

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Relentless Resources Ltd. ("Relentless", or the "Company"), is dated April 21, 2015. The MD&A should be read in conjunction with the audited financial statements for the year ended December 31, 2014, together with the notes thereto. Relentless's Board of Directors reviewed and approved the December 31, 2014 audited financial statements and related MD&A on April 21, 2015.

*Additional information about Relentless is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.rentless-resources.com](http://www.rentless-resources.com).*

**IFRS** - This MD&A and the financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**NON-IFRS MEASURES** - This MD&A provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Cash flow from operations, operating netback and net debt are not recognized measures under IFRS. Management believes that in addition to net income (loss), cash flow from operations, operating netback and net debt are useful supplemental measures that demonstrate the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of Relentless's performance. Relentless's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Cash flow from operations is calculated by adjusting net income (loss) for deferred income taxes, other income, accretion, share based compensation, decommissioning obligations, impairment and depletion and depreciation. Operating netback is calculated based on oil and gas revenue less royalties and operating expenses. Net debt is the total of accounts receivable plus prepaids and deposits, less accounts payable plus bank debt.

**BOE REFERENCE** - Reference is made to barrels of oil equivalent ("BOE" or "boe"). BOE may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a BOE conversion ratio of six mcf of natural gas to one bbl of oil has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**READER ADVISORY REGARDING FORWARD LOOKING INFORMATION** - Certain information set forth in this document, including management's assessment of Relentless's future plans and operations, contains forward-looking statements including: (i) forecasted capital expenditures and plans; (ii) exploration, drilling and development plans; (iii) prospects and drilling inventory and locations; (iv) anticipated production rates; (v) expected royalty rates; (vi) anticipated operating and service costs; (vii) financial strength; (viii) incremental development opportunities; (ix) total shareholder return; (x) growth prospects; (xi) sources of funding; (xii) decommissioning costs; (xiii) future crude oil and natural gas prices; (xiv) future drilling completion and tie-in of wells; and future acquisitions, which are provided to allow investors to better understand our business. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "budget", "outlook", "forecast" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation except as required by law to update or review them to reflect new events or circumstances.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

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**For the three months and years ended December 31, 2014 and 2013**

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### **2014 Highlights**

In 2014, Relentless had significant increases in daily production volumes, revenues and reserves.

Relentless increased corporate production from 63 boe/d in Q4 2013 to 260 boe/d in Q4 2014, an increase of 310%. The increase in daily production is mainly the result of:

- the production from the Company's Heathdale 8-7-27-9W4 horizontal well brought on-stream in October, 2014; and
- the acquisition of 127 boe/d of Peace River Arch conventional producing petroleum and natural gas properties in May, 2014 for \$3.0 million.

For the three months ended December 31, 2014 revenues increased 300% to \$1,093,891 as compared to \$273,166 in 2013.

### **Reserves**

As of December 31, 2014 total proved plus probable reserves increased by 387% to 658.5 mboe as compared reserves of 170.1 mboe as at December 31, 2013. The total proved reserves increased 412% from 114.7 mboe in December 2013 to 472.5 mboe in December, 2014. On a total proved basis, the total finding, development and acquisition costs were \$16.14/boe. On a total proved plus probable basis, the total finding, development and acquisition costs were \$12.30/boe. As of December 31, 2014, Relentless has no significant reserve bookings for undeveloped locations nor does the Company have any significant associated future development costs.

Relentless' Heathdale Area represents 22% of the current total proved plus probable reserves and 35% of the total proved plus probable reserve value (BTAX NPV10%) as at December 31, 2014. Subsequently, Relentless has placed on stream two Glauconite horizontal wells as further discussed below. Although the addition of greater than 200 boe/d from these new wells is in early stage, Management feels that these wells not only further derisk the play, but serve to add to the future producing and undeveloped reserves within the Company's asset base.

### **Heathdale Operations Update**

In Q3 2014 Relentless began development of the Heathdale assets acquired in June, 2014. The \$700,000 acquisition included a 100% working interest in 4 wells (1 producing, 3 non-producing) as well as associated lands. In July and August, 2014 Relentless recompleted the 3 non-producing well bores resulting in 2 producing oil wells and 1 suspended gas well.

In September, 2014 Relentless drilled the 100-per-cent working interest (before payout) Relentless Heathdale 8-7-27-9 W4 Glauconite horizontal oil well.

As previously reported the 8-7 well averaged 157 boe/d (85% oil) for the first 28 days. The 8-7 well was produced for 100 days (average 121 boe/d, 85% oil) and was shut in in February, 2015 to allow for facility construction associated with two new drills.

Subsequent to year end, Relentless drilled, completed and tied in two additional Glauconite horizontal wells (100% working interest). The 14-8 and 7-8-27-9 W4 wells were brought on-stream in March 2015 through a multiwell oil treating battery. The two wells have averaged a combined rate of 215 boe/d (85% oil) total over 17 days of production. These two wells, inclusive of the multiwell battery, constituted the \$3.2 million Q1 2015 Heathdale capital program.

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The initial 8-7 horizontal oil well, drilled in Oct 2014, is scheduled to be put back on production in May 2015 once the new treating facility and wells have been tested. The facility has been successful in treating the Glauconite emulsion to pipeline specification and enables the trucking of clean oil to sales. The facility is sized to accommodate future development and is currently licensed to 1,000 boe/d.

Relentless has derisked the Heathdale Glauconite play in the last year taking an acquisition of 8 boe/d to over 300 boe/d of current production capacity. On average, the first 3 horizontal wells at Heathdale have exceeded type curve expectations by over 25%. Two additional horizontal wells are currently licensed and ready to be drilled. Relentless has greater than 25 future locations on working interest lands at Heathdale.

Relentless' current field production estimate, prior to recommencing the 8-7 wells production, is approximately 380 boe/d (55% oil and liquids). Current net debt is estimated at \$2.5 million on a newly expanded credit facility of \$4.0 million.

The Management and Directors of Relentless thank you for your continued support.

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For the three months and years ended December 31, 2014 and 2013

### Financial Summary

Three months ended December 31			
	2014	2013	% Change
Oil and gas revenue	\$ 1,093,891	\$ 273,166	300
Cash flow from operations (1)	(85,010)	23,376	(464)
Per share - basic and diluted (1)	(0.00)	0.00	(191)
Comprehensive income (loss)	(2,722,305)	(1,153,943)	136
Per share - basic and diluted	(0.06)	(0.04)	56
Total assets	10,541,710	2,650,046	298
Net surplus (1)	984,028	181,645	442
Capital expenditures, net	\$ 1,181,989	\$ 36,384	3,149
Shares outstanding - end of period	63,759,095	30,025,085	112

Years ended December 31			
	2014	2013	% Change
Oil and gas revenue	\$ 2,993,030	\$ 1,333,874	124
Cash flow from operations (1)	592,916	385,592	54
Per share - basic and diluted (1)	0.01	0.01	13
Comprehensive income (loss)	(2,613,910)	(1,690,666)	55
Per share - basic and diluted	(0.06)	(0.06)	7
Total assets	10,541,710	2,650,046	298
Net surplus (1)	984,028	181,645	442
Capital expenditures, net	\$ 6,727,480	\$ 584,471	1,051
Shares outstanding - end of period	63,759,095	30,025,085	112

(1) Non IFRS measure

### Production Summary and Commodity Prices

Three months ended December 31			
	2014	2013	% Change
<b>Daily production</b>			
Oil and NGLs (bbl/day)	145	24	511
Natural gas (mcf/day)	691	239	190
Oil equivalent (boe/day @ 6:1)	260	63	310
<b>Realized commodity prices (\$CDN)</b>			
Oil and NGLs (bbl)	\$62.58	\$85.59	(27)
Natural gas (mcf)	\$4.08	\$3.93	4
Oil equivalent (boe @ 6:1)	\$45.70	\$46.76	(2)

Years ended December 31			
	2014	2013	% Change
<b>Daily production</b>			
Oil and NGLs (bbl/day)	74	33	124
Natural gas (mcf/day)	500	254	97
Oil equivalent (boe/day @ 6:1)	157	75	109
<b>Realized commodity prices (\$CDN)</b>			
Oil and NGLs (bbl)	\$79.35	\$83.61	(5)
Natural gas (mcf)	\$4.66	\$3.53	32
Oil equivalent (boe @ 6:1)	\$52.12	\$48.55	7

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### Cash Flow and Comprehensive Loss

Three months ended December 31	2014	2013	% Change	2014	2013	% Change
				(\$ / boe)	(\$ / boe)	
Oil and natural gas sales	1,093,891	273,166	300	45.70	46.76	(2)
Royalties	(133,678)	(32,076)	317	(5.58)	(5.49)	2
Revenue after royalties	960,213	241,090	298	40.12	41.27	(3)
Production, operating and transportation expenses	(518,526)	(136,075)	281	(21.66)	(23.29)	(7)
Operating cash flow <sup>(1)</sup>	441,687	105,015	321	18.45	17.98	3
General & administrative expenses	(178,093)	(152,947)	16	(7.44)	(26.18)	(72)
Other income	-	70,728	(100)	0.00	12.11	(100)
Flow through share indemnification expense	(350,186)	-	100	(14.63)	0.00	100
Interest and other financing charges	1,582	580	173	0.07	0.10	(33)
Cash flow from operations <sup>(1)</sup>	(85,010)	23,376	(464)	(3.55)	4.00	(189)
Other income	-	-	-	0.00	0.00	0
Share based compensation	(421,711)	(51,001)	727	(17.62)	(8.73)	102
Accretion	(829)	163,848	(101)	(0.03)	28.05	(100)
Impairment	(1,745,934)	(1,119,616)	-	(72.94)	(191.67)	(62)
Depletion and depreciation	(468,821)	(170,550)	175	(19.59)	(29.20)	(33)
Comprehensive income (loss)	(2,722,305)	(1,153,943)	136	(113.75)	(197.52)	(42)
\$ Per Share – Basic	(0.06)	(0.04)				
\$ Per Share - Diluted	(0.06)	(0.04)				

Years ended December 31	2014	2013	% Change	2014	2013	% Change
				(\$ / boe)	(\$ / boe)	
Oil and natural gas sales	2,993,030	1,333,874	124	52.12	48.55	7
Royalties	(356,144)	(103,720)	243	(6.20)	(3.78)	64
Revenue after royalties	2,636,886	1,230,154	114	45.92	44.77	3
Production, operating and transportation expenses	(1,100,027)	(527,577)	109	(19.16)	(19.20)	(0)
Operating cash flow <sup>(1)</sup>	1,536,859	702,577	119	26.76	25.57	5
General & administrative expenses	(583,106)	(384,867)	52	(10.15)	(14.01)	(28)
Other income	-	70,728	(100)	0.00	2.57	(100)
Flow through share indemnification expense	(350,186)	-	100	(6.10)	0.00	100
Interest and other financing charges	(10,651)	(2,846)	274	(0.19)	(0.10)	79
Cash flow from operations <sup>(1)</sup>	592,916	385,592	54	10.32	14.03	(26)
Other income	166,667	192,000	(100)	2.90	6.99	0
Share based compensation	(577,434)	(162,539)	40	(10.06)	(5.92)	70
Accretion	(47,599)	(16,380)	191	(0.83)	(0.60)	39
Impairment	(1,745,934)	(1,590,393)	100	(30.40)	(57.89)	(47)
Depletion and depreciation	(1,002,526)	(498,946)	101	(17.46)	(18.16)	(4)
Comprehensive income (loss)	(2,613,910)	(1,690,666)	55	(109.22)	(61.55)	77
\$ Per Share – Basic	(0.06)	(0.06)				
\$ Per Share - Diluted	(0.06)	(0.06)				

(1) Non IFRS measure

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### Reserve Reconciliation

			Proved	Probable	Proved + Probable
December 31, 2013	boe	114,700	55,500	170,200	
Drilling and completion		74,300	23,300	97,600	
Acquisitions		312,500	115,400	427,900	
Technical revisions/other		29,900	(8,100)	21,700	
Production		(58,900)	-	(58,900)	
December 31, 2014	boe	472,500	186,100	658,500	
<b>% increase</b>		<b>412%</b>	<b>335%</b>	<b>387%</b>	

### Reserve Ratios

Year ended December 31, 2014	Proved	Proved + Probable
Operating cash flow (\$)	1,536,859	1,536,859
Operating cash flow (\$/boe)	26.76	26.76
Total Capital Expenditures \$	6,727,480	6,727,480
<b>FD&amp;A costs (\$/boe)</b>	<b>16.14</b>	<b>12.30</b>
<b>Recycle ratio</b>	<b>1.66</b>	<b>2.18</b>

In 2014 through drilling, completion and acquisition Relentless increased it's proved plus probable reserves by 387%. Total finding, development and acquisition costs were \$12.30/boe, the recycle ratio was 2.18.

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### Eight Quarter Analysis

#### Daily Production and Commodity Prices

Three months ended	2014	2014	2014	2014	2013	2013	2013	2013
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
<b>Daily production</b>								
Oil and NGLs (bbl/d)	145	93	37	23	24	38	35	32
Natural gas (mcf/d)	691	744	308	250	239	306	253	222
Oil equivalent (boe/d @ 6:1)	260	217	88	65	63	89	77	68
<b>Realized commodity prices (\$CDN)</b>								
Oil and NGLs (bbl)	\$62.58	\$90.72	\$95.98	\$96.75	\$85.59	\$90.14	\$86.63	\$76.81
Natural gas (mcf)	\$4.08	\$4.40	\$5.16	\$6.31	\$3.93	\$2.78	\$3.87	\$3.54
Oil equivalent (boe @ 6:1)	\$45.70	\$53.95	\$58.92	\$59.75	\$46.76	\$48.05	\$52.54	\$48.52

#### Oil and Natural Gas Revenue by Product

Three months ended	2014	2014	2014	2014	2013	2013	2013	2013
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Oil and NGL revenue	834,781	777,090	326,729	204,732	186,900	315,127	278,941	226,120
Natural gas revenue	259,110	300,885	144,628	145,075	86,266	78,338	89,965	72,218
Total revenue	1,093,891	1,077,975	471,357	349,807	273,166	393,465	368,906	298,338
% Oil and NGLs	76%	72%	69%	59%	68%	80%	76%	76%
% Natural gas	24%	28%	31%	41%	32%	20%	24%	24%

#### Cash Flow from Operations

Three months ended	2014	2014	2014	2014	2013	2013	2013	2013
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Oil and natural gas sales	1,093,891	1,077,975	471,357	349,807	273,166	393,465	368,906	298,337
Royalties	(133,678)	(134,559)	(54,795)	(33,112)	(32,076)	(42,299)	(21,656)	(7,689)
Revenue after royalties	960,213	943,416	416,562	316,695	241,090	351,166	347,250	290,648
Production, operating and transportation expenses	(518,526)	(261,177)	(177,491)	(141,546)	(136,075)	(111,262)	(120,020)	(160,220)
<b>Operating cash flow (1)</b>	<b>441,687</b>	<b>682,239</b>	<b>239,071</b>	<b>175,149</b>	<b>105,015</b>	<b>239,904</b>	<b>227,230</b>	<b>130,428</b>
General & administrative expenses	(178,093)	(144,663)	(175,178)	(85,172)	(99,206)	(70,823)	(101,848)	(59,249)
Interest and other financing charges	1,582	178	664	(14,362)	579	(545)	(3,546)	576
Flow through share indemnification expense	(350,186)	-	-	-	-	-	-	-
<b>Cash flow from operations (1)</b>	<b>(85,010)</b>	<b>537,754</b>	<b>64,557</b>	<b>75,615</b>	<b>6,388</b>	<b>168,536</b>	<b>121,836</b>	<b>71,755</b>

#### Operating and Cash Flow Netbacks

Three months ended	2014	2014	2014	2014	2013	2013	2013	2013
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
<b>Daily production</b>								
Oil and NGLs (bbl/d)	145	93	37	23	24	38	35	32
Natural gas (mcf/d)	691	744	308	250	239	306	253	222
Oil equivalent (boe/d @ 6:1)	260	217	88	65	63	89	77	68
<b>Realized commodity prices (\$CDN)</b>								
Oil and NGLs (bbl)	\$62.58	\$90.72	\$95.98	\$96.75	\$85.59	\$90.14	\$86.63	\$76.81
Natural gas (mcf)	\$4.08	\$4.40	\$5.16	\$6.31	\$3.93	\$2.78	\$3.87	\$3.54
Oil equivalent (boe @ 6:1)	\$45.70	\$53.95	\$58.92	\$59.75	\$46.76	\$48.05	\$52.54	\$48.52

(1) Non IFRS measure

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### Daily Production and Commodity Prices

In Q4 of 2014, total production increased 310% to 260 boe/d when compared to 63 boe/d for the same period a year ago. The increase is due to the addition of oil volumes from the Heathdale 8-7 HZ well and the acquisition of 127 boe/d in May, 2014. Oil and NGLs production averaged 145 bbl/d in Q4 2014 as compared to 24 bbl/d in Q4 2013. Natural gas production averaged 691 mcf/d in the fourth quarter of 2014 compared to 239 mcf/d in the same period a year ago.

For the three months ended December 31, 2014, oil prices decreased 27% to \$62.58/bbl, compared to \$85.59/bbl for the same period a year ago. For the three months ended December 31, 2014, natural gas prices increased 4% to \$4.08/mcf, when compared to \$3.93/mcf realized in the same period in 2013.

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<u>Three months ended December 31,</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<b>Daily production</b>			
Oil and NGLs (bbl/d)	<b>145</b>	24	511
Natural gas (mcf/d)	<b>691</b>	239	190
Oil equivalent (boe/d @ 6:1)	<b>260</b>	63	310
<b>Realized commodity prices (\$CDN)</b>			
Oil and NGLs (bbl)	\$ <b>62.58</b>	\$ 85.59	(27)
Natural gas (mcf)	<b>4.08</b>	3.93	4
Oil equivalent (boe @ 6:1)	\$ <b>45.70</b>	\$ 46.76	(2)

For the year ended December 31, 2014, total production increased 109% to 157 boe/d when compared to 75 boe/d for the same period a year ago. Oil and NGLs production averaged 74 bbl/d in 2014 as compared to 33 bbl/d in the same period in 2013. Natural gas production averaged 500 mcf/d in 2014 compared to 254 mcf/d in the same period a year ago.

For the year ended December 31, 2014, oil prices decreased 5% to \$79.35/bbl, compared to \$83.61/bbl for the same period a year ago. For the year ended December 31, 2014, natural gas prices increased 32% to \$4.66/mcf, when compared to \$3.53/mcf realized in the same period in 2013.

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<u>Years ended December 31,</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<b>Daily production</b>			
Oil and NGLs (bbl/d)	<b>74</b>	33	124
Natural gas (mcf/d)	<b>500</b>	254	97
Oil equivalent (boe/d @ 6:1)	<b>157</b>	75	109
<b>Realized commodity prices (\$CDN)</b>			
Oil and NGLs (bbl/d)	\$ <b>79.35</b>	\$ 83.61	(5)
Natural gas (mcf/d)	<b>4.66</b>	3.53	32
Oil equivalent (boe/d @ 6:1)	\$ <b>52.12</b>	\$ 48.55	7

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### Oil and Natural Gas Revenues

Production revenues increased 300% to \$1,093,891 in the fourth quarter of 2014 compared to \$273,166 in the same period in 2013, due to a 310% increase in production volumes.

Three months ended December 31,	2014	2013	% Change
Oil and NGLs	\$ 834,781	\$ 186,933	347
Natural gas	259,110	86,233	200
Total revenue	\$ 1,093,891	\$ 273,166	300
% Oil and NGLs	76%	68%	
% Natural gas	24%	32%	

Production revenues for the years ended December 31, 2014 increased 124% to \$2,993,030, compared to \$1,333,874 for the same period in 2013, due to a 109% increase in production volumes.

Years ended December 31,	2014	2013	% Change
Oil and NGLs (bbl/d)	\$ 2,143,350	\$ 1,007,088	113
Natural gas (mcf/d)	849,680	326,786	160
Total revenue	\$ 2,933,030	\$ 1,333,874	124
% Oil and NGLs	72%	76%	
% Natural gas	28%	24%	

### Royalties

For the three months ended December 31, 2014, royalties increased by 317% to \$133,678 from \$32,076 for the same period a year ago. Royalties as a percentage of revenues for the fourth quarter of 2014 remained level at 12% when compared to the same three months in 2013.

Three months ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Royalties	\$ 133,678	\$ 32,076	317	\$ 5.58	\$ 5.49

For the year ended December 31, 2014, royalties increased by 243% to \$356,144 from \$103,720 for the same period a year ago. Royalties as a percentage of revenues for 2014 were 12% as compared to 8% for the same period in 2013.

Years ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Royalties	\$ 356,144	\$ 103,720	243	\$ 6.20	\$ 3.78

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### Production, Operating and Transportation Expenses

For the three months ended December 31, 2014, production, operating and transportation expenses increased 281% to \$518,526 as compared to \$136,075 for the same period a year ago. On a per boe basis production and operating expenses decreased 7% to \$21.66 per boe, down from \$23.29 per boe for the same period in 2013.

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Three months ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Production, operating and transportation	\$ 518,526	\$ 136,075	281	\$ 21.66	\$ 23.29

For the year ended December 31, 2014, production, operating and transportation expenses increased 109% to \$1,100,027 as compared to \$527,577 for the same period a year ago. On a per boe basis production, operating and transportation expenses remained level at \$19.06 per boe, compared to \$19.20 per boe for the same period in 2013.

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Years ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Production, operating and transportation	\$ 1,100,027	\$ 527,577	109	\$ 19.16	\$ 19.20

### General & Administrative Expenses

General and administrative expenses, after overhead recoveries, increased 16% to \$178,093 for the three months ended December 31, 2014 up from \$152,947 in Q4 2013. General and administrative expenses per boe decreased by 72% to \$7.44 from \$26.18 in Q4 2013 as total production volumes increased by 300%.

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Three months ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
General & administrative expenses	\$ 178,093	\$ 152,947	16	\$ 7.44	\$ 26.18

Overall G&A expenses have increased year over year due to the hiring of two new officers in February, 2014 and legal and engineering costs associated with the development program, acquisitions and financings completed in 2014.

General and administrative expenses, after overhead recoveries, increased 52% to \$583,106 for the year ended December 31, 2014 from \$384,867 in the same period in 2013. General and administrative expenses per boe decreased by 28% to \$10.15 from \$14.01 in Q4 2013 as total production volumes increased by 109%.

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Years ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
General & administrative expenses	\$ 583,106	\$ 384,867	52	\$ 10.15	\$ 14.01

# RENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2014 and 2013

### Finance Expense

Three months ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Interest expense (income)	\$ (1,582)	\$ (580)	173	\$ (0.00)	\$ (0.00)
Accretion	829	(163,848)	(101)	(0.03)	(28.05)
	\$ (753)	\$ (164,428)	(101)	\$ (0.03)	\$ (28.05)
Years ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Interest expense	\$ 10,651	\$ 2,846	274	\$ 0.19	\$ 0.10
Accretion	47,599	16,380	191	0.83	0.60
	\$ 58,250	\$ 19,226	203	\$ 1.02	\$ 0.70

### Share Based Compensation

In 2014 the Company issued the following stock options:

- February 3, 2014 – options to purchase 240,000 common shares of the Company at a price of \$0.14, exercisable until February 3, 2019.
- February 11, 2014 – options to purchase 428,580 common shares of the Company at a price of \$0.19 per share, exercisable until February 11, 2019.
- June 27, 2014 – options to purchase 200,000 common shares of the Company at a price of \$0.30 per share, exercisable until June 27, 2019.
- 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.

Three months ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Share Based Compensation	\$ 421,711	\$ 51,001	727	\$ 17.62	\$ 8.73
Years ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Share Based Compensation	\$ 577,434	\$ 162,539	40	\$ 10.06	\$ 5.92

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2014 and 2013

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### Depletion and Depreciation

Depletion charges increased year over year due to an increase in Property, Plant and Equipment of \$6.7 million for the year ended December 31, 2014.

In Q4 2014 depletion and depreciation increased by 175% to \$468,821 as compared to \$170,550 in Q4 2013. Depletion and depreciation per boe decreased to \$19.59 in Q4 2014 as compared to \$29.20, a decrease of 33%.

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Three months ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Depletion and Depreciation	\$ 468,821	\$ 170,550	175	\$ 19.59	\$ 29.20

In the year ended December 31, 2014 depletion and depreciation increased by 101% to \$1,002,526 as compared to \$498,946 in the same period in 2013.

For the year ended December 31, 2014 per boe decreased to \$17.46 as compared to \$18.16, a decrease of 4%.

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Years ended December 31,	2014	2013	% Change	2014 (\$ / boe)	2013 (\$ / boe)
Depletion and Depreciation	\$ 1,002,526	\$ 498,946	101	\$ 17.46	\$ 18.16

### Cash Flow from Operations

Three months ended December 31	2014	2013
Comprehensive loss for the period	\$ (2,722,305)	\$ (1,153,943)
Accretion expense	829	(163,848)
Share based compensation expense	421,711	51,001
Impairment	1,745,934	1,119,616
Depletion and depreciation	468,821	170,550
Cash flow from operations (1)	\$ (85,010)	\$ 23,376
Cash flow from operations per share – basic and diluted	\$ (0.00)	\$ 0.00

In Q4 2014 the Company was re-assessed by the Canada Revenue Agency for a 2011 flow through share issuance of \$1,000,000. The re-assessment resulted in a one-time expense of \$350,186 for the indemnification of subscribers. Cash flow for Q4 2014 would have been \$265,176 excluding this charge.

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2014 and 2013

Years ended December 31,	2014	2013
Comprehensive loss for the period	\$ (2,613,910)	\$ (1,690,666)
Accretion expense	47,599	16,380
Share based compensation expense	577,434	162,539
Impairment	1,745,934	1,590,393
Depletion and depreciation	1,002,526	498,946
Cash flow from operations (1)	\$ 592,916	\$ 385,592
Cash flow from operations per share – basic and diluted	\$ 0.01	\$ 0.01

(1) Non IFRS measure

## Property plant and equipment assets (PP&E)

<b>Cost:</b>	<b>PP&amp;E Assets</b>
Balance at December 31, 2012	\$ 5,638,116
Additions during the year	2,560,188
Dispositions during the year	(4,932,106)
Change in decommissioning obligations	1,307,006
Balance at December 31, 2013	\$ 4,573,204
Additions during the year	4,983,276
Acquisitions	3,301,535
Dispositions during the year	(134,309)
Change in decommissioning obligations	693,843
Balance at December 31, 2014	\$ 13,417,549

### **Depletion, depreciation and impairment:**

Balance at December 31, 2012	(\$3,237,680)
Dispositions	2,956,389
Depletion and depreciation for the year	(498,946)
Impairment	(1,590,393)
Balance at December 31, 2013	(\$2,370,630)
Impairment	(1,745,934)
Depletion and depreciation for the year	(1,002,526)
Balance at December 31, 2014	(\$5,119,090)

### **Net book value:**

Balance at December 31, 2013	\$ 2,202,574
Balance at December 31, 2014	\$ 8,298,459

On May 23, 2014, 1819113 Alberta Ltd. "1819113" a company wholly owned by certain directors and officers of Relentless, completed the purchase of approximately 127 boe/d of conventional producing P&NG assets from a private company, subject to industry standard closing adjustments.

## RELENTLESS RESOURCES LTD.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2014 and 2013

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Relentless had the exclusive right to acquire the assets from 1819113 or its common shares and loans payable. On June 27, 2014 Relentless exercised its right to acquire the assets from 1819113 with an effective date of May 23, 2014.

The following table summarizes the transaction and the purchase price allocation:

Consideration paid	\$ 2,605,760
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Net assets acquired, at estimated fair value	
Petroleum and natural gas interests	\$ 3,723,192
Decommissioning liabilities assumed	(1,117,432)
	\$ 2,605,760

On June 12, 2014, the Company acquired 100% working interest in one producing well and three non-producing wells in the Heathdale area of Alberta.

The following table summarizes the transaction and the purchase price allocation:

Consideration paid	\$ 695,775
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Net assets acquired, at estimated fair value	
Petroleum and natural gas interests	\$ 1,126,564
Decommissioning liabilities assumed	(430,789)
	\$ 695,775

### Capital expenditure summary for the three months and year ended December 31, 2014:

Area	Description	Three months ended December 31	Year ended December 31
Alberta	P&NG Acquisitions	\$ (216,524)	\$ 3,294,079
	Drill and complete	1,054,295	2,545,143
	Equip and tie-in	231,042	724,241
	Land and lease	111,468	164,017
	Abandonment/other	1,078	-
Total		\$ 1,181,989	\$ 6,727,480

### Demand operating facilities

On August 15, 2014, the Company increased its demand operating loan facility from \$700,000 to \$3,000,000. The facility is available until May 31, 2015 at which time it may be extended, at the lenders option. Interest payable on amounts drawn under the facility is at the lenders' prime rate plus 1.375 percent. The credit facility is collateralized 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. As at December 31, 2014 and 2013, the Company had not drawn on the loan facility.

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2014 and 2013

For the year ended December 31, 2014, the Company incurred \$9,800 (2013 – \$2,500) in transaction costs associated with renegotiating the annual credit facility. The amount is included in finance expense on the statement of comprehensive loss.

### Working Capital Surplus

December 31	2014	2013
Cash	\$ 1,630,784	\$ 192,567
Accounts receivable	597,207	125,403
Prepaid expenses and deposits	15,260	129,502
Accounts payable and accrued liabilities	(1,259,223)	(265,827)
Working capital surplus	\$ 984,028	\$ 181,645

### Decommissioning Obligations

A reconciliation of the decommissioning obligations is provided below:

	December 31, 2014	December 31, 2013
Balance, beginning of year	\$1,626,558	\$303,172
Additions - drilled	100,000	39,534
Additions – acquired	2,016,865	1,339,591
Dispositions	-	(129,566)
Change in estimate	-	57,447
Accretion	47,599	16,380
Balance, end of year	3,791,022	1,626,558
Less current portion of decommissioning obligations	(43,105)	(158,208)
Decommissioning obligations	\$3,747,917	\$1,468,350

The total undiscounted amount of the estimated cash flows required to settle the decommissioning obligations is approximately \$3,805,872 (2013 - \$1,841,776) which will be incurred over the next 30 years (2013 – 30 years) with the majority of costs to be incurred between 2016 and 2042. An average risk-free rate of 1.48% (2013 – 2.02%) and an inflation rate of 2.00% (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.

### Share Capital

	December 31, 2014		December 31, 2013	
	Shares	Amount	Shares	Amount
Balance, beginning of year	30,025,085	\$6,925,722	30,025,085	\$6,927,571
Warrants expired	-	-	-	(1,849)
Exercise of stock options	235,000	54,349	-	-
Issuance of common shares	33,499,010	7,046,965	-	-
Flow through share premium	-	(471,890)	-	-
Share issuance costs	-	(141,268)	-	-
Balance, end of year	63,759,095	13,413,878	30,025,085	\$6,925,722

## RELENTLESS RESOURCES LTD.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### For the three months and years ended December 31, 2014 and 2013

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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.

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 expenditures 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 has a commitment to spend \$1,831,340 on eligible flow through expenditures in 2015.

#### Warrants

	December 31, 2014		December 31, 2013	
	Warrants	Amount	Warrants	Amount
Balance, beginning of year	-	-	66,750	-
Warrants expired	-	-	(66,750)	-
Warrants issued	2,142,856	-	-	-
Balance, end of year	2,142,856	-	-	-

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2014 and 2013

### Historical Quarterly Information

	2014 Q4	2014 Q4	2014 Q2	2014 Q1
Oil and Gas Revenue	\$ 1,093,891	1,077,975	\$ 471,357	\$ 349,807
Cash Flow from operations <sup>(1)</sup>	(106,934)	537,754	64,557	75,615
Cash Flow / share - basic	0.00	0.01	0.00	0.00
Comprehensive Income (Loss)	(2,722,305)	388,978	(153,532)	(127,051)
Comprehensive Income (Loss) / share - basic	(0.04)	0.00	(0.00)	(0.00)
Capital Expenditures	1,181,989	1,737,930	3,646,534	139,101
Total Assets	10,541,170	9,036,918	8,790,090	3,246,717
Net surplus (debt)	984,028	(509,823)	719,511	541,339
Shareholders' Equity	\$ 5,019,574	5,009,285	\$ 4,816,132	\$ 1,157,886
Shares outstanding	63,759,095	52,462,466	52,462,466	34,310,799
Production (boe/d)	260	217	88	65
Oil and NGLs (bbl/d)	145	93	37	23
Natural gas (mcf/d)	691	744	308	250

	2013 Q4	2013 Q4	2013 Q2	2013 Q1
Oil and Gas Revenue	\$ 273,166	393,465	\$ 368,906	\$ 298,338
Cash Flow from operations <sup>(1)</sup>	23,376	168,536	121,836	71,844
Cash Flow / share - basic	0.00	0.01	0.00	0.00
Comprehensive (Loss)	(1,153,943)	(109,402)	(122,205)	(305,116)
Comprehensive (Loss) / share - basic	(0.04)	(0.00)	(0.00)	(0.01)
Capital Expenditures	36,384	46,353	(192,829)	694,562
Total Assets	2,650,046	2,940,618	2,830,668	3,326,862
Net surplus (debt)	181,645	194,655	72,471	(242,194)
Shareholders' Equity	\$ 757,661	1,860,604	\$ 1,858,468	\$ 1,980,673
Shares outstanding	30,025,085	30,025,085	30,025,085	30,025,085
Production (boe/d)	63	88	77	68
Oil and NGLs (bbl/d)	24	38	35	32
Natural gas (mcf/d)	239	301	253	222

<sup>1</sup> Non-IFRS measure

### CRITICAL ACCOUNTING ESTIMATES

The financial statements have been prepared in accordance with IFRS. A summary of the significant accounting policies are presented in note 4 of the Notes to the Financial Statements. Certain Accounting policies are critical to understanding the financial condition and results of operations of Relentless.

- Proved and probable oil and natural gas reserves - Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to interpretation and uncertainty. Relentless expects that over time its reserve estimates will be revised either upward or downward depending upon the factors as stated above. These reserve estimates can have a significant impact on net income, as it is a key component in the calculation of depletion, depreciation and amortization, and also for the determination of potential asset impairments.
- Depreciation and depletion - property, plant and equipment is measured at cost less accumulated depreciation and depletion.

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the three months and years ended December 31, 2014 and 2013

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Relentless's oil and natural gas properties are depleted using the unit-of-production method over proved and probable reserves for each cash-generating unit (CGU). The unit-of-production method takes into account capital expenditures incurred to date along with future development capital required to develop both proved and probable reserves

- c) Impairment - Relentless assesses its property, plant and equipment for impairment when events or circumstances indicate that the carrying value of its assets may not be recoverable. If any indication of impairment exists, Relentless performs an impairment test on the CGU which is the lowest level at which there are identifiable cash flows. The determination of fair value at the CGU level again requires the use of judgements and estimates that include quantities of reserves and future production, future commodity pricing, development costs, operating costs and royalty obligations. Any changes in these items may have an impact on the fair value of the assets.
- d) Decommissioning liabilities - Relentless estimates its decommissioning liabilities based upon existing laws, contracts or other policies. The estimated present value of the Company's decommissioning obligations are recognized as a liability in the three months in which they occur. The provision is calculated by discounting the expected future cash flows to settle the obligations at the risk-free interest rate. The liability is adjusted each reporting three months to reflect the passage of time, with accretion charged to net income, any other changes whether it be changes in interest rates or changes in estimated future cash flows are capitalized to property, plant and equipment.
- e) Income taxes - The determination of Relentless's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. 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 that estimated and recorded.

#### BUSINESS RISKS

Relentless is exposed to risks inherent in the oil and gas business. Operationally, the Company faces risks associated with finding, developing and producing oil and gas reserves, such as the availability of rigs and inclement weather. The Company continues to follow strict exploration criteria on each prospect to ensure high profitability and rate of return on capital investment. Exploration risks are managed by hiring skilled technical staff and by concentrating exploration activity on areas in which Relentless has experience and expertise. Relentless operates most of its production, allowing the Company to manage costs, timing and sales of production. Estimates of economically recoverable reserves and the future net cash flow are based on factors such as commodity prices, projected production and future capital and operating costs. These estimates may differ from actual results. The Company has its reserves evaluated annually by an independent engineering firm. Relentless is also exposed to environmental risks and risks associated with the reliance upon relationships with partners. Relentless carries environmental liability, property, drilling and general liability insurance to mitigate its risks. The Company is also exposed to financial risks in the form of commodity prices, interest rates, the Canadian to U.S. dollar exchange rate and inflation.

**NOTE:** In this report all currency values are in Canadian dollars (unless otherwise noted). Figures, ratios and percentages in this MD&A may not add due to rounding.

#### ABBREVIATIONS

bbl	barrel	M <sup>3</sup>	cubic meters
bbls	barrels	Mbbls	thousands of barrels
bcf	billion cubic feet	mcf	thousand cubic feet
bhp	brake horsepower	mcf/d	thousand cubic feet per day
boe	barrel of oil equivalent (1 boe = 6 mcf)	MMbbls	millions of barrels
bbls/d	barrels per day	mmcfc	million cubic feet
boe/d	barrels of oil equivalent per day	mmcfd	million cubic feet per day
FNR	future net revenue	NGLs	natural gas liquids
GJ	gigajoule	NPV	net present value
GJs/d	gigajoules per day		

# RELENTLESS RESOURCES LTD.

## Directors and Officers

### **Daniel T. Wilson** <sup>(1,2,4)</sup>

Chief Executive Officer & Director  
Calgary, Alberta

### **Ronald J. Peshke** <sup>(4)</sup>

President & Director  
Calgary, Alberta

### **Hugh M. Thomson**

Vice President Finance & Chief Financial Officer  
Calgary, Alberta

### **William C. Macdonald** <sup>(1,2,3)</sup>

Director  
Calgary, Alberta

### **Murray Frame** <sup>(1,2,3,4)</sup>

Director  
Calgary, Alberta

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Compensation Committee

<sup>3</sup> Member of the Governance Committee

<sup>4</sup> Member of the Reserves Committee

## Corporate Information

### **Head Office**

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Facsimile: 587-955-9668  
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### **Legal Counsel**

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### **Bank**

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### **Reserves Evaluator**

Sproule  
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Calgary, Alberta T2P 3N2

### **Auditor**

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Chartered Accountants  
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Calgary, Alberta T2P 3G4

### **Registrar and Transfer Agent**

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### **Stock Listing**

TSX Venture Exchange  
Trading Symbol: RRL