



**FINANCIAL STATEMENTS  
FOR THE  
THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012**

**(UNAUDITED)**

**NOTICE OF NO AUDITOR REVIEW**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited interim financial statements have been prepared by management and the Corporation's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

# RELENTLESS RESOURCES LTD.

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Canadian \$ thousands)

	Note	September 30, 2012	December 31, 2011
<b>Assets</b>			
Current assets:			
Cash		-	\$ 1,110
Inventory		-	10
Trade and other receivables		173	211
Deposits and prepaid expenses		25	10
<b>Total current assets</b>		<b>198</b>	<b>1,341</b>
Non-current assets:			
Exploration and evaluation assets	3	-	-
Property and equipment	4	3,166	3,256
<b>Total non-current assets</b>		<b>3,166</b>	<b>3,256</b>
<b>Total assets</b>		<b>\$ 3,364</b>	<b>\$ 4,597</b>
<b>Liabilities</b>			
Current liabilities:			
Bank debt	5	418	-
Trade and other payables		170	\$ 1,929
Flow-through share liability	6	-	125
<b>Total current liabilities</b>		<b>588</b>	<b>2,054</b>
Non-current liabilities:			
Decommissioning obligations	7	305	301
<b>Total non-current liabilities</b>		<b>305</b>	<b>301</b>
<b>Total liabilities</b>		<b>\$ 893</b>	<b>\$ 2,355</b>
<b>Shareholders' Equity</b>			
Share capital	8	6,366	6,366
Contributed surplus		634	628
Deficit		(4,529)	(4,752)
<b>Total shareholders' equity</b>		<b>2,471</b>	<b>2,242</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 3,364</b>	<b>\$ 4,597</b>

The notes are an integral part of these financial statements.

# RELENTLESS RESOURCES LTD.

## CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

For the three and nine months ended September 30, 2012  
(Canadian \$ thousands, except per share amounts)

	Note	Three Months		Nine Months	
		2012	2011	2012	2011
<b>REVENUE</b>					
Oil and natural gas revenue		\$ 261	\$ 696	\$ 1,188	\$ 1,038
Royalties		(8)	(37)	(64)	(109)
		253	659	1,124	929
<b>EXPENSES</b>					
Operating expenses		122	123	425	247
Depletion and depreciation		77	53	315	131
General administration		66	83	260	323
Share based compensation	9	6	-	6	198
		271	259	1,006	899
Results from operating activities		(18)	400	118	30
Finance income		-	1	1	5
Finance expense		(12)	(1)	(21)	(4)
Flow-through share income	6	-	-	125	100
Net finance income (expense)		(12)	-	105	101
Comprehensive income (loss)		\$ (30)	\$ 400	\$ 223	\$ 131
Income (loss) per share:	10				
Basic and diluted		\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.01

The notes are an integral part of these financial statements.

# RELENTLESS RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES TO SHAREHOLDERS' EQUITY  
*For the nine months ended September 30, 2012*  
(Canadian \$ thousands, except share amounts)

	Note	Number of common shares	Share capital	Contributed surplus	Deficit	Total equity
<b>Balance at December 31, 2011</b>		<b>26,825,085</b>	<b>\$ 6,366</b>	<b>\$ 628</b>	<b>\$ (4,752)</b>	<b>\$ 2,242</b>
Income for the Period		—	—	—	223	223
Options Issued				6		6
<b>Balance at September 30, 2012</b>		<b>26,825,085</b>	<b>\$ 6,366</b>	<b>\$ 634</b>	<b>\$ (4,529)</b>	<b>\$ 2,471</b>
<b>Balance at January 1, 2011</b>		<b>24,172,585</b>	<b>\$ 5,488</b>	<b>\$ 464</b>	<b>\$ (3,412)</b>	<b>\$ 2,540</b>
Share based compensation	9	—	—	164	—	164
Options exercised	9	145,000	23	—	—	23
Flow through shares issued	8	2,500,000	1,000	—	—	1,000
Warrants exercised	8	7,500	2	—	—	2
Share issue costs		—	(147)	—	—	(147)
Loss for the year		—	—	—	(1,340)	(1,340)
<b>Balance at December 31, 2011</b>		<b>26,825,085</b>	<b>\$ 6,366</b>	<b>\$ 628</b>	<b>\$ (4,752)</b>	<b>\$ 2,242</b>

The notes are an integral part of these financial statements.

# RELENTLESS RESOURCES LTD.

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2012  
(Canadian \$ thousands)

	Note	Three Months		Nine Months	
		2012	2011	2012	2011
<b>Cash flows from operating activities:</b>					
Comprehensive income (loss) for the period		\$ (30)	\$ 400	\$ 223	\$ 131
<b>Adjustments for:</b>					
Depletion and depreciation		77	53	315	131
Non-cash finance expenses		2	1	4	4
Share based compensation expense	9	6	-	6	198
Flow-through share income	6	-	-	(125)	(100)
Changes in non-cash working capital	11	38	460	33	263
<b>Net cash from (used in) operating activities</b>		<b>93</b>	<b>914</b>	<b>456</b>	<b>627</b>
<b>Cash flows used in investing activities:</b>					
Capital expenditures – property and equipment	4	(24)	(1,836)	(224)	(1,838)
Capital expenditures – exploration and evaluation	3	-	1,418	-	26
Change in non-cash working capital	11	(82)	(690)	(1,760)	(1)
<b>Net cash from (used in) investing activities</b>		<b>(106)</b>	<b>(1,108)</b>	<b>(1,984)</b>	<b>(1,813)</b>
<b>Cash flows from financing activities:</b>					
Repayment of loans and borrowings		-	-	-	-
Issuance of common shares		-	-	-	23
Proceeds from exercise of share options		-	-	-	15
<b>Net cash from (used in) financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>
<b>Change in cash</b>		<b>(13)</b>	<b>(194)</b>	<b>(1,528)</b>	<b>(1,148)</b>
<b>Cash, beginning of period</b>		<b>(405)</b>	<b>432</b>	<b>1,110</b>	<b>1,386</b>
<b>Cash, end of period</b>		<b>\$ (418)</b>	<b>\$ 238</b>	<b>\$ (418)</b>	<b>\$ 238</b>

The notes are an integral part of these financial statements.

# **RELENTLESS RESOURCES LTD.**

Notes to the Interim Financial Statements, page 1  
For the Nine months ended September 30, 2012 and 2011  
*(tabular amounts are in \$ thousands, except share and per share amounts)*

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## **1. Reporting entity:**

Relentless Resources Ltd. ("Relentless" or the "Company") is engaged in the exploration for, development and production of oil and natural gas reserves in the provinces of Alberta and Saskatchewan. The Company conducts many of its activities jointly with others and these financial statements reflect only Relentless' proportional interests in such activities. Relentless was incorporated under the provisions of the Business Corporations Act (Alberta) on April 7, 2004 as Open Range Capital Corp. and became New Range Resources Ltd. on March 30, 2006 upon the amalgamation with Open Range Resources Ltd., a private company related by way of common control. The Company began trading on October 14, 2004 and traded under the symbol of RGE on the TSX Venture Exchange. Effective June 9, 2010, the Company changed its name to Relentless Resources Ltd. On June 11, 2010, the common shares began trading under the stock symbol RRL on the TSX Venture Exchange. Relentless' head office is located at 855, 700 – 4<sup>th</sup> Avenue SW, Calgary, Alberta.

## **2. Basis of preparation:**

### **(a) Statement of compliance:**

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Certain information and footnote disclosure normally included in these statements prepared in accordance with IFRS, have been omitted or condensed. These unaudited condensed interim financial statements should be read in accordance with the Company's annual audited financial statements for the year ended December 31, 2011.

These financial statements were authorized for issuance by the Board of Directors on November 29, 2012.

### **(b) Basis of measurement:**

The unaudited condensed interim financial statements have been prepared on a going concern and historical cost basis.

# RELENTLESS RESOURCES LTD.

Notes to the Financial Statements, page 2

For the Nine Months Ended September 30, 2012 and 2011

*(tabular amounts are in Canadian \$ thousands, except share and per share amounts)*

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## 2. Basis of preparation (continued):

### (c) Use of estimates and judgments:

The preparation of unaudited condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the amounts of revenue and expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below. Accordingly, actual results may differ from these estimates as future events occur.

### (d) Reserve estimates / impairment

Reserve estimates impact a number of the areas referred to above in particular, the valuation of property and equipment and the calculation of depletion and depreciation.

## 3. Exploration and evaluation assets:

As at September 30, 2012, the Company did not incur any new exploration and evaluation assets.

All exploration and evaluation assets were deemed as property and equipment at the year ended December 31, 2011.

After December 31, 2011, no impairment has been recognized on the exploration and evaluation assets.

## 4. Property and equipment:

Cost or deemed cost:

Balance at December 31, 2011	\$5,415
Additions	224
<b>Balance at September 30, 2012</b>	<b>\$5,639</b>

Accumulated depletion, depreciation and impairment losses:

Balance at December 31, 2011	(2,158)
Depletion and depreciation	(315)
<b>Balance at September 30, 2012</b>	<b>\$ (2,473)</b>

Net book value:

<b>At September 30, 2012</b>	<b>\$ 3,166</b>
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# RELENTLESS RESOURCES LTD.

Notes to the Financial Statements, page 3

For the Nine Months Ended September 30, 2012 and 2011

*(tabular amounts are in Canadian \$ thousands, except share and per share amounts)*

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## 5. Bank loan:

The Company has a \$700,000 demand operating loan facility, subject to the banks' semi-annual review of the Company's petroleum and natural gas properties. The facility is available until May 15, 2013, at which time it may be extended, at the bank's option.

Interest payable on amounts drawn under the facility is at the banks' prime rate plus 1.75%. The credit facility is collateralized by a general security agreement and a first ranking charge on all lands of the Company. As at September 30, 2012, the Company had a loan balance of \$418,000.

## 6. Flow-through share liability:

<b>Balance at December 31, 2011</b>	<b>125</b>
Settlement of flow-through share liability on incurring expenditures	(125)
<b>Balance at September 30, 2012</b>	<b>-</b>

On October 6, 2011, the Company completed a private placement of 2,500,000 common shares on a "flow-through basis" at a price of \$0.40 per share for total proceeds of \$1,000,000. The Company paid an arm's-length party a finder's fee of \$22,125 and issued finders warrants exercisable into 22,125 common shares at a price of \$0.40 per share for a period of 12 months from the closing date.

## 7. Decommissioning obligations:

The following reconciles the Company's decommissioning obligations:

Balance at December 31, 2011	\$ 301
Accretion	4
<b>Balance at September 30, 2012</b>	<b>\$ 305</b>

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.

# RELENTLESS RESOURCES LTD.

Notes to the Financial Statements, page 4

For the Nine Months Ended September 30, 2012 and 2011

*(tabular amounts are in Canadian \$ thousands, except share and per share amounts)*

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## 8. Share capital:

An unlimited number of voting common shares may be authorized and issued.

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.

The following summarizes the share capital activity:

	Number of Shares	Issue Price	Amount
<b>Balance at December 31, 2010</b>	<b>24,172,585</b>		<b>\$ 5,488</b>
Issue of shares on exercise of options	145,000	\$0.10	23
Flow through share issuance (note 6)	2,500,000	0.40	1,000
Warrants exercised	7,500	0.30	2
Less flow-through liability			(125)
Less share issue costs			(22)
<b>Balance at December 31, 2011</b>	<b>26,825,085</b>		<b>\$ 6,366</b>
September 30, 2012	-		-
<b>Balance at September 30, 2012</b>	<b>26,825,085</b>		<b>\$ 6,366</b>

# RELENTLESS RESOURCES LTD.

Notes to the Financial Statements, page 5

For the Nine Months Ended September 30, 2012 and 2011

*(tabular amounts are in Canadian \$ thousands, except share and per share amounts)*

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## 9. Share based payments:

### (a) Stock options:

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase common shares in the Company. Options are granted at the market price of the common shares at the date of grant, have a five year term and vest immediately.

The number and weighted average exercise prices of share options for the year ended December 31, 2011 and for the nine months ended September 30, 2012 are as follows:

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	1,720,000	0.22	1,290,000	\$ 0.22
Expired during the period	(182,500)	0.3-0.60	-	-
Exercised during the period	-	-	(112,500)	0.10
Granted during the period	75,000	0.16	100,000	0.31
<b>Outstanding at period end</b>	<b>1,612,500</b>	<b>\$ 0.20</b>	<b>1,277,500</b>	<b>\$ 0.24</b>
<b>Exercisable at period end</b>	<b>1,612,500</b>	<b>\$ 0.20</b>	<b>1,277,500</b>	<b>\$ 0.24</b>

The range of exercise prices of the outstanding options at September 30, 2012 is as follows:

Exercise price	Options outstanding	Weighted average contractual life (years)
\$0.10	787,500	3.5
\$0.30	750,000	4.1
\$0.16	75,000	5.0
<b>\$0.10 to \$0.30</b>	<b>1,537,500</b>	<b>4.2</b>

# RELENTLESS RESOURCES LTD.

Notes to the Financial Statements, page 6

For the Nine Months Ended September 30, 2012 and 2011

*(tabular amounts are in Canadian \$ thousands, except share and per share amounts)*

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## 10. Profit/(Loss) per share:

Profit per share was calculated as follows:

	2012	2011
Profit (Loss) for the period	\$ (30)	\$ 131
Weighted average number of common shares (basic)		
Issued common shares at beginning of year	26,825,085	24,172,585
Share options exercised	-	112,500
Effects of shares issued	-	(81,000)
Weighted average number of common shares – basic and diluted	26,825,085	24,204,085
<b>Profit (Loss) per share – basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>

Excluded from diluted loss per share is the effect of stock options as their effect is anti-dilutive.

## 11. Supplemented cash flow information:

Changes in non-cash working capital for the periods ended September 30, is comprised of:

	2012	2011
Source of cash:		
Inventory	\$ 10	\$ -
Accounts receivable	38	(50)
Deposits and prepaid expenses	(15)	(9)
Accounts payable and accrued liabilities	(1,760)	651
	<b>\$ (1,727)</b>	<b>\$ 592</b>
Related to operating activities	33	592
Related to investing activities	(1,760)	-
	<b>\$ (1,727)</b>	<b>\$ 592</b>