Relentless Resources Ltd.

Condensed Interim Financial Statements

(Unaudited)

For the three months ended

March 31, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL RESULTS

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company as at, and for the three months ended March 31, 2017 and 2016, have been prepared in accordance with IFRS and are the responsibility of the Company's management. The interim financial statements and related financial reporting matters have been reviewed and approved by the Audit Committee. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements as at and for the three months ended March 31, 2017 and 2016 in accordance with the standards established by the Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

Relentless Resources Ltd.

Condensed Interim Statements of Financial Position
(Unaudited)

	Note		March 31, 2017		December 31, 2016
Assets					
Current					
Accounts receivable		$	**330,968**	$	386,613
Prepaid expenses and deposits			**60,077**		20,315
			391,045		406,928
Property, plant and equipment	5		**11,141,173**		11,246,285
		$	**11,532,218**	$	11,653,213
Liabilities and Shareholders' Equity					
Current					
Accounts payable and accrued liabilities		$	**679,876**	$	2,070,616
Bank debt	6		**2,709,494**		2,392,030
Current portion of decommissioning obligations	7		**133,109**		133,109
			3,522,479		4,595,755
Decommissioning obligations	7		**4,035,652**		4,039,952
			7,558,131		8,635,707
Shareholders' equity					
Share capital	8		**14,940,681**		13,969,981
Contributed surplus	11		**1,474,236**		1,474,236
Deficit			**(12,440,830)**		(12,426,711)
			3,974,087		3,017,506
		$	**11,532,218**	$	11,653,213

Note 15 – Subsequent event

SIGNED ON BEHALF OF THE BOARD

"Dan Wilson"
Director

"Murray Frame"
Director

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

Relentless Resources Ltd.

Condensed Interim Statements of Comprehensive Loss
For the three months ended March 31,
(Unaudited)

	Note		2017		2016
Revenues					
Oil and natural gas sales	14	$	**925,887**	$	481,013
Royalties			**(85,391)**		(32,376)
Net revenue			**840,496**		448,637
Expenses					
Production, operating and transportation			**344,679**		273,696
General and administrative			**117,937**		109,742
Finance			**19,868**		63,834
Depletion and depreciation	5		**254,296**		256,558
Impairment	5		**117,835**		122,866
			854,615		826,696
Comprehensive loss for the period		$	**(14,119)**	$	(378,059)
Comprehensive loss per share, basic and diluted	12	$	**0.00**	$	(0.01)

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

Relentless Resources Ltd.

Condensed Interim Statements of Changes in Shareholders' Equity
For the three months ended March 31,
(Unaudited)

	Note	Number		2017 Amount	Number		2016 Amount
Share capital							
Balance, beginning of period		**70,061,595**	**$**	**13,969,981**	70,061,595	$	13,969,981
Common shares issued	8	**18,888,889**		**1,000,000**	-		-
Share issuance costs	8	**-**		**(29,300)**	-		-
Share capital, end of period		**88,950,484**		**14,940,681**	70,061,595	$	13,969,981
Warrants							
Balance, beginning of period		**2,142,856**		**-**	2,142,856		-
Warrants issued	9	**18,888,889**		**-**	-		-
Warrants, end of period		**21,031,745**		**-**	2,142,856		-
Contributed surplus							
Balance, beginning of period		**-**		**1,474,236**	-		1,474,236
Contributed surplus, end of period		**-**		**1,474,236**	-		1,474,236
Deficit							
Deficit, beginning of period		**-**		**(12,426,711)**	-		(12,181,817)
Comprehensive loss for the period		**-**		**(14,119)**	-		(378,059)
Deficit, end of period		**-**		**(12,440,830)**	-		(12,559,876)
Total Shareholders' equity, end of period		**-**	**$**	**3,974,087**	-	$	2,884,341

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

Relentless Resources Ltd.

Condensed Interim Statements of Cash Flows
For the three months ended March 31,
(Unaudited)

	Note		2017		2016
Cash from operating activities:					
Comprehensive loss for the period		$	**(14,119)**	$	(378,059)
Adjustments for:					
Accretion	7		**1,629**		16,213
Depletion and depreciation	5		**254,296**		256,558
Impairment	5		**117,835**		122,866
Change in non-cash working capital	13		**(877,029)**		134,137
Cash (used in) provided by operating activities			**(517,388)**		151,715
Cash from (used in) investing activities:					
Additions to property, plant and equipment	5		**(272,948)**		(41,119)
Change in non-cash working capital	13		**(497,828)**		12,889
Cash (used in) investing activities			**(770,776)**		(28,530)
Cash provided by financing activities:					
Proceeds from loans			**317,464**		176,815
Proceeds from issuance of common shares, net	8		**970,700**		-
Cash provided by financing activities			**1,288,164**		176,815
Change in cash			**-**		300,000
Cash, beginning of period			**-**		600,000
Cash, end of period		$	**-**	$	900,000
Interest paid		$	**18,239**	$	47,621

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

1. Reporting entity

Relentless Resources Ltd. ("Relentless" or the "Company") is an Alberta incorporated TSX Venture Exchange listed oil and natural gas exploration and production company whose business activities are focused in Alberta, Canada. The Company has no subsidiaries. The Company's head office address is Suite 320, 700-4th Avenue SW, Calgary, Alberta T2P 3J4.

2. Basis of preparation

(a) Statement of compliance:

These condensed interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements and notes thereto in the Company's December 31, 2016 Annual Report available on SEDAR at www.sedar.com.

These condensed interim financial statements were approved by the Company's Board of Directors on May 25, 2017.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue operation in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The ability of the Company to continue as a going concern is dependent on achieving future profitable operations and obtain additional financing to continue the development of the Company's properties to meet current and future obligations. If, for any reason, the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the financial statements.

(b) Estimates and judgements:

The timely preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2016.

3. Significant accounting policies

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the financial statements for the year ended December 31, 2016.

4. Financial risk management

The main financial risks affecting the Company are as follows:

(a) Credit Risk:

Credit risk is the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production and the Company could be at risk for up to 55 days of production from any marketer. The Company sells its production to one petroleum marketer and one natural gas marketer so that the exposure to any one entity is minimized. Oil sales make up 79% of the Company's revenue and natural gas makes up the remaining 21% of revenue. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint arrangement receivables are typically collected within one month of the joint arrangement bill being issued to the partner. The Company attempts to mitigate the risk from joint arrangement receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company does not typically obtain collateral from joint arrangement partners; it may cash call a partner in advance of the work being performed. The Company establishes an allowance for doubtful accounts as determined by management based on their assessment of collection.

The maximum exposure to credit risk at the financial position date was equal to the carrying value of accounts receivable. As of March 31, 2017 and 2016, all receivables were current and there were no receivables provided for or written off during the period.

(b) Market Risk:

Market risk consists of commodity price, foreign currency and interest rate risks.

(i) Commodity Price Risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian and US dollar.

The Company is exposed to the risk of declining prices for production resulting in a corresponding reduction in projected cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production while at the same time replacing continuous production declines from existing properties. Bank financing available to the Company is in the form of a production loan, which is reviewed quarterly, and which is based on future cash flows and commodity price forecasts. Changes to commodity prices will have an effect on credit available to the Company under its banking agreement.

(ii) Foreign Currency Exchange Risk:

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company had no forward exchange rate contracts or foreign denominated assets or liabilities in place as at or during the periods ended March 31, 2017 and 2016.

(iii) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest.

(c) Fair value measurements:

The carrying value of cash is measured using level 1 inputs, accounts receivable, accounts payable and accrued liabilities included on the statement of financial position approximate their fair values due to the short-term nature of those instruments.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1.

Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

5. Property, plant and equipment (PP&E)

		PP&E Assets
Assets		
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
Additions		272,948
Change in decommissioning obligations		(5,929)
Balance at March 31, 2017	$	20,842,837
Depletion, depreciation and impairment		
Balance at December 31, 2015	$	(8,413,089)
Impairment		(96,725)
Depletion and depreciation		(819,719)
Balance at December 31, 2016		(9,329,533)
Impairment		(117,835)
Depletion and depreciation		(254,296)
Balance at March 31, 2017	$	(9,701,664)
Net book value		
Balance at December 31, 2015	$	10,497,742
Balance December 31, 2016		11,246,285
Balance at March 31, 2017	$	11,141,173

(a) Collateral:

At March 31, 2017, all of the Company's oil and natural gas properties are pledged as collateral for the bank debt.

(b) Depletion:

At March 31, 2017, estimated future costs to develop the proved plus probable reserves of $7,411,000 (March 31, 2016 - $5,008,800) were added to property, plant and equipment for depletion and depreciation purposes.

(c) Impairments:

During the year ended December 31, 2016, the Company evaluated its PP&E assets for impairment and recorded an impairment of $96,725 on the Gordondale, Peace River Arch and Willesden Green CGU's. 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.

At March 31, 2017, the Company evaluated its PP&E assets for impairment and recorded an impairment of $117,835 on the Niton and Gordondale CGU's. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The CGU's were written down to their recoverable amount based on the future value of cash flows.

6. Demand operating facilities

As at March 31, 2017, the Company had a $3,000,000 demand operating loan facility, subject to the bank's 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 Company's working capital ratio at March 31, 2017 was 1.0:1.0. As at March 31, 2017, the Company had drawn $2,709,494 on this loan facility. On May 25, 2017 the Company renewed this loan facility (see note 15 – Subsequent event).

7. Decommissioning obligations

A reconciliation of the decommissioning obligations is provided below:

	Three months ended March 31, 2017	Year ended December 31, 2016
Balance, beginning of period	**$4,173,061**	$4,164,419
Additions -drilled	**-**	273,451
Disposition	**-**	(167,087)
Change in estimate	**(5,929)**	(152,403)
Accretion	**1,629**	54,681
Balance, end of period	**4,168,761**	4,173,061
Less current portion of decommissioning obligations	**(133,109)**	(133,109)
Non-current decommissioning obligations	**$4,035,652**	4,039,952

The total undiscounted amount of the estimated cash flows required to settle the decommissioning obligations is approximately $4,402,671 (2016 – $4,078,097) which will be incurred over the next 30 years (2016 – 30 years) with the majority of costs to be incurred between 2017 and 2042. An average risk-free rate of 1.28% (2016 – 0.93%) and an inflation rate of 2.00% (2016 – 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.

8. Share capital

(a) Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting common shares and preferred shares.

The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. All common shares are of the same class with equal rights and privileges.

(b) Issued

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**70,061,595**	**$13,969,981**	70,061,595	$13,969,981
Issuance of common shares	**18,888,889**	**1,000,000**	-	-
Share issuance costs	**-**	**(29,300)**	-	-
Balance, end of period	**88,950,484**	**$14,940,681**	70,061,595	$13,969,981

On January 10, 2017, Relentless completed two private placements.

In connection with the first private placement, the Company issued 10 million 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 and one common share purchase 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 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.

9. Warrants

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Warrants	**Amount**	Warrants	Amount
Balance, beginning of period	**2,142,856**	**-**	2,142,856	-
Warrants issued	**18,888,889**	**-**	-	-
Balance, end of period	**21,031,745**	**-**	2,142,856	-

As at March 31, 2017, 21,031,745 warrants (2016 – 2,142,856) were outstanding.

10. Share based compensation

Stock options

The Company has a stock option plan (the “Plan”) for its officers, directors, employees and consultants. Under the Plan, the Company may grant options for up to 10% of the outstanding common shares. The options have a five year term and vest immediately. The exercise price of each option granted equals the market price of the Company’s stock immediately preceding the date of grant. The polices of the TSXV require "rolling" stock option plans to be approved on an annual basis by the shareholders of a listed issuer. The number and weighted average exercise prices of share options for the three months ended March 31, 2017 and 2016 are as follows:

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of period	**-**	**-**	5,698,410	$0.22
Cancelled	**-**	**-**	(5,698,410)	$0.22
Outstanding and exercisable, end of period	**-**	**-**	-	-

On February 4, 2017 the Company cancelled a total of 5,698,410 incentive stock options, granted under the company's stock option plan to certain officers, directors, employees and consultants of the company. The cancelled options were voluntarily surrendered by the holders thereof for no consideration. The exercise prices of the cancelled options ranged from 14 cents to 30 cents per common share. Following the cancellation of the options, the company has no options outstanding.

11. Contributed surplus

	Three months ended March 31, 2017	Year ended December 31, 2016
Balance, beginning of period	**$1,474,236**	$1,474,236
Balance, end of period	**$1,474,236**	$1,474,236

12. Loss per share

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net and comprehensive loss for the period	**($14,119)**	($378,059)
Net and comprehensive loss per share, basic and diluted	**($0.00)**	($0.01)
Weighted average shares outstanding	**87,061,595**	63,869,557

13. Supplemental cash flow information

	Three months ended March 31, 2017	Three months ended March 31, 2016
Change in non-cash working capital items:		
Accounts receivable	**$55,645**	$291,295
Prepaid expenses and deposits	**(39,762)**	(33,223)
Accounts payable and accrued liabilities	**(1,390,740)**	(110,046)
	($1,374,857)	$147,026

Amount related to operating activities	**($877,029)**	$134,137
Amount related to investing activities	**(497,828)**	12,889
	($1,374,857)	$147,026

14. Revenue by product

	Three months ended March 31, 2017	Three months ended March 31, 2016
Oil and NGL revenue	**$735,120**	$340,505
Natural gas revenue	**190,767**	140,508
Total revenue	**$925,887**	$481,013

15. Subsequent event

On May 25, 2017, the Company renewed its revolving demand operating loan facility, with the principal amount at $3,000,000. The facility is available until May 31, 2018, 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 2.0 percent. The credit facility is collateralized by a general security agreement and a first ranking charge on all lands of the Company.