# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## For the three months and years ended December 31, 2016 and 2015

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 26, 2017. The MD&A should be read in conjunction with the audited financial statements for the years ended December 31, 2016 and 2015 together with the notes thereto. Relentless's Board of Directors reviewed and approved the December 31, 2016 audited financial statements and related MD&A on April 26, 2017.

*Additional information about Relentless is available on SEDAR at www.sedar.com or on the Company`s website at www.relentless-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 and 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 (xv) 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.

## Recent Highlights

- In Q4 of 2016, the Company expended approximately $1.5 million to drill and complete two new wells in Heathdale, Alberta:

    - 102/5-7-27-9W4 horizontal oil well:

        - drilled in eight days to a total measured depth of 2,375 metres;
        - perforated over 23 intervals and fracture stimulated using a coil tubing straddle packer assembly; placed on stream in mid-January with a spud to on-stream timeline of 35 days inclusive of the holidays;
        - total on-stream cost of $1.17 million as a one-off single well operation;
        - continual production with minimal downtime and a high fluid level;
        - averaged 100 boe/d (80% oil) for the first 60 days; and
        - continues to produce at 80 boe/d (75% oil).

    - 100/6-12-27-10W4 vertical well:

        - drilled approximately 1.2 kilometres west of the known Heathdale glauconitic oil pool;
        - encountered approximately five meters of glauconitic oil reservoir at virgin pressure;
        - total on-stream cost of $425,000 equipped as a single well battery; and
        - fifth section of land in which Relentless has confirmed the presence of this glauconite oil deposit.

- The Company's net debt was reduced from approximately $4.05 million, as at December 31, 2016, to approximately $3.05 million as a result of the completion of two private placements in January 2017. See "*Liquidity and capital resources*" and "*Subsequent events*".

- The Heathdale glauconite oil pool have been successfully delineated with five vertical wells and developed with four horizontal multistage fractured wells.

- Current corporate production is estimated at 275 boe/d (60% oil and liquids). Fifty boe/d is currently shut in as a result of a third party compressor outage and is anticipated to return to production in Q2 2017.

## RELENTLESS RESOURCES LTD.

### MANAGEMENT'S DISCUSSION AND ANALYSIS
**For the three months and years ended December 31, 2016 and 2015**

## Financial summary

| | Three months ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | % Change |
| Oil and gas revenue | $ **606,421** | $ 613,309 | (1) |
| Cash flow from operations (1) | **106,149** | (68,482) | (255) |
| Per share - basic and diluted (1) | **0.00** | (0.00) | (272) |
| Comprehensive income (loss) | **511,847** | (393,538) | (230) |
| Per share - basic and diluted | **0.01** | (0.01) | (245) |
| Total assets | **11,653,213** | 11,708,587 | (0) |
| Net debt (1) | **4,055,718** | 2,677,173 | 51 |
| Capital expenditures, net | $ **1,497,236** | $ 47,543 | 3,049 |
| Shares outstanding - end of period | **70,061,595** | 70,061,595 | - |

| | Years ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | % Change |
| Oil and gas revenue | $ **2,030,043** | $ 3,331,944 | (39) |
| Cash flow from operations (1) | **232,977** | 590,668 | (61) |
| Per share - basic and diluted (1) | **0.00** | 0.01 | (64) |
| Comprehensive loss | **(244,894)** | (2,595,036) | (91) |
| Per share - basic and diluted | **(0.00)** | (0.04) | (91) |
| Total assets | **11,653,213** | 11,708,587 | (0) |
| Net debt (1) | **4,055,718** | 2,677,173 | 51 |
| Capital expenditures, net | $ **1,611,522** | $ 5,184,786 | (69) |
| Shares outstanding - end of period | **70,061,595** | 70,061,595 | - |

(1) Non IFRS measure

## Production and pricing summary

| | Three months ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | % Change |
| **Daily production** | | | |
| Oil and NGLs (bbl/d) | **96** | 125 | (23) |
| Natural gas (mcf/d) | **581** | 600 | (3) |
| Oil equivalent (boe/d @ 6:1) | **192** | 225 | (15) |
| | | | |
| **Realized commodity prices ($CDN)** | | | |
| Oil and NGLs (bbl) | **$50.17** | $40.62 | 24 |
| Natural gas (mcf) | **$3.10** | $2.67 | 16 |
| Oil equivalent (boe @ 6:1) | **$34.26** | $29.68 | 15 |

| | Years ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | % Change |
| **Daily production** | | | |
| Oil and NGLs (bbl/d) | **103** | 150 | (31) |
| Natural gas (mcf/d) | **511** | 766 | (33) |
| Oil equivalent (boe/d @ 6:1) | **188** | 278 | (32) |
| | | | |
| **Realized commodity prices ($CDN)** | | | |
| Oil and NGLs (bbl) | **$42.18** | $47.95 | (12) |
| Natural gas (mcf) | **$2.37** | $2.55 | (7) |
| Oil equivalent (boe @ 6:1) | **$29.54** | $32.91 | (10) |

# RELENTLESS RESOURCES LTD.

### MANAGEMENT'S DISCUSSION AND ANALYSIS
### For the three months and years ended December 31, 2016 and 2015

## Cash flow and comprehensive loss

| Three months ended December 31, | **2016** | 2015 | % Change | **2016** | 2015 | % Change |
|---|---|---|---|---|---|---|
| | | | | **($ / boe)** | ($ / boe) | |
| Oil and natural gas sales | **606,421** | 613,309 | (1) | **34.26** | 29.68 | 15 |
| Royalties | **(53,717)** | (35,565) | 51 | **(3.03)** | (1.72) | 76 |
| Revenue after royalties | **552,704** | 577,744 | (4) | **31.23** | 27.96 | 12 |
| Production, operating and transportation expenses | **(309,960)** | (303,177) | 2 | **(17.51)** | (14.67) | 19 |
| Operating cash flow (1) | **242,744** | 274,567 | (12) | **13.72** | 13.29 | 3 |
| General & administrative expenses | **(102,106)** | (109,994) | (7) | **(5.77)** | (5.32) | 8 |
| Interest and other financing charges | **(34,489)** | (36,305) | (5) | **(1.95)** | (1.76) | 11 |
| Bad debt expense | **-** | (181,018) | (100) | **0.00** | (8.76) | (100) |
| Flow through share indemnification expense | **-** | (15,732) | (100) | **0.00** | (0.76) | (100) |
| Cash flow from operations (1) | **106,149** | (68,482) | (255) | **6.00** | (3.31) | (281) |
| Other income | **393,750** | 26,192 | 1,403 | **22.25** | 1.27 | 1652 |
| Gain on disposition | **99,504** | | | **5.62** | 0.00 | 100 |
| Share based compensation | **-** | - | - | **0.00** | 0.00 | - |
| Accretion | **(10,799)** | 21,758 | (150) | **(0.61)** | 1.05 | (158) |
| Impairment | **59,050** | (234,506) | (125) | **3.34** | (11.35) | (129) |
| Depletion and depreciation | **(135,807)** | (138,500) | (2) | **(7.67)** | (6.70) | 14 |
| Comprehensive income (loss) | **511,847** | (393,538) | (230) | **28.93** | (19.04) | (252) |
| $ Per Share – Basic | 0.01 | (0.01) | | | | |
| $ Per Share - Diluted | 0.01 | (0.01) | | | | |

| Year ended December 31, | **2016** | 2015 | % Change | **2016** | 2015 | % Change |
|---|---|---|---|---|---|---|
| | | | | **($ / boe)** | ($ / boe) | |
| Oil and natural gas sales | **2,030,043** | 3,331,944 | (39) | **29.54** | 32.91 | (10) |
| Royalties | **(171,064)** | (413,605) | (59) | **(2.49)** | (4.08) | (39) |
| Revenue after royalties | **1,858,979** | 2,918,339 | (36) | **27.05** | 28.83 | (6) |
| Production, operating and transportation expenses | **(1,011,344)** | (1,506,848) | (33) | **(14.71)** | (14.88) | (1) |
| Operating cash flow (1) | **847,635** | 1,411,491 | (40) | **12.33** | 13.95 | (12) |
| General & administrative expenses | **(475,096)** | (551,445) | (14) | **(6.91)** | (5.45) | 27 |
| Interest and other financing charges | **(139,562)** | (72,628) | 92 | **(2.03)** | (0.72) | 183 |
| Bad debt expense | **-** | (181,018) | (100) | **0.00** | (1.79) | (100) |
| Flow through share indemnification expense | **-** | (15,732) | (100) | **0.00** | (0.16) | (100) |
| Cash flow from operations (1) | **232,977** | 590,668 | (61) | **3.39** | 5.83 | (42) |
| Other income | **393,750** | 305,223 | 29 | **5.73** | 3.01 | 90 |
| Gain on disposition | **99,504** | - | | **1.45** | 0.00 | 100 |
| Share based compensation | **-** | (132,027) | (100) | **0.00** | (1.30) | (100) |
| Accretion | **(54,681)** | (64,901) | (16) | **(0.80)** | (0.64) | 24 |
| Impairment | **(96,725)** | (1,903,931) | (95) | **(1.41)** | (18.80) | (93) |
| Depletion and depreciation | **(819,719)** | (1,390,068) | (41) | **(11.93)** | (13.73) | (13) |
| Comprehensive loss | **(244,894)** | (2,595,036) | (91) | **(3.56)** | (25.63) | (86) |
| $ Per Share – Basic | (0.00) | (0.04) | | | | |
| $ Per Share - Diluted | (0.00) | (0.04) | | | | |

(1) Non-IFRS measure

# RELENTLESS RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS
**For the three months and years ended December 31, 2016 and 2015**

## Eight Quarter Analysis

### Daily Production and Commodity Prices

| *Three months ended* | 2016 December 31 | 2016 September 30 | 2016 June 30 | 2016 March 31 | 2015 December 31 | 2015 September 30 | 2015 June 30 | 2015 March 31 |
|---|---|---|---|---|---|---|---|---|
| **Daily production** | | | | | | | | |
| Oil and NGLs (bbl/d) | 96 | 94 | 104 | 120 | 125 | 162 | 204 | 107 |
| Natural gas (mcf/d) | 581 | 395 | 397 | 674 | 600 | 745 | 901 | 769 |
| Oil equivalent (boe/d @ 6:1) | 192 | 159 | 170 | 232 | 225 | 286 | 354 | 235 |
| **Realized commodity prices ($CDN)** | | | | | | | | |
| Oil and NGLs (bbl) | $50.17 | $44.28 | $44.83 | $31.58 | $40.62 | $46.73 | $56.84 | $42.12 |
| Natural gas (mcf) | $3.10 | $2.31 | $1.42 | $2.32 | $2.67 | $1.91 | $2.53 | $3.27 |
| Oil equivalent (boe @ 6:1) | $34.26 | $31.72 | $30.76 | $23.03 | $29.68 | $31.40 | $39.17 | $29.85 |

### Oil and Natural Gas Revenue by Product

| *Three months ended* | 2016 December 31 | 2016 September 30 | 2016 June 30 | 2016 March 31 | 2015 December 31 | 2015 September 30 | 2015 June 30 | 2015 March 31 |
|---|---|---|---|---|---|---|---|---|
| Oil and NGL revenue | 440,936 | 381,558 | 425,810 | 340,505 | 465,946 | 694,579 | 1,053,383 | 406,163 |
| Natural gas revenue | 165,485 | 83,823 | 51,418 | 140,508 | 147,363 | 130,742 | 207,905 | 225,863 |
| Total revenue | 606,421 | 465,381 | 477,228 | 481,013 | 613,309 | 825,321 | 1,261,288 | 632,026 |
| % Oil and NGLs | 73% | 82% | 89% | 71% | 76% | 84% | 84% | 64% |
| % Natural gas | 27% | 18% | 11% | 29% | 24% | 16% | 16% | 36% |

### Cash Flow from Operations

| *Three months ended* | 2016 December 31 | 2016 September 30 | 2016 June 30 | 2016 March 31 | 2015 December 31 | 2015 September 30 | 2015 June 30 | 2015 March 31 |
|---|---|---|---|---|---|---|---|---|
| Oil and natural gas sales | 606,421 | 465,381 | 477,228 | 481,013 | 613,309 | 825,321 | 1,261,288 | 632,026 |
| Royalties | (53,717) | (57,532) | (27,439) | (32,376) | (35,565) | (99,679) | (212,643) | (65,718) |
| Revenue after royalties | 552,704 | 407,849 | 449,789 | 448,637 | 577,744 | 725,642 | 1,048,645 | 566,308 |
| Production, operating and transportation expenses | (309,960) | (196,061) | (231,628) | (273,696) | (303,177) | (382,359) | (398,239) | (423,073) |
| **Operating cash flow (1)** | **242,744** | **211,788** | **218,161** | **174,941** | **274,567** | **343,283** | **650,406** | **143,235** |
| General & administrative expenses | (102,106) | (117,095) | (146,153) | (109,742) | (109,994) | (142,395) | (174,748) | (124,308) |
| Bad debt expense | - | - | - | - | (181,018) | - | - | - |
| Interest and other financing charges | (34,489) | (27,159) | (30,292) | (47,621) | (36,305) | (25,197) | (12,237) | 1,111 |
| Flow through share indemnification expense | - | - | - | - | (15,732) | - | - | - |
| **Cash flow from operations (1)** | **106,149** | **67,534** | **41,716** | **17,578** | **(68,482)** | **175,691** | **463,421** | **20,038** |

### Operating and Cash Flow Netbacks

| *Three months ended* | 2016 December 31 | 2016 September 30 | 2016 June 30 | 2016 March 31 | 2015 December 31 | 2015 September 30 | 2015 June 30 | 2015 March 31 |
|---|---|---|---|---|---|---|---|---|
| **($/boe)** | | | | | | | | |
| Revenue | 34.26 | 31.72 | 30.76 | 23.03 | 29.68 | 31.40 | 39.17 | 29.85 |
| Royalties | (3.03) | (3.92) | (1.77) | (1.55) | (1.72) | (3.79) | (6.60) | (3.10) |
| Production, operating and transportation expenses | (17.51) | (13.36) | (14.93) | (13.10) | (14.67) | (14.55) | (12.37) | (19.98) |
| **Operating netback (1)** | **13.72** | **14.44** | **14.06** | **8.38** | **13.29** | **13.06** | **20.20** | **6.77** |
| General and administrative expenses | (5.77) | (7.98) | (9.42) | (5.25) | (5.32) | (5.42) | (5.43) | (5.87) |
| Bad debt expense | - | - | - | - | (8.76) | - | - | - |
| Interest expense | (1.95) | (1.85) | (1.95) | (2.28) | (1.76) | (0.96) | (0.38) | 0.05 |
| Flow through share indemnification expense | - | - | - | - | (0.76) | - | - | - |
| **Cash flow netback (1)** | **6.00** | **4.60** | **2.69** | **0.84** | **(3.31)** | **6.68** | **14.39** | **0.95** |

(1) Non-IFRS measure

### Oil and Natural Gas Revenues

For the three months ended December 31, 2016, total revenue decreased by 1% as compared to the same period last year, as average daily production decreased by 15% and average commodity prices increased by 15% compared to the same period in 2015.

| **Three months ended December 31,** | **2016** | 2015 | **% Change** |
|---|---|---|---|
| Oil and NGLs | $ **440,936** | $ 465,946 | (5) |
| Natural gas | **165,485** | 147,363 | 12 |
| Total revenue | $ **606,421** | $ 613,309 | (1) |
| % Oil and NGLs | **73%** | 76% | |
| % Natural gas | **27%** | 24% | |

For the year ended December 31, 2016, total revenues decreased by 39% as compared to the same period last year, as average daily production decreased by 32% and average commodity prices fell by 10% compared to the same period in 2015.

| **Years ended December 31,** | **2016** | 2015 | **% Change** |
|---|---|---|---|
| Oil and NGLs | $ **1,588,809** | $ 2,620,071 | (39) |
| Natural gas | **441,234** | 711,873 | (35) |
| Total revenue | $ **2,030,043** | $ 3,331,944 | (39) |
| % Oil and NGLs | **78%** | 79% | |
| % Natural gas | **22%** | 21% | |

### Royalties

For the three months ended December 31, 2016, royalties increased by 51% to $53,717 from $35,565 for the same period a year ago. Royalties as a percentage of sales were 9% in 2016 as compared to 6% in 2015.

| **Three months ended December 31,** | **2016** | 2015 | % Change | **2016 ($ / boe)** | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Royalties | **$ 53,717** | $ 35,565 | 51 | **$ 3.03** | $ 1.72 |

For the year ended December 31, 2016, royalties decreased by 59% to $171,064 from $413,605 as compared to the same period a year ago. The decrease was due to an 39% decrease in total production revenue. Royalties as a percentage of sales decreased from 12% in 2015 to 8% in 2016.

| **Years ended December 31,** | **2016** | 2015 | % Change | **2016 ($ / boe)** | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Royalties | **$ 171,064** | $ 413,605 | (59) | **$ 2.49** | $ 4.08 |

### Production, Operating and Transportation Expenses

For the three months ended December 31, 2016, production, operating and transportation expenses increased by 2% to $309,960 as compared to $303,177 for the same period a year ago.

On a per boe basis production, operating and transportation expenses increased 19% to $17.51 per boe, up from $14.67 per boe for the same period in 2015.

| **Three months ended December 31,** | **2016** | 2015 | % Change | **2016 ($ / boe)** | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Production, operating and transportation | **$ 309,960** | $ 303,177 | 2 | **$ 17.51** | $ 14.67 |

For the year ended December 31, 2016, production, operating and transportation expenses decreased by 33% to $1,011,344 as compared to $1,506,848 in 2015 due to a 32% decrease in production volumes.

On a per boe basis production, operating and transportation expenses remained level at $14.71 per boe, as compared to $14.88 per boe in 2015.

| **Years ended December 31,** | **2016** | 2015 | % Change | **2016 ($ / boe)** | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Production, operating and transportation | **$ 1,011,344** | $ 1,506,848 | (33) | **$ 14.71** | $ 14.88 |

### General & Administrative Expenses

General and administrative expenses, after overhead recoveries, decreased by 7% to $102,106 for the three months ended December 31, 2016 compared to $109,994 in Q4 2015. General and administrative expenses per boe increased by 8% to $5.77 up from $5.32 in Q4 2015.

| **Three months ended December 31,** | **2016** | 2015 | % Change | **2016 ($ / boe)** | 2015 ($ / boe) |
|---|---|---|---|---|---|
| General & administrative expenses | **$ 102,106** | $ 109,994 | (7) | **$ 5.77** | $ 5.32 |

General and administrative expenses, after overhead recoveries, decreased by 14% to $475,096 for the year ended December 31, 2016 down from $551,445 in 2015. General and administrative expenses per boe increased by 27% to $6.91 from $5.45 in 2015.

| **Years ended December 31,** | **2016** | 2015 | % Change | **2016 ($ / boe)** | 2015 ($ / boe) |
|---|---|---|---|---|---|
| General & administrative expenses | **$ 475,096** | $ 551,445 | (14) | **$ 6.91** | $ 5.45 |

### Finance Expense

| Three months ended December 31, | 2016 | 2015 | % Change | 2016 ($ / boe) | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Interest expense | **$ 34,489** | $ 36,305 | (5) | **$ 1.95** | $ 1.76 |
| Accretion | **10,799** | (21,758) | 150 | **0.61** | (1.05) |
| Finance expense | **$ 45,288** | $ 14,547 | 211 | **$ 2.56** | $ 0.71 |

| Years ended December 31, | 2016 | 2015 | % Change | 2016 ($ / boe) | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Interest expense | **$ 126,562** | $ 61,628 | 105 | **$ 1.84** | $ 0.61 |
| Transaction costs | **13,000** | 11,000 | 18 | **0.19** | 0.11 |
| Accretion | **54,681** | 64,901 | (16) | **0.80** | 0.64 |
| Finance expense | **$ 194,243** | $ 137,529 | 76 | **$ 2.83** | $ 1.36 |

### Depletion and Depreciation

For the year ended December 31, 2016, depletion and depreciation decreased by 41% to $819,719 as compared to $1,390,068 in 2015 due to a 32% decrease in average daily volumes.

| Years ended December 31, | 2016 | 2015 | % Change | 2016 ($ / boe) | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Depletion and depreciation | **$ 819,719** | $ 1,390,068 | (41) | **$ 11.92** | $ 13.73 |

### Impairment

During the year ended December 31, 2015, the Company evaluated its property, plant and equipment ("PP&E") assets for impairment and recorded an impairment of $1,903,931 on the Gordondale, Peace River Arch and Willesden Green cash generating units ("CGUs"). The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The PP&E assets were written down to their recoverable amount based on the future value of cash flows less costs to sell.

Due to continued low oil and gas prices, the Company evaluated its PP&E assets for impairment during the year ended December 31, 2016, and recorded an impairment of $96,725 on the Niton CGU. The impairment was based on the difference between the net book value of the assets and the recoverable amount.

The Company has 8 CGU's located in Alberta, at Eyermore, Hays, Niton, Gordondale, Willesden Green, Peace River Arch, Heathdale and Morinville.

| Years ended December 31, | 2016 | 2015 | % Change | 2016 ($ / boe) | 2015 ($ / boe) |
|---|---|---|---|---|---|
| Impairment | **$ 96,725** | $ 1,903,931 | (95) | **$ 1.41** | $ 18.80 |

**Property plant and equipment (PP&E)**

| **Cost:** | | **PP&E Assets** |
|---|---|---|
| Balance at December 31, 2014 | $ | 13,417,549 |
| Additions | | 5,184,786 |
| Change in decommissioning obligations | | 308,496 |
| Balance at December 31, 2015 | $ | 18,910,831 |
| Additions | | 1,611,522 |
| Change in decommissioning obligations | | 53,465 |
| Balance at December 31, 2016 | $ | 20,575,818 |
| **Depletion, depreciation and impairment:** | | |
| Balance at December 31, 2014 | $ | (5,119,090) |
| Impairment | | (1,903,931) |
| Depletion and depreciation | | (1,390,068) |
| Balance at December 31, 2015 | $ | (8,413,089) |
| Impairment | | (96,725) |
| Depletion and depreciation | | (819,719) |
| Balance at December 31, 2016 | $ | (9,329,533) |
| **Net book value:** | | |
| Balance at December 31, 2015 | $ | 10,497,742 |
| Balance at December 31, 2016 | $ | 11,246,285 |

The Company drilled and completed one horizontal well and one vertical well at Heathdale during the year ended December 31, 2016. These exploration and development costs totaled $1,524,592.

**Liquidity and capital resources**

In December 2016, Relentless announced its plans to raise $1,000,000 by way of two private placements in order to drill and complete two new wells at Heathdale, Alberta. In Q4 of 2016, the Company expended $1,497,236 on drilling and completion. At December 31, 2016 net debt was $4,055,718.

Subsequent to the year-ended December 31, 2016, the Company closed the two private placements for gross proceeds of $1,000,000 and reduced net debt to approximately $3,050,000. See "*Subsequent events*".

**Net debt**

| | | **December 31, 2016** | | December 31, 2015 |
|---|---|---|---|---|
| Cash | **$** | **-** | $ | 600,000 |
| Accounts receivable | | **386,613** | | 581,683 |
| Prepaid expenses and deposits | | **20,315** | | 29,162 |
| Accounts payable and accrued liabilities | | **(2,070,616)** | | (611,487) |
| Bank debt | | **(2,392,030)** | | (3,276,531) |
| Net debt[(1)] | **$** | **(4,055,718)** | $ | (2,677,173) |

(1) Non-IFRS measure

### Working capital ratio

As at December 31, 2016, the Company had a $3,000,000 demand operating loan facility, subject to the financial institutions annual review of the Company's petroleum and natural gas properties. Interest payable on amounts drawn under the facility is at the lenders' prime rate plus 1.5 percent. The credit facility is secured by a general security agreement and a first ranking charge on all lands of the Company.

Under the terms of the facility, the Company is required to maintain a working capital ratio of not less than 1:1. The working capital ratio is calculated as current assets plus the undrawn balance of the loan facility divided by current liabilities less any amount drawn under the facility. The Company was not in compliance with this covenant at December 31, 2016 as the working capital ratio was 0.5:1.0.

On April 20, 2017 the Company's financial institution waived the working capital ratio covenant effective as of December 31, 2016. The next annual review will take place before the end of May 2017.

| | | December 31, 2016 | |
|---|---|---|---|
| Current assets | $ | 406,928 | |
| Add: Undrawn amount from Credit facility | | 607,970 | |
| | $ | 1,014,898 | A |
| Accounts payable and accrued liabilities | | 4,462,646 | |
| Less: Current bank debt | | (2,392,030) | |
| | $ | 2,070,616 | B |

(The working capital ratio is calculated as A/B = 0.5)

### Cash flow from operations

| Years ended December 31 | | 2016 | | 2015 |
|---|---|---|---|---|
| Comprehensive loss for the period | $ | (244,894) | $ | (2,595,036) |
| Other income | | (393,750) | | (305,223) |
| Depletion and depreciation | | 819,719 | | 1,390,068 |
| Impairment | | 96,725 | | 1,903,931 |
| Gain on disposition | | (99,504) | | - |
| Share based compensation expense | | - | | 132,027 |
| Accretion expense | | 54,681 | | 64,901 |
| Cash flow from operations[1] | $ | 232,977 | $ | 590,668 |
| Cash flow from operations per share – basic and diluted | $ | 0.00 | $ | 0.01 |

(1) Non-IFRS measure

### Net debt to cash flow from operations

| | | Year ended December 31, 2016 | | Year ended December 31, 2015 |
|---|---|---|---|---|
| Net debt[1] | $ | 4,055,718 | $ | 2,677,173 |
| Annualized cash flow from operations[1] | $ | 232,977 | $ | 590,668 |
| Net debt to annualized cash flow | | 17.4 | | 4.5 |

(1) Non-IFRS measure

### Subsequent events

On January 10, 2017, Relentless completed the private placements previously announced on December 8, 2016 and on December 23, 2016.

In connection with the first private placement, the company issued 10 million units ("Units") at a price of five cents per unit for gross proceeds of $500,000. Each Unit consists of one common share of the Company ("Common Share") and one Common Share purchase warrant ("Warrant"). Each Warrant gives the holder the option, exercisable for a period of one year, to purchase one Common Share for 5.5 cents per Common Share.

In connection with the second private placement, the company issued 8,888,889 Units at a price of 5.625 cents per unit for gross proceeds of $500,000. Each Unit consists of one Common Share and one Warrant. Each Warrant issued under the second private placement gives the holder the option, exercisable for a period of one year, to purchase one Common Share for 7.5 cents per Common Share.

All securities issued under the private placements are subject to a four-month hold period from the date of issuance in accordance with the policies of the TSX Venture Exchange and applicable securities laws. The private placements were approved by the TSX Venture Exchange on January 24, 2017.

### Historical Quarterly Information

| | 2016 Q4 | 2016 Q3 | 2016 Q2 | 2016 Q1 |
|---|---|---|---|---|
| Oil and Gas Revenue | $ 606,421 | $ 465,381 | $ 477,228 | $ 481,013 |
| Cash Flow from operations(1) | 106,149 | 67,534 | 41,716 | 17,578 |
| Cash Flow / share - basic | 0.00 | 0.00 | 0.00 | 0.00 |
| Comprehensive Income (Loss) | 511,847 | (179,995) | (198,687) | (378,059) |
| Comprehensive Income (Loss) / share - basic | 0.01 | (0.00) | (0.00) | (0.01) |
| Capital Expenditures | 1,497,236 | 28,310 | 44,557 | 41,419 |
| Total Assets | 11,653,213 | 10,096,418 | 10,303,063 | 11,505,813 |
| Net debt | (4,055,718) | (2,679,631) | (2,718,855) | (2,701,014) |
| Shareholders' Equity | $ 3,017,506 | $ 2,490,659 | $ 2,670,654 | $ 2,884,341 |
| Shares outstanding | 70,061,595 | 70,061,595 | 70,061,595 | 70,061,595 |
| Production (boe/d) | 192 | 159 | 170 | 232 |
| Oil and NGLs (bbl/d) | 96 | 94 | 104 | 120 |
| Natural gas (mcf/d) | 581 | 395 | 397 | 674 |

| | 2015 Q4 | 2015 Q3 | 2015 Q2 | 2015 Q1 |
|---|---|---|---|---|
| Oil and Gas Revenue | $ 613,309 | $ 825,321 | $ 1,261,288 | $ 632,026 |
| Cash Flow from operations(1) | (68,482) | 175,691 | 463,421 | 20,038 |
| Cash Flow / share - basic | 0.00 | 0.00 | 0.00 | 0.00 |
| Comprehensive (Loss) | (393,538) | (1,286,084) | (228,627) | (686,787) |
| Comprehensive (Loss) / share - basic | (0.01) | (0.02) | (0.00) | (0.01) |
| Capital Expenditures | 47,543 | 1,050,245 | 443,343 | 3,643,655 |
| Total Assets | 11,708,587 | 11,360,785 | 11,950,979 | 12,710,273 |
| Net debt | (2,677,173) | (3,426,314) | (2,619,511) | (2,639,589) |
| Shareholders' Equity | $ 3,262,400 | $ 3,184,520 | $ 4,402,855 | $ 4,499,455 |
| Shares outstanding | 70,061,595 | 64,436,595 | 63,759,095 | 63,759,095 |

| | | | | |
|---|---|---|---|---|
| Production (boe/d) | 225 | 286 | 354 | 235 |
| Oil and NGLs (bbl/d) | 125 | 162 | 204 | 107 |
| Natural gas (mcf/d) | 600 | 745 | 901 | 769 |

(1) Non-IFRS measure

**Disclosure controls and procedures** - Disclosure controls and procedures have been designed to ensure that information to be disclosed by Relentless is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. The Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures, as defined by National Instrument 52-109 Certification, to provide reasonable assurance that (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are prepared; and (ii) 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 period specified in securities legislation. All control systems by their nature have inherent limitations and, therefore, the Company's disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that the objectives of the control system are met.

**Internal control over financial reporting** - The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting, as defined by National Instrument 51-109. Internal controls over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met. There were no changes made to Relentless's internal controls over financial reporting during the period beginning on January 1, 2016 and ending on December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**CRITICAL ACCOUNTING ESTIMATES**

The financial statements have been prepared in accordance with IFRS. A summary of the significant accounting policies are presented in note 3 of the Notes to the Financial Statements. Certain Accounting policies are critical to understanding the financial condition and results of operations of Relentless.

a) 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.

b) Depreciation and depletion - property, plant and equipment is measured at cost less accumulated depreciation and depletion. Relentless's oil and natural gas properties are depleted using the unit-of-production method over proved and probable reserves for each 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 and years 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 and years 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 | $M^3$ | 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 | mmcf | million cubic feet |
| boe/d | barrels of oil equivalent per day | mmcf/d | million cubic feet per day |
| FNR | future net revenue | NGLs | natural gas liquids |
| GJ | gigajoule | NPV | net present value |
| GJs/d | gigajoules per day | HZ | horizontal |

**RELENTLESS RESOURCES LTD.**

## Directors and Officers

**Daniel T. Wilson** (1,2,4)
Chief Executive Officer & Director
Calgary, Alberta

**Ronald J. Peshke** (4)
President & Director
Calgary, Alberta

**Hugh M. Thomson**
Vice President Finance & Chief Financial Officer
Calgary, Alberta

**William C. Macdonald** (1,2,3)
Director
Calgary, Alberta

**Murray Frame** (1,2,3,4)
Director
Calgary, Alberta

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Governance Committee
[4] Member of the Reserves Committee

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**Stock Listing**
TSX Venture Exchange
Trading Symbol: RRL