

GUARDIAN EXPLORATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

MANAGEMENTS' DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") should be read in conjunction with Guardian Exploration Inc.'s ("Guardian" or the "Corporation") unaudited condensed interim financial statements (the "Interim Financial Statements") as at and for the three and nine months ended September 30, 2021 and 2020, and the audited financial statements as at and for the years ended December 31, 2020 and 2019. The financial data presented herein, including comparative periods, have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Accordingly, certain information and disclosure normally included in audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

The commentary is as of November 28, 2021. The reader should be aware that historical results are not necessarily indicative of future performance.

Additional information about the Corporation, filed with the Canadian securities commissions, including periodic yearly and quarterly reports, is available online at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain of the statements set forth under "Management's Discussion and Analysis" including statements which may contain words such as "could", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts, are forward-looking and are based upon the Corporation's current belief as to the outcome and timing of such future events. There are numerous risks and uncertainties, certain of which are beyond Guardian's control, including: the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Guardian's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur.

NATURE OF OPERATIONS

Guardian Exploration Inc. was incorporated in Alberta as Guardian Resources Inc. on March 27, 2001. On May 14, 2001, Guardian changed its name to Guardian Exploration Inc., and it obtained Extra-provincial Registration in British Columbia on September 22, 2001. On April 21, 2006, Guardian amalgamated with Resilient Resources Ltd., a public company listed on the TSX Exchange. The amalgamated company continued under the name Guardian Exploration Inc.

The Corporation is engaged in the exploration, development and production of oil, natural gas and mineral properties in Western Canada. The Corporation's registered office is 1250, 639 – 5th Avenue SW, Calgary, Alberta, Canada and the principal place of business is 538 Hurricane Drive, Calgary, Alberta, Canada, T3Z 3S8. The Corporation is listed on the TSX Venture Exchange under the trading symbol "GX".

All amounts are reported in Canadian dollars unless otherwise indicated.

CORPORATE UPDATE

During the nine months ended September 30, 2021 and years ended December 31, 2020 and 2019, all of the Corporation's oil and gas wells remained shut-in.

For the nine months ended September 30, 2021, the Corporation recorded revenue of \$nil (December 31, 2020 - \$nil), reported a net loss of \$554,810 (December 31, 2020 - \$183,710) and negative cash flow from operations of \$181,146 (December 31, 2020 - \$154,312). As at September 30, 2021, the Corporation had a working capital deficiency of \$1,226,727 (December 31, 2020 - \$1,172,656).

These conditions indicate the existence of a material uncertainty which may cast significant doubt related to the Corporation's ability to continue as a going concern. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Corporation's assets and liabilities. The accompanying Interim Financial Statements do not include any adjustments that may result if the Corporation is unable to continue as a going concern, and, such adjustments could be material.

During Q1 2020, crude oil prices declined dramatically, largely due to a drop in global oil demand triggered by the impact of the novel coronavirus ("COVID-19") and the disagreements between OPEC and non-OPEC countries with respect to production quotas. OPEC and other countries agreed in Q2 2020 to decrease production. These production curtailments, as well as government stimulus programs and other improvements in general economic conditions, resulted in a strengthening of commodity prices, although still below levels existing prior to March 2020. The full extent of the impact on the Corporation's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated. The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital.

Guardian's expenses for the nine months ended September 30, 2021 and year ended December 31, 2020 consisted primarily of operating and general and administrative expenses.

On February 26, 2021, the Corporation completed the acquisition (the "Acquisition") from DG Resources Management Ltd. ("DGM") and Graydon Kowal ("Kowal" and together with DGM, the "Vendors") of their interests in and to a mining property known as the Mount Cameron Property located in the Mayo Mining District in the Yukon (the "Assets"). The acquisition was first announced in the Corporation's press release dated May 21, 2020.

In consideration for the Assets, the Corporation issued 4,000,000 Common Shares in the share capital of Guardian to the Vendors and a 2% Net Smelter Royalty, which Net Smelter Royalty shall be repurchaseable by Guardian from the Vendors at a price of \$1,000,000 for a period of five years. The Corporation also assumed debt in the amount of \$50,000 owed by Graydon Kowal to Dahrouge Geological Consulting Ltd. (an affiliate of DGM) and debt in the amount of \$10,000 owed by DGM to Dahrouge Geological Consulting Ltd. (the "Debt Assumption"). The debt assumed by the Corporation bears no interest and is payable in increments of \$15,000 semi-annually until repaid.

In conjunction with the Acquisition, the Corporation completed a private placement as described in Note 11 to the accompanying Interim Financial Statements. The Corporation intends to use the proceeds from the private placement to fund the proposed work program for the Assets. Proceeds will be used for expenditures which qualify as "Canadian exploration expenses" ("CEE") and "flow-through mining expenditures" both within the meaning of the Income Tax Act (Canada). The Corporation will renounce such CEE in accordance with the rules and regulations of the Income Tax Act (Canada).

In Q3 2021, the Corporation initiated a work program at the Mount Cameron Property. Results of the work program are expected in late 2021.

SELECTED FINANCIAL INFORMATION (\$)

	2020	Year Ended December 31, 2019	2018
Net revenue, after royalties	-	-	-
Net income (loss) and comprehensive income (loss)	(183,710)	(84,158)	806,854
per share (basic and fully diluted)	(0.00)	(0.00)	0.01
Non-current liabilities:			
- Decommissioning liabilities	260,492	258,389	307,616
Total assets	184,665	162,254	170,410

QUARTERLY DATA (\$)

Period	Net Revenue	Net Income (Loss)	Basic	Fully Diluted	Total Assets
September 30, 2021	-	(217,400)	(0.00)	(0.00)	643,650
June 30, 2021	-	(140,325)	(0.00)	(0.00)	662,347
March 31, 2021	-	(197,085)	(0.00)	(0.00)	716,972
December 31, 2020	-	(40,106)	(0.00)	(0.00)	184,665
September 30, 2020	-	(60,872)	(0.00)	(0.00)	168,290
June 30, 2020	-	(54,395)	(0.00)	(0.00)	169,096
March 31, 2020	-	(28,337)	(0.00)	(0.00)	166,385
December 31, 2019	-	56,393	0.00	0.00	162,254

SUMMARY OF RESULTS (\$, except Boe/d amounts)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Petroleum and gas sales revenue	-	-	-	-
Royalties	-	-	-	-
Net revenue	-	-	-	-
Expenses				
Operating	115,356	2,240	121,141	24,770
General and administrative	37,929	53,087	147,101	102,402
Accretion	2,497	1,300	7,492	3,900
Interest expense	4,304	4,304	12,912	12,912
Interest income	(59)	(59)	(176)	(380)
Share-based compensation	57,373	-	266,340	-
Net loss and comprehensive loss	(217,400)	(60,872)	(554,810)	(143,604)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)
Petroleum and natural gas sales (Boe/d)	-	-	-	-
Net cash used in operating activities	(34,622)	(48,542)	(181,146)	(123,060)
Total assets	643,650	168,290	643,650	168,290

PETROLEUM AND NATURAL GAS SALES VOLUMES

Sales volumes mcf to boe (6:1 boe conversion)	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Natural Gas (mcf/d)	-	-	-	-
Oil and NGL's (bbls/d)	-	-	-	-
Total boe/d	-	-	-	-

GROSS REVENUE AND PRICING (\$)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Petroleum	-	-	-	-
Natural gas	-	-	-	-
Natural gas liquids	-	-	-	-
Petroleum (\$/bbl)	-	-	-	-
Gas (\$/mcf)	-	-	-	-
Natural gas liquids (\$/bbl)	-	-	-	-

During the nine months ended September 30, 2021 and 2020, all of the Corporation's oil and gas wells remained shut-in.

The Corporation currently has no financial derivatives or physical delivery contracts in place. All production volumes are sold into the spot market.

ROYALTIES (\$, except percent of total revenue)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Crown	-	-	-	-
Gross overriding	-	-	-	-
Total royalties	-	-	-	-
\$/boe	-	-	-	-
Percent of total revenue	-	-	-	-

Royalties were \$nil for the nine months ended September 30, 2021 and 2020 as all properties were shut-in for the periods.

OPERATING EXPENSES (\$)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Operating expenses	115,356	2,240	121,141	24,770
\$/boe	-	-	-	-
Percentage of gross revenue	-	-	-	-

Operating expenses for the three months ended September 30, 2021 totalled \$115,356, an increase of \$113,116 from the comparative period last year. The increase is due to execution of a work program at the Corporation's Mount Cameron Property located in the Mayo Mining District in the Yukon.

Operating expenses for the nine months ended September 30, 2021 totalled \$121,141, an increase of \$96,371 from the comparative period last year. The increase is due to above mentioned mining work program.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES (\$)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
G&A expenses	37,929	53,087	147,101	102,402
\$/boe	-	-	-	-

G&A expenses for the three months ended September 30, 2021 totalled \$37,929, representing a 29% decrease over \$53,087 from the comparative period last year.

G&A expenses for the nine months ended September 30, 2021 totalled \$147,101, representing a 44% increase over \$102,402 from the comparative period last year.

G&A costs for the nine months ended September 30, 2021 were as follows: consulting fees - \$91,587 (September 30, 2020 - \$40,969), agent and filing fees - \$14,500 (September 30, 2020 - \$11,181), audit and legal - \$17,947 (September 30, 2020 - \$25,815), travel - \$nil (September 30, 2020 - \$1,063), computer services and office supplies - \$6,593 (September 30, 2020 - \$8,377), interest and penalties - \$5,669 (September 30, 2020 - \$5,937), and insurance and other - \$10,805 (September 30, 2020 - \$9,060).

The overall increase in G&A during 2021 was due primarily to increased consulting fees (hired a contract VP Exploration, increased work related to acquisition of mining property and initial work related to summer work program), as well as increased agent and filing fees in connection with the private placement and property acquisition during the current period.

During the nine months ended September 30, 2021 and 2020, no G&A costs were capitalized.

NET FINANCE EXPENSES (\$)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Accretion	(2,497)	(1,300)	(7,492)	(3,900)
Interest expense	(4,304)	(4,304)	(12,912)	(12,912)
Interest income	59	59	176	380
	(6,742)	(5,545)	(20,228)	(16,432)

Interest expense for the nine months ended September 30, 2021 and 2020 relates to a loan from a shareholder.

DEPOSITS

Deposits include an abandonment and reclamation deposit in the amount of \$46,866 (December 31, 2020 - \$46,691) with Alberta Energy Regulator and a deposit of \$116,000 (December 31, 2020 - \$116,000) with the British Columbia Oil and Gas Commission.

PROPERTY AND EQUIPMENT

Cost	Mining Assets	Total
Balance at January 1, 2020	\$ -	\$ -
Balance at December 31, 2020	\$ -	\$ -
Additions	274,000	274,000
Balance at September 30, 2021	\$ 274,000	\$ 274,000
Accumulated depreciation		
Balance at January 1, 2020	\$ -	\$ -
Balance at December 31, 2020	\$ -	\$ -
Balance at September 30, 2021	\$ -	\$ -
Net book value:		
At December 31, 2020	\$ -	\$ -
At September 30, 2021	\$ 274,000	\$ 274,000

On February 26, 2021, the Corporation completed the acquisition (the "Acquisition") from DG Resources Management Ltd. ("DGM") and Graydon Kowal ("Kowal" and together with DGM, the "Vendors") of their interests in and to a mining property known as the Mount Cameron Property located in the Mayo Mining District in the Yukon (the "Assets"). The acquisition was first announced in the Corporation's press release dated May 21, 2020.

In consideration for the Assets, the Corporation issued 4,000,000 Common Shares in the share capital of the Corporation to the Vendors and a 2% Net Smelter Royalty, which Net Smelter Royalty shall be repurchaseable by Guardian from the Vendors at a price of \$1,000,000 for a period of five years. The Corporation also assumed debt in the amount of \$50,000 owed by Graydon Kowal to Dahrouge Geological Consulting Ltd. (an affiliate of DGM) and debt in the amount of \$10,000 owed by DGM to Dahrouge Geological Consulting Ltd. (the "Debt Assumption"). The debt assumed by the Corporation bears no interest and is payable in increments of \$15,000 semi-annually until repaid.

In conjunction with the Acquisition, the Corporation completed a private placement. The Corporation intends to use the proceeds from the private placement to fund the proposed work program for the Assets. Proceeds will be used for expenditures which qualify as "Canadian exploration expenses" ("CEE") and "flow-through mining expenditures" both within the meaning of the Income Tax Act (Canada). The Corporation will renounce such CEE in accordance with the rules and regulations of the Income Tax Act (Canada).

LOANS FROM RELATED PARTIES

From time to time, the Corporation obtains loans from certain related parties to supplement its working capital.

The related party loans are with companies controlled by certain directors of the Corporation and bear no interest. The shareholder loan accrues interest at the rate of 15% per year, payable monthly. All loans are secured against the assets of the Corporation and due on demand. The following loan amounts are payable to related parties and shareholder at September 30, 2021 and December 31, 2020:

	Deckland Inc. (\$) ⁽¹⁾	Guardian Helicopters Inc. (\$) ⁽¹⁾	G. Kowal (\$)	Total (\$)
Principal	128,283	273,652	212,497	614,432
Advances	51,318	64,967	-	116,285
Interest	-	-	17,216	17,216
Balance, December 31, 2020	179,601	338,619	229,713	747,933
Advances	18,147	56,781	-	74,928
Interest	-	-	12,912	12,912
Balance, September 31, 2021	197,748	395,400	242,625	835,773

1) A private Company wholly-owned and controlled by Mr. G. Kowal, shareholder, CEO and President of the Corporation.

Included in the related party balance is accrued interest payable as follows:

	(\$)
Accrued interest payable, December 31, 2018	80,510
Accrued interest payable, December 31, 2019	97,725
Accrued interest payable, December 31, 2020	114,941
Accrued interest payable, September 31, 2021	127,853

CEBA LOAN

The Corporation received funds in the amount of \$60,000 related to the Canada Emergency Business Account (“CEBA”) application. These funds are interest-free until December 31, 2022, at which time the remaining balance will convert to a 3-year term loan at an interest rate of 5% per annum. If the Corporation repays \$40,000 of the loan on or before December 31, 2022, there will be loan forgiveness of \$20,000.

The Corporation has recorded a fair value of \$35,453 at the initial recognition date of the CEBA using an effective interest rate of 14%. The difference of \$24,547 between the fair value and the total amount of CEBA received was recorded as a gain on government grant for the year ended December 31, 2020. During the nine months ended September 30, 2021, the Corporation recorded accretion of \$3,592 (December 31, 2020 - \$599).

PROMISSORY NOTE

In consideration for the Assets acquired in February 2021, the Corporation assumed debt in the amount of \$50,000 owed by Graydon Kowal to Dahrouge Geological Consulting Ltd. (an affiliate of DGM) and debt in the amount of \$10,000 owed by DGM to Dahrouge Geological Consulting Ltd. The debt assumed by the Corporation bears no interest and is payable in increments of \$15,000 semi-annually until repaid.

DECOMMISSIONING LIABILITIES

The total undiscounted amount of cash flows required to settle the obligations as measured at September 30, 2021 are estimated to be approximately \$261,000 (December 31, 2020 - \$261,000). These payments are expected to be made over the next 2 years. The decommissioning obligations have been calculated using an inflation rate of 0.62% (December 31, 2020 – 0.62%) and an average risk-free rate of 0.17% (December 31, 2020 – 0.17%). A reconciliation of the Corporation’s decommissioning liabilities is provided below:

	September 30, 2021 (\$)	December 31, 2020 (\$)
Balance, beginning of the period	260,492	258,389
Abandonments	-	-
Changes in estimates	-	-
Accretion	3,900	2,103
Balance, end of the period	264,392	260,492

All property and equipment has been fully impaired or depreciated resulting in the change in estimates being recorded to operating costs in the statements of net loss and comprehensive loss.

SHARE CAPITAL

a) Authorized shares

- Unlimited number of no-par value common voting shares.
- Unlimited number of no-par value preferred shares, issuable in series.

b) Shares issued and outstanding

Common Shares	Number of Shares	Amount (\$)
Balance, December 31, 2020 and 2019	74,313,748	15,724,195
Issuance of common shares for cash	2,100,000	30,541
Issuance of flow-through shares for cash	2,000,000	94,163
Issuance of common shares for property	4,000,000	200,000
Share issue costs	-	(3,918)
Balance, September 30, 2021	82,413,748	16,044,981

On February 26, 2021, the Corporation completed the Acquisition from the Vendors of their interests in and to a mining property known as the Mount Cameron Property located in the Mayo Mining District in the Yukon (the "Assets").

In consideration for the Assets, the Corporation issued 4,000,000 Common Shares in the share capital of Guardian to the Vendors and a 2% Net Smelter Royalty, which Net Smelter Royalty shall be repurchaseable by the Corporation from the Vendors at a price of \$1,000,000 for a period of five years.

In connection with the Acquisition, the Corporation completed a private placement (the "Private Placement") whereby an aggregate of 2,000,000 Flow-Through Units at a price of \$0.10 per unit, and an aggregate of 2,100,000 Ordinary Units were issued at a price of \$0.05 per unit, for aggregate gross proceeds of \$305,000.

Flow-Through Units consist of one Common Share issued on a tax flow-through basis and one warrant issued on a tax flow-through basis ("Flow Through Warrant"). Each Flow-Through Warrant will entitle the holder to purchase one non-flow-through Common Share ("Ordinary Share") at a price of \$0.15 for a period of three years from the date of issuance.

Ordinary Units consist of one Ordinary Share and one non-flow-through warrant ("Ordinary Warrant"). Each Ordinary Warrant entitles the holder to purchase one additional Ordinary Share at a price of \$0.25 for a period of three years from the date of issuance.

The Flow-Through Warrants and the Ordinary Warrants are subject to an acceleration clause, such that if the closing price of the Corporation's common shares trading on the TSX Venture Exchange

is greater than \$0.15 (for the Flow-Through Warrants) or \$0.25 (for the Ordinary Warrants) for 30 consecutive trading days, the Corporation may, by giving notice to the holders, accelerate the warrant expiry date whereby such warrants will expire on the 30th day after the date on which the notice is provided.

Warrants	Number of Warrants	Amount (\$)
Balance, December 31, 2020 and 2019	-	-
Issuance of Flow Through warrants	2,000,000	105,837
Issuance of Ordinary warrants	2,100,000	74,459
Balance, September 30, 2021	4,100,000	180,296

The Corporation calculated the fair value of the 2,000,000 Flow Through Warrants granted in 2021 using the Black-Scholes pricing model using the following assumptions:

	2021
Share-price	\$0.13
Risk-free interest rate	0.40%
Expected volatility	68%
Dividend yield	0%
Expected life of each warrant granted	3 years
Estimated forfeiture rate	0%
Fair value per warrant	\$0.05

The fair value of the 2,000,000 Flow Through warrants granted on February 26, 2021 was \$105,837.

The Corporation calculated the fair value of the 2,100,000 Ordinary Warrants granted in 2021 using the Black-Scholes pricing model using the following assumptions:

	2021
Share-price	\$0.13
Risk-free interest rate	0.40%
Expected volatility	68%
Dividend yield	0%
Expected life of each warrant granted	3 years
Estimated forfeiture rate	0%
Fair value per warrant	\$0.04

The fair value of the 2,100,000 Ordinary Warrants granted on February 26, 2021 was \$74,459.

c) Stock options

The Corporation has a stock option plan under which directors, officers, employees and consultants are eligible to receive stock option grants. The stock options issued shall not exceed 10% of the issued shares of the Corporation at the time of granting of options. The exercise price and vesting terms of any options granted are fixed by the Board of Directors of the Corporation at the time of grant. There were no stock options issued during the years ended December 31, 2020 or 2019.

On March 26, 2021, the Corporation granted an aggregate of 6,500,000 incentive stock options under its stock option plan to its officers and directors. Each option entitles the holder thereof to purchase one Common Share in the capital of the Corporation for a period of five years at a price of \$0.11 per share.

The options will vest quarterly over a two-year period.

The stock options are not transferrable. The common shares issued upon exercise of the stock options will be subject to a four-month resale restriction from the date of grant.

The Corporation calculated the fair value of options granted in 2021 using the Black-Scholes option pricing model using the following weighted average assumptions:

	2021
Share-price	\$0.11
Risk-free interest rate	0.93%
Expected volatility	68%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Weighted average fair value per option	\$0.06

The fair value of the 6,500,000 stock options granted on March 26, 2021 was \$376,881. As at September 30, 2021, \$266,340, representing the vested portion of the options, was recorded to share-based compensation expense, with a corresponding credit to contributed surplus.

d) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding of 80,752,210 during the nine months ended September 30, 2021 (December 31, 2020 - 74,313,748). The calculation of diluted loss per share for the nine months ended September 30, 2021 excludes the effect of all outstanding share options and warrants as they are anti-dilutive.

NET LOSS AND COMPREHENSIVE LOSS, AND CASH FLOWS FROM OPERATING ACTIVITIES (\$)

	Three Months Ended Sep. 30 2021	Three Months Ended Sep. 30 2020	Nine Months Ended Sep. 30 2021	Nine Months Ended Sep. 30 2020
Net loss and comprehensive loss	(217,400)	(60,872)	(554,810)	(143,604)
Per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)
Net cash used in operating activities	(34,622)	(48,542)	(181,146)	(123,060)

During the nine months ended September 30, 2021, the Corporation recorded a net loss and comprehensive loss of \$554,810 (September 30, 2020 - \$143,604). On a per share basis, this loss equates to \$0.01 per share (September 30, 2020 - \$0.00 per share).

During the three months ended September 30, 2021, the Corporation recorded a net loss and comprehensive loss of \$217,400 (September 30, 2020 - \$60,872). On a per share basis, this loss equates to \$0.00 per share (September 30, 2020 - \$0.00 per share).

SUPPLEMENT TO THE FINANCIAL STATEMENTS

The outstanding common shares, warrants, and stock options are summarized below (also see note 11 to the Interim Financial Statements):

	November 28, 2021	September 30, 2021	December 31, 2020
Common shares	82,413,748	82,413,748	74,313,748
Warrants	4,100,000	4,100,000	-
Share options	6,500,000	6,500,000	-

The weighted-average number of common shares outstanding during the nine months ended September 30, 2021 was 80,752,210 (September 30, 2020 – 74,313,748).

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2021, the Corporation incurred a net loss of \$554,810, (September 30, 2020 - \$143,604) and had negative cash flows from operating activities of \$181,146 (September 30, 2020 - \$123,060). As at September 30, 2021, the Corporation has a working capital deficiency of \$1,226,727 (December 31, 2020 - \$1,172,656) and an accumulated deficit of \$22,716,918 (December 31, 2020 - \$22,162,108).

RELATED PARTY TRANSACTIONS

In addition to transactions disclosed elsewhere in the accompanying Interim Financial Statements, the Corporation has the following related party transactions:

- a) Legal fees in the amount of \$7,947 for the nine months ended September 30, 2021 (September 30, 2020 - \$16,670) have been incurred with a legal firm of which a partner is the spouse of an officer of the Corporation. As at September 30, 2021, \$499 is payable to this legal firm (September 30, 2020 - \$10,690) and is included in accounts payable and accrued liabilities.
- b) Total consulting fees, wages, salaries, benefits and other personnel costs included in the statements of net loss and comprehensive loss for the nine months ended September 30, 2021 were \$91,587 (September 30, 2020 - \$40,969). The aggregate remuneration of key management for the nine months ended September 30, 2021 was \$42,849 in consulting fees, salaries and benefits (September 30, 2020 - \$30,969).

The transactions are in the normal course of business and initially recorded at fair value.

SETTLEMENT OF ACCOUNTS PAYABLE

Periodically, management negotiates the settlement of accounts payable at a value less than the amount recorded. During the nine months ended September 30, 2021, the Corporation recorded a gain on the settlement of accounts payable of \$Nil (December 31, 2020 - \$5,674).

COMMITMENTS AND CONTINGENCIES

Contractual

Under the terms of an employment contract with the Chief Executive Officer, the Corporation is committed to pay (i) severance equal to 24 months' base salary; (ii) compensation for loss of employee benefits; (iii) all accrued but unpaid bonuses; and (iv) accrued and unpaid salary, benefits, perquisites and expenses to the termination date and any un-received vacation allotment.

Other

The Corporation is involved in a number of legal claims associated with the normal course of operations. The Corporation believes it has made adequate provisions for such legal claims. The Corporation has not presented a detailed breakdown of the claims as it may prejudice the position of management on these claims. While the outcome of these claims is uncertain, and there can be no assurance that such claims will be resolved in the Corporation's favour, the Corporation does not believe that the outcome of adverse

decisions in any proceedings related to these claims, or any amount which it may be required to pay, would have a material adverse impact on its financial position, results of operations or liquidity.

FINANCIAL INSTRUMENTS

The following table summarizes the classification of the Corporation's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial instrument	Classification
Cash	Amortized cost
CEBA Loan	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans from related parties	Amortized cost

Financial assets

The classification of financial assets is based on the Corporation's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.
- Financial assets are initially measured a fair value and are subsequently measured at amortized cost using the effective interest method, or at FVOCI or at FVTPL.
- Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Financial liabilities

The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the statements of loss and comprehensive loss.
- Financial liabilities measured at FVTPL: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the statements of loss and comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss and comprehensive loss.

Impairment of financial assets

At each reporting date, the Corporation assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

For short-term trade and other receivables, the Corporation applies the simplified approach and has calculated ECLs based on lifetime ECLs. Where information exists, the Corporation establishes a loss rate based on historical normalized credit loss experience. The loss rate is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the statements of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

Equity instruments

the Corporation's outstanding common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Business combinations

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS.

The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recognized in profit or loss.

Joint arrangements

A portion of the Corporation's exploration activities is conducted jointly with others whereby the Corporation enters into agreements that provide for specified percentage interests in petroleum and natural gas properties and exploration and evaluation assets. These joint arrangements are classified as either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement. Joint operations are accounted for by recognizing the Corporation's share of any assets, liabilities, revenue and expenses of the joint operation and joint ventures are accounted for using the equity method.

CAPITAL MANAGEMENT

The Corporation's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Corporation defines capital as shareholder equity, working capital and credit facilities, when available. The Corporation manages its capital structure, including making adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but, rather, promotes year over year sustainable growth in net income and cash flows. There have been no changes to the Corporation's objectives in managing capital or in management's management of capital in the current year.

The capital structure of the Corporation is as follows:

	September 30, 2021 (\$)	December 31, 2020 (\$)
Total shareholders' deficiency	(1,093,897)	(1,306,509)
Working capital deficiency	(1,226,727)	(1,172,656)

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Corporation is subject to credit risk on its cash balance. The Corporation's cash is held at major financial institutions, and, as such, is subject to only minor credit risk.

Liquidity Risk

Liquidity risk includes the following, as a result of the Corporation's operational liquidity requirements:

- The Corporation will not have sufficient funds to settle a transaction on the due date;
- The Corporation will be forced to sell financial assets at a value less than what they are worth; or,
- The Corporation may be unable to settle or recover a financial asset at all.

The Corporation has cash of \$202,838 (December 31, 2020 - \$21,974) to settle current obligations of \$1,433,511 (December 31, 2020 - \$1,194,630) and will therefore need to source equity and/or debt financing to meet obligations as they come due. The loans from related parties are due upon demand. All accounts payable and accruals are due within thirty days.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

BASIS OF BARREL OF OIL EQUIVALENT

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent (boe) using 6,000 cubic feet ("6 mcf") equal to one barrel (6:1), unless otherwise stated. The boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore, boe may be misleading if used in isolation. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

CRITICAL ACCOUNTING ESTIMATES

(a) Management's judgments and estimates

The timely preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, as at the balance sheet date and the reported amounts of revenues and expenses during the year. Accordingly, actual results may differ from these estimates. Estimates and judgments reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's significant judgments and estimates made in the preparation of these financial statements:

Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the

Corporation's accounting policies and that have the most significant effect on the amounts recognized in the audited financial statements:

(i) *Identification of cash-generating units*

Property and equipment is aggregated into cash-generating-units ("CGUs") based on the ability to generate largely independent cash flows and are used for impairment testing. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Corporation's operations.

(ii) *Impairment of petroleum and natural gas assets*

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of petroleum and natural gas reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant assumptions.

(iii) *Componentization*

For the purposes of depletion, the Corporation allocates its property and equipment to components with similar lives and depletion methods. The groupings of assets are subject to management's judgment and are performed on the basis of geographical proximity and similar reserve life.

(iv) *Deferred taxes*

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit and loss in the period in which the change occurs.

(v) *Joint operations*

The Corporation is party to various joint interest, operating and other agreements in conjunction with its petroleum and natural gas activities. The revenues and expenses allocated between partners are governed by the terms of these agreements and are subject to interpretation and audit by the appropriate parties.

Key sources of estimation uncertainty:

The following are the key estimates and their assumptions concerning the sources of estimation during the reporting period, that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities.

(i) *Reserves*

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production volumes, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Corporation's oil and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning liabilities, and the recognition of deferred tax assets due to changes in expected future cash

flows. The Corporation's petroleum and natural gas reserves are determined pursuant to National Instrument 51 -101, "Standard of Disclosures for Oil and Gas Activities", at least annually by independent reserve engineers.

(ii) *Decommissioning liabilities*

The calculation of decommissioning liabilities and related accretion expense includes management's estimates of current risk-free interest rates, future inflation rates, future restoration and reclamation expenditures and the timing of those expenditures. In most instances, removal of assets occurs many years in the future.

(iii) *Share-based payments*

The amounts recorded for stock-based compensation expense relating to the fair value of stock options issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Corporation's share value, expected forfeiture rates, expected lives of the stock options (based on historical experience and general holder behaviour) and the risk-free interest rate (based on government bonds).

(iv) *Income taxes*

The amounts recorded for deferred tax asset are based on management's estimate as to the timing of the reversal of temporary differences and tax rates currently substantively enacted and the likelihood of tax assets being realized. The availability of tax pools and other deductions are subject to audit and interpretation by taxation authorities.

CORPORATE GOVERNANCE

Please see the attached Schedule "A" for information on the Corporation's Corporate Governance (Form 58-101F2).

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Corporation's Audit Committee is attached to this Management's Discussion and Analysis as Schedule "B".

Composition of the Audit Committee

The following are the members of the Audit Committee:

Graydon Kowal	-	Non-Independent*; Financially Literate*
David McMillan	-	Independent*; Financially Literate*
Kevin Flaherty	-	Independent*; Financially Literate*

* As defined by Multilateral Instrument 52-110 – Audit Committees ("MI 52-110").

Education and Experience

Graydon Kowal: Mr. Kowal has been active in the petroleum industry in Alberta and British Columbia for the last 15 years. Since 1995, Mr. Kowal has been the President and Chief Executive Officer of Guardian Helicopters Inc., a private helicopter company serving the oil and gas, mining, and forest industries across North America.

David McMillan: With over 50 years in the resource industries, Mr. McMillan's career has spanned manufacturing, marketing, sales and financing, including 17 years as an Investment Advisor as VP, Senior

VP, Director, and member of the Executive Committee for Yorkton Securities and Yorkton Holdings Inc. Mr. McMillan has acted as a director and officer of numerous mineral exploration companies and has extensive experience with the financial and accounting aspects of the industry in which the Corporation operates.

Kevin Flaherty: Mr. Flaherty has been active in the SE Asia region for more than 20 years and is a recognized specialist in energy and natural resources. He has an established track record of identifying attractive projects, establishing companies, executing valuation growth and structuring exits. In his role at Saigon Asset Management, as Managing Director - Energy & Natural Resources, he is responsible for direct investments and advisory services in the energy and natural resources sector. Mr. Flaherty received both a B.A. in Economics and an MBA in Finance from the University of Calgary.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (De Minimis Non-Audit Services), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of non-audit services as required.

External Auditor Service Fees (by Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Ending	Year	Audit Fees⁽¹⁾	Audit Fees⁽²⁾	Related	Tax Fees⁽³⁾	All Other Fees
2019		\$11,770	\$0		\$0	\$0
2020		\$12,305	\$0		\$0	\$0

Notes:

- (1) Represents fees paid for professional services rendered by the auditors for the audit of the Corporation's annual financial statements and services provided in connection with statutory and regulatory filings.
- (2) Represents fees incurred in connection with the International Financial Reporting Standard compliance.
- (3) Represents fees incurred for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning.

Exemption

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110 and, as such, the Corporation is exempt from Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of MI 52-110.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is filed on the SEDAR website at www.sedar.com. Information can also be obtained by contacting the Corporation at Guardian Exploration Inc., 538 Hurricane Drive, Calgary, Alberta, Canada, T3Z 3S8.

SCHEDULE “A”

GUARDIAN EXPLORATION INC.

CORPORATE GOVERNANCE POLICY

CORPORATE GOVERNANCE DISCLOSURE (FORM 58-101F2)

The Board and senior management of the Corporation consider good corporate governance to be central to the effective operation of the Corporation and are committed to maintaining a high standard of corporate governance.

The Board has assumed the responsibility for the development of certain governance practices and mechanisms. Responsibilities with respect to corporate governance practices include: (i) establishing and reviewing member characteristics for the Board; (ii) evaluating, identifying and recommending nominees to the Board; (iii) monitoring and reviewing the education and development of members of the Board; (iv) recommending directors to serve as committee members and chairs; (v) reviewing and developing corporate governance guidelines, policies and procedures for the Board; (vi) establishing and implementing evaluation processes for the Board, committees and chairs; (vii) establishing procedures for the engagement of independent counsel by a director; (viii) reviewing disclosure by the Corporation; and (ix) reviewing and evaluating the Board's charter and efficiency.

The Board and the Corporation are devoting attention and resources to reviewing the Corporation's corporate governance practices and ensuring that the Corporation's system of corporate governance meets applicable legal requirements. The Board adopted the Charter of the Board (“Board Charter”) and a number of policies including policies related to insider trading, disclosure and the media, a code of business conduct and ethics (the “Code of Business Conduct and Ethics”), and a whistleblower policy (the “Whistleblower Policy”), to assist the Corporation in maintaining a high standard of corporate governance. With input from the relevant committees, the Board also created the charters of all of its committees including the Audit Committee and Technical Committee.

The Board had appointed Graydon Kowal as Chair of the Board. The Board consists of three directors who have significant experience in, and an understanding of the role and responsibilities of acting as a director.

Directorships

The Board currently consists of three directors. The Board has concluded that two of the three directors, David McMillan and Kevin Flaherty, are independent. Graydon Kowal is not considered to be independent by virtue of his executive positions with the Corporation.

The following current and proposed directors of the Corporation presently serve as directors of other reporting issuers as follows:

Name	Name of Reporting Issuer	Exchange or Market
David McMillan	Southstar Mining Corp.	TSXV and OTCQB

The Board and committees hold regularly scheduled meetings with a view to facilitating regular open and candid discussion among the directors, including an entitlement for the directors to hold in camera sessions without management present at the meetings of the Board, as deemed necessary, which ensures that adequate structures and processes are in place to permit the Board to function independently of management.

Orientation and Continuing Education

The Corporation also provides directors with continuous opportunities to increase their knowledge and understanding of the Corporation's business. Briefings on strategic issues are conducted regularly, and typically include reviews of the competitive environment, the Corporation's performance relative to its peers, and any other developments that could materially affect the Corporation's business.

Ethical Business Conduct

The Corporation has adopted a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics sets out the purpose, scope and application of the Code and outlines general principles by which the Corporation is governed.

The Board has established a Whistleblower Policy to encourage employees, officers and directors to raise concerns regarding any matters, including accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment.

Nomination of Directors

The Board is responsible for identifying new candidates for Board nomination.

Compensation

The Board is responsible for determining the compensation of the directors and executive officers. The Board uses market data for comparable industry sectors in order to set compensation levels.

Other Board Committees

The Corporation has no committees other than the Audit Committee.

Board Assessments

The Board has not implemented a formal process for assessing its effectiveness or the effectiveness of individual members or committees. Due to the Corporation's size, its stage of development and the limited number of directors, the Board considers a formal assessment process to be unnecessary at this time. The Board continues to evaluate its own effectiveness on an ad hoc basis.

SCHEDULE "B"

GUARDIAN EXPLORATION INC.

AUDIT COMMITTEE CHARTER

1. **Establishment of Audit Committee:** The directors of the Corporation (the "Directors") hereby establish an audit committee (the "Audit Committee").
2. **Membership:** The membership of the Audit Committee shall be as follows:
 - (a) The Audit Committee shall be composed of three members or such greater number as the Directors may from time to time determine.
 - (b) The majority of the members of the Audit Committee shall be independent Directors.
 - (c) Each member of the Audit Committee shall be financially literate. For purposes hereof "financially literate" has the meaning set forth under NI 52-110 (as amended from time to time) and currently means the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably be expected to be raised by the Corporation's financial statements.
 - (d) Members shall be appointed annually from among members of the Directors. A member of the Audit Committee shall ipso facto cease to be a member of the Audit Committee upon ceasing to be a Director of the Corporation.
3. **Oversight Responsibility:** The external auditor is ultimately accountable to the Directors and the Audit Committee, as representatives of the shareholders and such shareholders representatives have the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the external auditors (or to nominate the external auditors to be proposed for shareholder approval in any management information circular and proxy statement). The external auditor shall report directly to the Audit Committee and shall have the responsibilities as set forth herein.
4. **Mandate:** The Audit Committee shall have responsibility for overseeing:
 - (a) the accounting and financial reporting processes of the Corporation; and
 - (b) audits of the financial statements of the Corporation.

In addition to any other duties assigned to the Audit Committee by the Directors, from time to time, the role of the Audit Committee shall include meeting with the external auditor and the senior financial management of the Corporation to review all financial statements of the Corporation which require approval by the Directors, including year-end audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (a) reviewing the Corporation's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (b) overseeing the work of the external auditors engaged for purpose of preparing or issuing , an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (c) reviewing annually and recommending to the Directors:

- (i) the external auditors to be nominated for purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
 - (ii) the compensation of the external auditors;
- (d) discussing with the external auditor:
 - (i) the scope of the audit, in particular their view of the quality of the Corporation's accounting principles as applied in the financials in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the auditors;
 - (ii) significant changes in the Corporation's accounting principles, practices or policies; and
 - (iii) new developments in accounting principles, reporting matters or industry practices which may materially affect the Corporation.
- (e) reviewing with the external auditor and the Corporation's senior financial management the results of the annual audit regarding:
 - (i) the financial statements;
 - (ii) MD&A and related financial disclosure contained in continuous disclosure documents;
 - (iii) significant changes, if any, to the initial audit plan;
 - (iv) accounting and reporting decisions relating to significant current year events and transactions;
 - (v) the management letter, if any, outlining the auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and
 - (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Audit Committee under Canadian generally accepted auditing standards.
- (f) reviewing and discussing with the Corporation's senior financial management and, if requested by the Audit Committee, the external auditor:
 - (i) the Interim Financial Statements;
 - (ii) the interim MD&A; and
 - (iii) any other material matters relating to the Interim Financial Statements, including, inter alia, any significant adjustments, management judgments or estimates, new or amended accounting policies;
- (g) receipt from external auditor of a formal written statement delineating all relationships between the auditor and the Corporation and considering whether the advisory services performed by the external auditor during the course of the year have impacted their independence, and also ensuring that no relationship or services between) the external auditor and the Corporation is in existence which may affect the objectivity and independence of the auditor or recommending appropriate action to ensure the independence of the external auditor;

- (h) pre-approval of all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditors or the external auditors of the Corporation's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit Committee;
- (i) reviewing and discussing with the external auditors and senior financial management: the adequacy of procedures for review of disclosure of financial information extracted or derived from financial statements, other than the disclosure referred to in subparagraph (a) above;
- (j) establishing and reviewing of procedures for:
 - (i) receipt, retention and treatment of complaints received by the Corporation and its subsidiary entities regarding internal accounting controls, or auditing matters; confidential;
 - (ii) anonymous submission by employees of the Corporation and its subsidiary entities of concerns regarding questionable accounting or auditing matters; and
 - (iii) hiring policies regarding employees and former employees of present and former external auditors of the Corporation and its subsidiary entities;
- (k) reviewing with the external auditor, the adequacy of management's internal control over financial reporting relating to financial information and management information systems and inquiring of management and the external auditor about significant risks and exposures to the Corporation that may have a material adverse impact on the Corporation's financial statements, and inquiring of the external auditor as to the efforts of management to mitigate such risks and exposures; and
- (1) reviewing and/or considering that, with regard to the previous fiscal year,
 - management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;
 - the external auditors and the Audit Committee have discussed the external auditors' judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's financial statements;
 - the Audit Committee, on its own (without management or the external auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
 - in reliance on review and discussions conducted with senior financial management and the external auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with the with Canadian Generally Accepted Accounting Principles (GAAP) in all material respects and that the financial statements fairly reflect the financial condition of the Corporation.

5. **Administrative Matters:** The following general provisions shall have application to the Audit Committee:

- (a) A quorum of the Audit Committee shall be the attendance of a majority of the members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all the members of the Audit Committee.

- (b) Any member of the Audit Committee may be removed or replaced at any time by resolution of the Directors of the Corporation. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of shareholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed.
- (c) The Audit Committee may invite such Directors, directors, officers and employees of the Corporation or affiliates thereof as it may see fit from time to time to attend at meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee. The independent auditor is to appear before the Audit Committee when requested to do so by the Audit Committee.
- (d) The time and place for the Audit Committee meetings, the calling and the procedure at such meetings shall be determined by the Audit Committee having regard to the Articles and By-Laws of the Corporation.
- (e) The Chair shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chair, the other members of the Audit Committee shall appoint a representative amongst them to act as Chair for that particular meeting.
- (f) Notice of meetings of the Audit Committee may be given to the independent auditor and shall be given in respect of meetings relating to the annual audited financial statements. The independent auditor has the right to appear before and to be heard at any meeting of the Audit Committee. Upon the request of the independent auditor, the Chair of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditor believes should be brought to the attention of the Directors or shareholders of the Corporation.
- (g) The Audit Committee shall report to the Directors of the Corporation on such matters and questions relating to the financial position of the Corporation or any affiliates of the Corporation as the Directors of the Corporation may from time to time refer to the Audit Committee.
- (h) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Corporation and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Corporation with the Directors, directors, officers, employees and independent auditor of the Corporation and its affiliates.
- (i) Minutes of the Audit Committee meetings shall be recorded and maintained. The Chair of the Audit Committee will report to the Directors on the activities of the Audit Committee and/or the minutes of the Audit Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.
- (j) The Audit Committee shall, upon the approval of the Directors, adopt a formal written charter, which sets out the Audit Committee's responsibilities, the way they should be implemented and any other requirement such as membership and structure of the Audit Committee. The Audit Committee shall review and reassess the adequacy of the charter on an annual basis.
- (k) The Audit Committee shall ensure and/or consider that, with regard to the previous fiscal year,
 - (i) management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;

- (ii) the external auditor and the Audit Committee have discussed the independent auditor's judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's and/or the Corporation's financial statements;
 - (iii) the Audit Committee, on its own (without management or the independent auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
 - (iv) in reliance on review and discussions conducted with management and outside auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with the with Canadian Generally Accepted Accounting Principles (GAAP) in all material respects.
- (l) The Audit Committee shall have the authority to:
 - (i) engage independent counsel and other advisors or consultants as it determines necessary to carry out its duties;
 - (ii) set and pay the compensation for any advisors employed by the Audit Committee; and
 - (iii) communicate directly with the internal (if any) and external auditors and qualified reserves evaluators or auditors.