS. By using the exemption, the net book value of Relentless PP&E at the date of transition to IFRS will be the same as it was under Canadian GAAP, subject to any potential IFRS impairments that are recognized at the date of transition.

In moving to IFRS, Relentless will be required to adopt different accounting policies for pre-exploration activities, exploration and evaluation costs, DD&A and the accounting for gains and losses on divestitures of properties.

Pre-exploration costs are costs incurred before the Company obtains the legal right to explore an area. Under Canadian GAAP, these costs are capitalized, while under IFRS, these costs must be expensed. At this time, Relentless does not anticipate that this accounting policy difference will have a significant impact on the financial statements.

During the exploration and evaluation phase, Relentless capitalizes costs incurred for these projects under Canadian GAAP. Under IFRS, the Company has the alternative to either continue capitalizing these costs until technical feasibility and commercial viability of the project is determined, or to expense these costs as incurred. At this time, Relentless IFRS accounting policy in relation to E&E activities has not been finalized.

Under Canadian GAAP, Relentless calculates its depletion, depreciation and amortization rate at the country cost centre level. Under IFRS, this rate will be calculated at a lower unit of account level. At this time, the Company has not finalized its policy in this regard, and therefore the impact of this difference in accounting policy is not reasonably determinable.

Full cost accounting under Canadian GAAP requires that gains or losses on divestitures of properties are only recognized when the disposal would affect the DD&A rate by 20 percent or more. Under IFRS, there is no such exemption, and therefore Relentless will be required to recognize all gains and losses on property divestitures. At this time, the impact of this difference in accounting policy is not reasonably determinable.

As a result of the additional exemption released by the IASB in July 2009, the Company anticipates that all changes to its PP&E accounting policies will be adopted prospectively.

Impairment Testing

For the first step of the impairment test under Canadian GAAP, future cash flows are not discounted. Under IFRS, the future cash flows are discounted. In addition, for PP&E, impairment testing is currently performed at the country cost centre level, while under IFRS, it will be performed at a lower level, referred to as a cash-generating unit. The impairment calculations will be performed using either total proved or proved plus probable reserves. Canadian GAAP prohibits reversal of impairment losses. Under IFRS if the conditions giving rise to impairment have reversed, impairment losses previously recorded would be partially or fully reversed to eliminate write-downs recorded. Relentless expects to adopt these changes in accounting policy prospectively. At this time, the impact of accounting policy differences related to impairment testing is not reasonably determinable.

Asset Retirement Obligation

Under Canadian GAAP, the Company recognizes a liability for the estimated fair value of the future retirement obligations associated with PP&E. The fair value is capitalized and amortized over the same period as the underlying asset. Relentless estimates the liability based on the estimated costs to abandon and reclaim its net ownership interest in wells and facilities, including an estimate for the timing of the costs to be incurred in future periods. These cash outflows are discounted using a credit-adjusted rate. Changes in the net present value of the future retirement obligation are expensed through accretion as part of DD&A. Under IFRS, these liabilities are known as "decommissioning liabilities" and are included in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Decommissioning liabilities are calculated at each reporting period using estimate of risk-adjusted future cash outflows discounted using a risk-free rate. Changes in the net present value of the future retirement obligation are expensed through accretion as part of DD&A. Due to the change in the discount rate from a credit-adjusted rate to a risk-free rate, Relentless expects there may be an increase in the value of the decommissioning liability under IFRS as compared to Canadian GAAP. However the difference, if any, is not known at this time.

Stock-based Compensation

IFRS 2 Share-Based Payments requires the expense related to share-based payments to be recognized as the options vest; that is, for options that vest over a period of time, each tranche must be treated as a separate option grant which accelerates the expense recognition in comparison to Canadian GAAP which allows the expense to be recognized on a straight-line basis over the period the options vest. While the carrying value for each reporting period will be different under IFRS, the cumulative expense recognized over the life of the instrument under both methods will be the same. Relentless expects to adopt this change in accounting policy prospectively. At this time, the impact of this difference has not been determined.

Income Taxes

In transitioning to IFRS, the carrying amount of Relentless' tax balances will be directly impacted by the tax effects resulting from changes required by the above IFRS accounting policy differences. Due to the recent withdrawal of the exposure draft on IAS 12 Income Taxes in November 2009, Relentless is still determining the impact of the revised standard on its IFRS transition. Therefore, at this time the income tax impacts of our differences are not reasonably determinable.

Changes to IFRS Accounting Standards

Relentless' analysis of accounting policy differences specifically considers the current IFRS standards that are in effect. The Company will continue to monitor any new or amended accounting standards that are issued by the IASB, including assessing any impact of the new joint ventures standard that the IASB expects to publish in the first quarter of 2010.

Internal Controls over Financial Reporting

Relentless does not anticipate that the transition to IFRS will have a significant impact on either its internal controls over financial reporting, or its disclosure controls and procedures. As the review of Relentless' accounting policies is completed, an assessment will be made to determine changes necessary for internal controls over financial reporting. For example, additional controls and review will be implemented as necessary for the IFRS 1 changes such as the allocation of Relentless' PP&E as well as the process for reclassifying E&E expenditures from PP&E on transition. This has been an ongoing process throughout 2010 to ensure that all changes in accounting policies include the appropriate additional controls and procedures for future IFRS reporting requirements. Throughout the transition, Relentless will assess stakeholders' information requirements and will ensure that adequate and timely information is provided so that all stakeholders remain apprised.

Facilities are important to the Company because it relies on this source of capital to fund its capital budget in excess of its internally generated funds. Should the Reserves Estimates change materially and negatively, it may have a material adverse affect on the amount of capital available to the Company under the credit facilities, which may impair the Company's ability to pursue its business plans.

Asset Retirement Obligations

Relentless records a liability for the fair value of legal obligations associated with the retirement of long-lived assets in the period in which they are incurred, normally when the asset is purchased or developed. In the oil and gas industry, this retirement obligation is normally associated with abandonment and reclamation costs relating to wells and facilities. On recognition of the asset retirement obligation there is a corresponding increase in the carrying amount of the related asset (an increase to petroleum and natural gas properties and equipment) which is recorded as the asset retirement cost. The total future asset retirement obligation is an estimate at a point in time based on the Company's net ownership interest in all wells (producing, shut-in, suspended and others) and facilities, the estimated cost to abandon and reclaim these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is the Company's best estimate at any given point in time that is subject to measurement uncertainty and any change may potentially impact the liability materially.

Relentless attempts to mitigate this risk by reviewing all of its wells and facilities included in the calculation and by utilizing the expertise of its reserve evaluation consultants in order to provide the best estimates possible at the time.

Current Income Taxes

The Company is required to file a corporate income tax return annually and is required to pay any income tax liability in a timely manner. As a result of this requirement, Relentless must estimate at the end of each financial reporting period its potential current income tax liability for the particular fiscal year in question. In order to determine its income tax liability for the fiscal year, the Company must estimate revenue, royalties other income, operating expenses, general and administrative expenses, interest expense, capital expenditures and other relevant items. The Company makes these estimates using its budget approved by the Board of Directors and adjusts it for any actual history up to the time the estimate is made. The critical estimates in this process are production rates, commodity prices, capital expenditures and the tax category of these capital expenditures for the entire fiscal period. The risk of materially misstating the amount of current taxes payable is highest in respect of the first quarter and reduces for each quarter thereafter as more actual data is used and the estimated amounts apply to a shorter period.

To the extent that the estimate of current taxes payable varies materially from the actual amount of taxes payable, the Company may be required to pay an unexpected material amount of taxes which may adversely affect the Company's financial condition. The most critical part of this estimate is the estimate of the amount and tax category of capital expenditures that will be incurred during the relevant year as those expenditures form the basis of any new tax pools that Relentless can use as deductions in respect of that year. To the extent that a material amount of capital allocated to exploration drilling which is 100% deductible in the fiscal year, is ultimately allocated to development drilling which is only 30% deductible in the fiscal year, the Company's current taxes payable can change materially. There is a risk that wells that are drilled in an effort to encounter a new oil or natural gas accumulation can encounter an already discovered accumulation,

thus changing the tax category from exploration expenditure to development expenditure. This risk is significant because many wells drilled by the Company are drilled in proximity to other wells and the tax category of the expenditures is not finally determined until drilling is completed. To mitigate this risk, the Company allocates its entire budget to tax categories based on discussions with its operations group and reviews the continuing validity of these categorizations at the end of each reporting period.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ from that estimated and recorded by Management.

RISK FACTORS & RISK MANAGEMENT

Commodity Price Risk

Relentless' liquidity and cash flow are largely impacted by petroleum and natural gas commodity prices. Currently, Relentless has not hedged any of its oil and natural gas production at the date hereof and although it does monitor the hedge market, its strategy is to continue and to sell its oil and natural gas production at the spot market rate. Management remains bullish about future commodity prices and believes Relentless is well positioned to take advantage of a rising oil and natural gas price environment. If there is a significant deterioration in the price it receives for oil and natural gas, Relentless will consider reducing its capital spending or access alternate sources of capital.

Foreign Currency Exchange Risk

The Company is exposed to foreign currency fluctuations because its Canadian revenues are strongly linked to United States dollar denominated benchmark prices.

Production Risk

Relentless believes it has a stable production base from a large number of producing wells and that an adverse event affecting production at any single well would not cause a liquidity issue. Nonetheless, Relentless remains subject to the risk that production rates of its most significant wells may decrease in an unpredictable and uncontrollable manner, which could result in a material decrease in the Company's overall production and associated cash flows.

The majority of Relentless' production passes through owned or third party infrastructure prior to it being ready for transfer at designated commodity sales points. There is a risk that should this infrastructure fail and cause a significant portion of Relentless' production to be shut-in and unable to be sold, this could have a material adverse effect on Relentless' available cash flow. The Company mitigates this risk by purchasing business interruption insurance policies for its significant owned infrastructure and contingent business interruption insurance policies for its significant third party infrastructure.

Reserve Replacement Risk

Oil and natural gas reserves naturally deplete as they are produced over time. The success of the Company's business is highly dependent on its ability to acquire and/or discover new reserves in a cost efficient manner. Substantially all of the Company's cash flow is derived from the sale of the petroleum and natural gas reserves it accumulates and develops. In order to remain financially viable, the Company must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis. The reserves and costs used in this determination are estimated each year based on numerous assumptions and these estimates and costs may vary materially from the actual reserves produced or from the costs required to produce those reserves. In order to mitigate this risk, the Company employs a competent and experienced team of petroleum and natural gas professionals and closely monitors the capital expenditures made for the purposes of increasing its petroleum and natural gas reserves.

Health, Safety & Environmental Risk

Health, safety and environment risks influence the workforce, operating costs and the establishment of regulatory standards. Relentless provides staff with the training and resources need to complete work safely and effectively; incorporates hazard assessment and risk management as an integral part of everyday operations; monitors performance to ensure its operations comply with legal obligations and internal standards; and identifies and manages environmental liabilities associated with its existing asset base. The Company has a site inspections program and a corrosion risk management program designed to

ensure compliance with environmental laws and regulations. Relentless carries insurance to cover a portion of property losses, liability to others and business interruption resulting from unusual events.
Relentless is subject to the risk that the unexpected failure of its equipment used in drilling, completing or producing wells or in transporting production could result in releases of fluids substances that pollute or contaminate lands at or near its facilities which could result in significant liability to the Company for costs of clean up, remediation and reclamation of contaminated lands. Relentless' policy with regards to the environment is to conduct all operations with due regard for the potential impact on the environment. This policy is implemented by hiring skilled personnel and reminding staff involved with operations of their responsibilities in this regard and by retaining expert environment advice and assistance to deal with environmental releases and remediation and reclamation work where such expertise is needed.

Regulatory Risk

Government royalties, income tax laws, environmental laws and regulatory requirements can have a significant financial and operational impact on the Company. As an oil and natural gas producer, Relentless is subject to a broad range of regulatory requirements. Relentless does its best to remain knowledgeable regarding changes to the regulatory regime under which it operates.

All of Relentless' properties are currently located within the province of Alberta. There is a risk that although the Company believes it is making an economic investment at the time all of the upfront capital is invested in facilities or drilling, completing and equipping an oil or natural gas well, the Government may at any point in the economic life of that project, expropriate without compensation a portion of the expected profit under a new royalty/tax regulation or regime with no grandfathering provisions. Without grandfathering provisions this may cause that particular project to become uneconomic once the new royalties or taxes take effect. This type of possible future government action is unpredictable and cannot be forecast by the Company.

Counterparty Risk

Relentless assumes customer credit risk associated with oil and gas sales and joint venture participants. To mitigate this risk, the Company performs regular reviews of receivables to minimize default or non-payment and takes the majority of its production in kind. The Company also puts in place security arrangements with respect to amounts owed to it by others when reviews indicate it is appropriate to do so.

Access to Credit Markets

Due to the nature of the Company's business it is necessary from time to time for the Company to access other sources of capital beyond its internally generated cash flow in order to fund the development and acquisition of its long term asset base. As part of this strategy the Company obtains some of this necessary capital by incurring debt and therefore the Company is dependent to a certain extent on continued availability of the credit markets.
The continued availability of the credit markets for Relentless is primarily dependent on the state of the economies and the health of the banking industry in Canada and United States. There is risk that should these economies and banking industry see unexpected and/or prolonged deterioration, then Relentless' access to credit markets may contract or disappear all together. The Company tries to mitigate this risk by dealing with reputable lenders and tries to structure its lending agreements to give it the most flexibility possible should these situations arise. However, the situations that may give rise to credit markets tightening or disappearing are ultimately uncontrollable by Relentless.

Relentless is also dependent to a certain extent on continued access to equity capital markets. The Company is listed on the Toronto Stock Exchange and maintains an active investor relations program. Continued access to capital is dependent on Relentless' ability to continue to perform at a level that meets market expectations.

Climate Change Risks

North American climate change policy is evolving at both regional and national levels and recent political and economic events may significantly affect the scope and timing of new climate change measures that are ultimately put in place. Although it is not the case today, the Company expects that some of its significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage greenhouse gas ("GHG") emissions.
The Specified Gas Emitters Regulation, which came into effect in Alberta in 2007, requires large industrial facility emitters of GHG to reduce GHG emissions intensities by 12 per cent. Each of Relentless' facilities is below the 100,000 tonnes per year threshold that this regulation applies to.

The Government of Alberta released its climate change strategy which sets a target to reduce GHG emissions in Alberta by 50% by 2050. Implementing carbon capture and storage technology across industrial sectors is a large component of the strategy, along with energy-efficiency measures, clean energy technologies, and expanding the use of renewable sources of energy. In July 2009, the Alberta government announced that it will commit to $2 billion in capital investments to fund the carbon capture and storage technology.

The Canadian government has expressed interest in pursuing the development of a North American cap and trade system for GHG emissions. In April 2007, the Government of Canada released the Regulatory Framework for Air Emissions ("Framework"). The Framework outlines short, medium and long-term objectives for managing both GHG emissions and air pollutants in Canada. It is uncertain how the Framework will fit within a North American cap and trade system and what the specific requirements for industrial emitters such as Relentless will be. Proposed regulations have not yet been released and therefore it is uncertain whether the impacts from such future regulations will be material to the Company.

In addition there are a number of regional initiatives being pursued by various provinces and US states such as the Western Climate Initiative which involves seven western US states and Alberta and three other Canadian provinces which are focused on the implementation of a cap and trade program. The Company anticipates a number of its facilities may be affected by these initiatives, however, the level of impact is uncertain as key details remain unknown.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (hereinafter collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. These statements relate to future events or our future performance and are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. All statements other than statements of historical fact are forward-looking statements. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "would", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Such forward-looking statements in this MD&A speak only as of the date of this MD&A.

In particular, this MD&A contains forward-looking statements pertaining to the following: drilling inventory, drilling plans and timing of drilling, completion, re-completion and tie-in of wells; plans for facilities construction and completion of construction and the timing and method of funding thereof; productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production; drilling, completion and facilities costs; results of projects of the Company; ability to lower costs borne by the Company; production growth expectations; timing of development of undeveloped reserves; the tax horizon of the Company; the future performance and characteristics of the Company's oil and natural gas properties; oil and natural gas production levels; the quantity of oil and natural gas reserves; planned capital expenditure programs; supply and demand for oil and natural gas; commodity prices; the future impact of Canadian federal and provincial governmental regulation on the Company; weighting of production between different commodities; expected levels of royalty rates and incentives, operating costs, general administrative costs, costs of services and other costs and expenses; expectations regarding the Company's ability to raise capital and to add to reserves through acquisitions, exploration and development; and treatment under tax laws. With respect to such forward-looking statements, the key assumptions on which the Company relies are: that future prices for crude oil and natural gas, future currency exchange rates and interest rates and future availability of debt and equity financing will be at levels and costs that allow the Company to manage, operate and finance its business and develop its properties and meet its future obligations; that the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company will not become so onerous as to preclude the Company from viably managing, operating and financing its business and the development of its properties; and that the Company will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise and specialized and other equipment and services it requires to manage, operate and finance its business and develop its properties.

All such forward-looking statements necessarily involve risks associated with oil and gas exploration, production and marketing which may cause actual results to differ materially from those anticipated in the forward-looking statements. Some of those risks include: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in the price of oil and natural gas; changes in governmental regulation of the oil and gas industry, including environmental regulation; fluctuations in foreign exchange rates or interest rates; geological, technical, drilling and processing problems and other difficulties in producing reserves; unanticipated operating events which can damage facilities or reduce production or cause production to be shut in or delayed; failure to obtain regulatory approvals in a timely manner; adverse conditions in the debt and equity markets; competition from others for scarce resources; and other factors disclosed under "Risk Factors" in this MD&A. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company is not under any duty to update any of the forward-looking statements after the date of this MD&A to conform such statements to actual results or to changes in the Company's plans or expectations, except as otherwise required by applicable securities laws.

CORPORATE INFORMATION

Directors

Daniel T. Wilson, Chairman (1)
Calgary, Alberta

Thomas W. Robinson (1)
Calgary, Alberta

William C. Macdonald (1)
Calgary, Alberta

(1) Audit Committee

Officers

Daniel T. Wilson
President & Chief Executive Officer

Randall P. Boyd
VP, Finance & Chief Financial Officer

Thomas W. Robinson
Corporate Secretary

Stock Exchange Listing

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Abbreviations

bbl	barrels
bbl/d	barrels of oil per day
mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
NGL	natural gas liquids
boe	barrel of oil equivalent (6:1)
boe/d	barrel of oil equivalent per day

All sums of money are expressed in Canadian Dollars