

# **GUARDIAN EXPLORATION INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

**GUARDIAN EXPLORATION INC.  
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**MANAGEMENT'S 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") audited financial statements as at and for the years ended December 31, 2024 and 2023 (the "audited financial statements") and the notes thereto. The financial data presented herein, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are referenced in Canadian dollars.

The commentary is as of February 4, 2025. 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.sedarplus.ca](http://www.sedarplus.ca).

**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 and development of oil, natural gas and mineral properties in Western North America. 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" as well as on the Frankfurt Exchange (Frankfurt: R6B) and the OTCQB marketplace (OTC: GXUSF).

All amounts are reported in Canadian dollars unless otherwise indicated.

**CORPORATE UPDATE**

During the years ended December 31, 2024 and 2023, all of the Corporation's oil and gas wells remained shut-in.

For the year ended December 31, 2024, the Corporation reported a net loss of \$554,649 (2023 - \$155,613), and negative cash flows from operations of \$513,103 (2023 - \$392,270) and as at December 31, 2024, the Corporation had a working capital deficiency of \$1,585,005 (2023 - \$1,045,778). These conditions indicate the existence of a material uncertainty which may cast significant doubt related to the Corporation's ability

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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. These financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the statement of financial position classifications used. Such adjustments could be material.

Guardian's expenses for the years ended December 31, 2024 and 2023 consisted primarily of one-time abandonment costs, costs related to completion of due diligence on the proposed acquisition of Site Exploration Mining Company ("SEMC"), operating and general and administrative expenses and share-based compensation.

On February 26, 2021, the Corporation completed the acquisition (the "Mount Cameron 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 "Mount Cameron Assets").

In consideration for the Mount Cameron 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 the Corporation 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. During the year ended December 31, 2021, Graydon Kowal assumed the Debt in exchange for a non-interest-bearing promissory note.

In conjunction with the Mount Cameron Acquisition, the Corporation completed a private placement as described in Note 10. The Corporation intends to use the proceeds from the private placement to fund the proposed work program for the Mount Cameron Assets. Proceeds were 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 renounced such CEE in accordance with the rules and regulations of the Income Tax Act (Canada).

On February 17, 2022, the Corporation completed the acquisition of Dennis Moore's ("Moore") interests in certain mineral claims primarily located within the Tongass National Forest, Alaska, USA, known to the parties as the Kaigani claims (the "Kaigani Assets"). The purchase price for the Kaigani Assets was satisfied through issuance of 1,000,000 Common Shares in the share capital of the Corporation, a cash payment of US\$35,000 and a 1.5% Net Smelter Royalty. The Corporation is entitled to buy back one-half of the Net Smelter Royalty at a price of US\$1,500,000 for a period of five years or 120 days from the date a preliminary economic assessment is issued with respect to the claims, whichever is earlier. In the event that a drilling permit that enables Guardian to drill on the mining claims is issued within five years from the date of the purchase of the Kaigani Assets, the Corporation will pay Moore an additional US\$25,000 and will issue Moore an additional 1,000,000 Common Shares.

Total consideration for the Kaigani Assets was \$96,130, consisting of one million common shares at \$0.045 per common share for a cost of \$45,000, paid cash compensation of \$44,433 (US\$35,000) and capitalized legal fees of \$6,697.

On March 28, 2022, the Corporation announced that it entered into agreements to retire \$1,084,771 of indebtedness owing under previously provided loans in exchange for common shares in the capital of the Corporation at a price of \$0.0525 per share. Completion of debt settlement was subject to approval from the TSX Venture Exchange (the "TSXV"), which was received on May 19, 2022.

On May 25, 2022, the Corporation issued an aggregate of 20,662,306 common shares to creditors. Of those shares, 19,505,707 were issued to Graydon Kowal, the President, CEO and a director of the

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Corporation and to companies owned by him in order to settle an aggregate of \$1,024,049 in loans made by Mr. Kowal and his companies.

The fair value of the 20,662,306 shares issued, being \$1,962,919, was determined based on the trading price of the Corporation's shares on the date of grant. As a result, a loss on debt settlement of \$878,148 was recorded in the statements of net loss and comprehensive loss.

On December 5, 2023, the Corporation announced that it has entered into a non-binding letter of intent to acquire all of the shares of SEMC, a Saudi Arabian mining company, from its shareholders. On April 9, 2024, the Corporation announced that the LOI was terminated. See Material Transactions below.

The Corporation continues to seek business and acquisition opportunities that will increase shareholder value. On December 9, 2024, the Corporation entered into a non-binding letter of intent dated ("LOI") with New Break Resources Ltd. ("New Break") for the purchase (the "Acquisition") of New Break's 100% interest in the mineral rights and exploration data associated with the 9,415 hectare Sundog gold project located in Kivalliq Region, Nunavut ("Sundog") held pursuant to an Inuit Owned Lands Mineral Exploration Agreement ("MEA") and 205 drums of JetA fuel located in Arviat, Nunavut. See Material Transactions below.

**SELECTED FINANCIAL INFORMATION (\$)**

		<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Net revenue, after royalties	-	-	-
Net loss and comprehensive loss	(554,649)	(155,613)	(1,543,263)
Per share (basic and fully diluted)	(0.01)	(0.00)	(0.02)
Non-current liabilities:			
Decommissioning liabilities	111,573	188,231	237,875
Total assets	532,588	590,872	550,682

**QUARTERLY DATA (\$)**

<b>Period</b>	<b>Net Revenue</b>	<b>Net Income (Loss)</b>	<b>Basic</b>	<b>Fully Diluted</b>	<b>Total Assets</b>
December 31, 2024	-	(87,931)	(0.00)	(0.00)	532,588
September 30, 2024	-	(121,741)	(0.00)	(0.00)	547,865
June 30, 2024	-	(101,932)	(0.00)	(0.00)	527,511
March 31, 2024	-	(243,045)	(0.00)	(0.00)	504,515
December 31, 2023	-	148,322	(0.00)	(0.00)	590,872
September 30, 2023	-	(194,737)	(0.00)	(0.00)	563,469
June 30, 2023	-	(54,961)	(0.00)	(0.00)	565,288
March 31, 2023	-	(54,237)	(0.00)	(0.00)	548,937

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**SUMMARY OF RESULTS**

	Three Months Ended Dec. 31 2024	Three Months Ended Dec. 31 2023	Year Ended Dec. 31 2024	Year Ended Dec. 31 2023
Petroleum and gas sales revenue	-	-	-	-
Royalties	-	-	-	-
<b>Net revenue</b>	-	-	-	-
<b>Expenses</b>				
Operating	(37,192)	(22,088)	184,597	119,491
General and administrative	88,524	79,864	326,190	223,403
Accretion	(5,273)	956	2,227	12,050
Interest income	-	(654)	(237)	(2,436)
Gain on government grant	-	(10,421)	-	(10,421)
Share-based compensation	41,872	-	41,872	9,506
Deferred tax recovery	-	(195,980)	-	(195,980)
Net profit (loss) and comprehensive profit (loss)	(87,931)	148,323	(554,649)	(155,613)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)
Net cash used in operating activities			(513,103)	(392,270)
Total assets	532,588	590,872	532,588	590,872

**PETROLEUM AND NATURAL GAS SALES VOLUMES**

During the years ended December 31, 2024 and 2023, all of the Corporation's oil and gas wells remained shut-in.

**GROSS REVENUE AND PRICING (\$)**

During the years ended December 31, 2024 and 2023, 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)**

Royalties were \$Nil for the years ended December 31, 2024 and 2023 as all properties were shut-in.

**OPERATING EXPENSES (\$)**

	Three Months Ended Dec. 31 2024	Three Months Ended Dec. 31 2023	Year Ended Dec. 31 2024	Year Ended Dec. 31 2023
Operating expenses	(34,749)	6,790	187,040	148,369
Change in abandonment liability estimates	(2,443)	(28,878)	(2,443)	(28,878)
<b>Net operating expenses</b>	<b>(37,192)</b>	<b>(22,088)</b>	<b>184,597</b>	<b>119,491</b>

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Operating expenses for the year ended December 31, 2024 totalled \$184,597, representing an increase of 35% from \$119,491 during the prior year.

Higher operating expenses during the year ended December 31, 2024 related primarily to additional abandonment and reclamation expenses incurred in 2024. The Corporation recorded a change in estimates recovery relating to abandonment liabilities of \$2,443 in 2024 (2023 - \$28,878) that reduced its operating expense totals in both years.

Negative operating expenses in Q4 2024 relate to the reversal of an accrual for abandonment and reclamation expenses recorded earlier in the year that was reallocated to a reduction of Decommissioning liabilities.

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

	<b>Three Months Ended Dec. 31 2024</b>	<b>Three Months Ended Dec. 31 2023</b>	<b>Year Ended Dec. 31 2024</b>	<b>Year Ended Dec. 31 2023</b>
G&A expenses	88,524	79,864	326,190	223,403

G&A expenses for the year ended December 31, 2024 totalled \$326,190, representing a 46% increase from \$223,403 during the prior year.

G&A expenses for the three months ended December 31, 2024 totalled \$88,524, an increase of 11% from \$79,864 in Q3 2023.

The breakdown of G&A costs was as follows:

	<b>Three Months Ended Dec. 31 2024</b>	<b>Three Months Ended Dec. 31 2023</b>	<b>Year Ended Dec. 31 2024</b>	<b>Year Ended Dec. 31 2023</b>
Consulting fees	47,396	20,664	101,134	84,539
Agent and filing fees	12,800	12,291	42,768	37,095
Audit and legal	23,898	21,073	98,260	44,875
Office and other	1,618	3,678	53,603	16,062
Interest and penalties	(938)	18,408	15,425	25,832
Insurance	3,750	3,750	15,000	15,000
Total	88,524	79,864	326,190	223,403

Consulting fees increased from \$20,664 in Q3 2023 to \$47,396 in Q4 2024 due to increased work evaluating a potential acquisition and submission of a work permit relating to a mining claim. Interest and penalties decreased from \$18,408 in Q4 2023 to negative \$938 in Q4 2024 due to a year end accrual in the prior year related to a Canada Revenue Agency debt.

Consulting fees increased from \$84,539 in the year ended December 31, 2023 to \$101,134 in the year ended December 31, 2024 due to increased work evaluating a potential acquisition and submission of a work permit relating to a mining claim. Audit and legal expense increased from \$44,875 in the year ended December 31, 2023 to \$98,260 in the year ended December 31, 2024 due to legal fees related to the proposed acquisition of SEMC (that was not completed). Office and other costs increased from \$16,062 in the year ended December 31, 2023 to \$53,603 in the year ended December 31, 2024 due to costs to attend a mining conference in 2024.

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During the year ended December 31, 2024 and 2023, no G&A costs were capitalized.

**FINANCE EXPENSES (\$)**

	<b>Three Months Ended Dec. 31 2024</b>	<b>Three Months Ended Dec. 31 2023</b>	<b>Year Ended Dec. 31 2024</b>	<b>Year Ended Dec. 31 2023</b>
Accretion	(5,273)	956	2,227	12,050
Interest income	-	(655)	(237)	(2,436)

Accretion expense declined from \$12,050 in 2023 to \$2,227 in 2024. In 2023 accretion included accretion on a government grant of \$4,790 that became fully accreted during the year.

Negative accretion expense in Q4 2024 relates to the reversal of an accrual made earlier in the year.

**SHARE-BASED COMPENSATION**

Share-based compensation for the year ended December 31, 2024 was \$41,872 (2023 - \$9,506).

**DEPOSITS**

Deposits include an abandonment and reclamation deposit in the amount of \$Nil (2023 - 50,208) with Alberta Energy Regulator and a deposit of \$116,000 (2023 - \$116,000) with the British Columbia Oil and Gas Commission.

**PROPERTY AND EQUIPMENT**

	<b>Mining Assets</b>	<b>Total</b>
<b>Cost:</b>		
Balance at December 31, 2022	\$ 370,130	\$ 370,130
Additions	-	-
Balance at December 31, 2023	\$ 370,130	\$ 370,130
Additions	-	-
<b>Balance at December 31, 2024</b>	<b>\$ 370,130</b>	<b>\$ 370,130</b>
<b>Accumulated depreciation:</b>		
Balance at December 31, 2022	\$ -	\$ -
Balance at December 31, 2023	\$ -	\$ -
<b>Balance at December 31, 2024</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net book value:</b>		
At December 31, 2022	\$ 370,130	\$ 370,130
At December 31, 2023	\$ 370,130	\$ 370,130
<b>At December 31, 2024</b>	<b>\$ 370,130</b>	<b>\$ 370,130</b>

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").

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

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repurchaseable by the Corporation 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. During the year ended December 31, 2021, Graydon Kowal assumed the Debt in exchange for a non-interest-bearing promissory note.

In conjunction with the Acquisition, the Corporation completed a private placement. The Corporation used the proceeds from the private placement to fund the proposed work program for the Assets. Proceeds were 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 renounced such CEE in accordance with the rules and regulations of the Income Tax Act (Canada).

On February 4, 2022, the Corporation announced that it executed an agreement (the "Asset Purchase Agreement") with Dennis Moore ("Moore") for the purchase (the "Acquisition") of Moore's interests in certain mineral claims primarily located within the Tongass National Forest, Alaska, USA, known to the parties as the Kaigani claims (the "Assets"). The purchase price for the Assets will be satisfied through issuance of 1,000,000 Common Shares in the share capital of the Corporation, a cash payment of US\$35,000 and a 1.5% Net Smelter Royalty. The Corporation is entitled to buy back one-half of the Net Smelter Royalty at a price of US\$1,500,000 for a period of five years or 120 days from the date a preliminary economic assessment is issued with respect to the claims, whichever is earlier. In the event that a drilling permit that enables the Corporation to drill on the mining claims is issued within five years from the date of the Asset Purchase Agreement, the Corporation will pay Moore an additional US\$25,000 and will issue Moore an additional 1,000,000 Common Shares. The Acquisition is an Arm's Length Transaction under the policies of the TSX Venture Exchange.

On February 17, 2022, the Corporation completed the Acquisition of the Assets for a purchase price of \$96,130, satisfied through a combination of cash and common shares. On February 17, 2022, the Corporation issued one million common shares at \$0.045 per common share for a cost of \$45,000, paid cash compensation of \$44,433 (US\$35,000) and capitalized legal fees of \$6,697 for total additions of \$96,130.

## **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. All loans are secured against the assets of the Corporation and due on demand. The following loan amounts are payable:

	<b>Deckland Inc. (\$) <sup>(1)</sup></b>	<b>Guardian Helicopters Inc. (<sup>(1)</sup>)</b>	<b>Guardian Drilling &amp; Consulting (<sup>(1)</sup>)</b>	<b>Total (\$)</b>
<b>Balance, December 31, 2022</b>	<b>71,984</b>	<b>111,304</b>	<b>-</b>	<b>183,288</b>
Advances	138,020	284,124	18,000	440,144
<b>Balance, December 31, 2023</b>	<b>210,004</b>	<b>395,428</b>	<b>18,000</b>	<b>623,432</b>
Advances	205,338	306,707	-	512,045
Repayments	(8,455)	-	-	(8,455)
<b>Balance, December 31, 2024</b>	<b>406,887</b>	<b>702,135</b>	<b>18,000</b>	<b>1,127,022</b>

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

## **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



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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.

During the year ended December 31, 2022, the repayment deadline was extended to December 31, 2023, and in the year ended December 31, 2023, the repayment deadline was extended to January 18, 2024.

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%.

During the year ended December 31, 2024, the Corporation recorded accretion of \$Nil (2023 - \$4,790). In December 2023, the Corporation repaid \$40,000 related to the CEBA loan and recorded a gain on government grant of \$10,421 in conjunction with the repayment.

## **DECOMMISSIONING LIABILITIES**

The total estimated undiscounted amount of cash flows required to settle the obligations at December 31, 2024 are approximately \$113,617 (2023 - \$203,238) and are expected to be made over the next 2 years. The decommissioning obligations have been calculated using an inflation rate of 2% (2023 - 4.02%) and an average risk-free rate of 2.93% (2023 - 3.91%). A reconciliation of the decommissioning liabilities is provided below:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Balance, beginning of the year</b>	188,231	237,875
Abandonments	(76,442)	(28,025)
Changes in estimates	(2,443)	(28,878)
Accretion	2,227	7,259
<b>Balance, end of the year</b>	<b>111,573</b>	<b>188,231</b>

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**

<b>Common Shares</b>	<b>Number of Shares</b>	<b>Amount (\$)</b>
<b>Balance, December 31, 2022, 2023 and 2024</b>	<b>104,076,054</b>	<b>17,876,561</b>

During the year ended December 31, 2021, 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 entitles 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.

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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.

*Flow-through shares*

During the year ended December 31, 2021, the Corporation raised \$200,000 on a CEE flow-through share basis. The qualifying expenditures were incurred during fiscal 2022 with the flow-through share renouncement occurring during the year ended December 31, 2023.

**Warrants**

	<b>Number of Warrants</b>	<b>Amount (\$)</b>
<b>Balance, December 31, 2022 and 2023</b>	<b>4,100,000</b>	<b>160,655</b>
Expiry of Warrants	<b>(4,100,000)</b>	<b>(160,655)</b>
<b>Balance, December 31, 2024</b>	<b>-</b>	<b>-</b>

During the year ended December 31, 2024, 4,100,000 share purchase warrants expired. As a result, a value of \$160,655 was transferred from warrants reserve to contributed surplus.

**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.

On November 19, 2024, the Corporation granted an aggregate of 4,500,000 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 six years at a price of \$0.06 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 2024 using the Black-Scholes option pricing model using the following weighted average assumptions:

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	2024
Share-price	\$0.06
Risk-free interest rate	3.2%
Expected volatility	318%
Dividend yield	0%
Expected life of each option granted	6 years
Estimated forfeiture rate	0%
Weighted average fair value per option	\$0.06

The fair value of the 4,500,000 stock options granted on November 19, 2024 was \$269,976. As at December 31, 2024, \$41,872 (2023 - \$9,506), representing the vested portion of the options, was recorded to share-based compensation expense, with a corresponding credit to contributed surplus.

The following is a summary of changes to the Corporation's share option plan:

	Year ended December 31, 2024			Year ended December 31, 2023		
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding, beginning of year	5,500,000	\$0.11	2.25	5,500,000	\$0.11	3.25
Granted	4,500,000	0.06	5.92	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding, at end of year	10,000,000	\$0.09	3.32	5,500,000	\$0.11	2.25
Exercisable at end of year	5,500,000	\$0.11	1.22	5,500,000	\$0.11	2.25

On November 19, 2024, the Corporation granted 4,500,000 incentive stock options to its officers and directors. Each option entitles the holder to purchase one common share in the capital of the Corporation at an exercise price per common share of \$0.06 for a period of six years. The options will vest over a period of two years, with 12.5% of the options vesting three months after the date of issuance and the remaining options vesting 12.5% every three months. 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.

**d) Per share amounts**

Basic per share amounts are calculated using the weighted average number of shares outstanding of 104,076,054 during the year ended December 31, 2024 (2023 - 104,076,054). The calculation of diluted loss per share for the year ended December 31, 2024 and 2023 excludes the effect of all outstanding share options and warrants as they are anti-dilutive.

**NET LOSS AND COMPREHENSIVE LOSS PER SHARE**

	Three Months Ended Dec. 31 2024	Three Months Ended Dec. 31 2023	Year Ended Dec. 31 2024	Year Ended Dec. 31 2023
Net loss and comprehensive loss	(87,931)	148,323	(554,649)	(155,613)
Per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)

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During the year ended December 31, 2024, the Corporation recorded a net loss and comprehensive loss of \$554,649 and a per share loss of (\$0.01) (2023 - \$155,613 and \$Nil respectively).

**SUPPLEMENT TO THE FINANCIAL STATEMENTS**

The outstanding common shares, warrants, and stock options are summarized below (also see note 10 to the financial statements):

	<b>February 4, 2025</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Common shares	104,076,054	104,076,054	104,076,054
Warrants	-	-	4,100,000
Share options	9,000,000	10,000,000	5,500,000

**LIQUIDITY AND CAPITAL RESOURCES**

During the year ended December 31, 2024, the Corporation incurred a net loss of \$554,649 (2023 - \$155,613) and had negative cash flows from operating activities of \$436,661 (2023 - \$364,245). As at December 31, 2024, the Corporation has a working capital deficiency of \$1,585,005 (2023 - \$1,045,778) and an accumulated deficit of \$25,050,087 (2023 - \$24,495,438).

**RELATED PARTY TRANSACTIONS**

In addition to transactions disclosed elsewhere in this MD&A and the Corporation's financial statements during the year ended December 31, 2024 and 2023, the Corporation has the following related party transactions:

- a) Legal fees in the amount of \$40,232 for the year ended December 31, 2024 (2023 - \$17,483) have been incurred with a legal firm of which a partner is the spouse of an officer of the Corporation. As at December 31, 2024, \$14,277 is payable to this legal firm (2023 - \$16,516) 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 year ended December 31, 2024 were \$101,134 (2023 - \$84,539). The aggregate remuneration of key management for the year ended December 31, 2024 was \$70,835 in consulting fees, salaries and benefits (2023 - \$68,133). The Corporation considers key management personnel to be the CEO and CFO.

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

**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

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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.

**MATERIAL TRANSACTIONS**

On April 9, 2024, the Corporation announced that a non-binding letter of intent to acquire all of the shares of Site Exploration Mining Company ("SEMC") a Saudi Arabian mining company, from its shareholders was terminated. On June 25, 2024, the Corporation filed a Statement Claim against SEMC seeking damages of \$200,000 plus costs relating to a number of allegations, including misrepresentations and breach of contract.

The Corporation entered into a non-binding letter of intent dated December 9, 2024 ("LOI") with New Break Resources Ltd. ("New Break") for the purchase (the "Acquisition") of New Break's 100% interest in the mineral rights and exploration data associated with the 9,415 hectare Sundog gold project located in Kivalliq Region, Nunavut ("Sundog") held pursuant to an Inuit Owned Lands Mineral Exploration Agreement ("MEA") and 205 drums of JetA fuel located in Arviat, Nunavut.

In consideration, upon closing the Corporation will issue 5,000,000 common shares in the share capital of the Corporation to New Break and make a cash payment of \$75,000. It is proposed that the Corporation will assume all of the obligations under the MEA including the annual exploration expenditure requirements and annual rent payments due to Nunavut Tunngavik Incorporated ("NTI"). In addition, New Break will retain a 20% interest in the Sundog project, carried through to production.

The Acquisition of Sundog is an Arm's Length Transaction under the policies of the TSX Venture Exchange the "Exchange"). Completion of the Acquisition is subject to approval from the Exchange, NTI and the boards of Guardian and New Break.

The proposed transaction is subject to a number of conditions including the satisfactory completion of the Corporation's due diligence. The LOI will terminate on March 31, 2025 unless extended by the parties by mutual consent. The proposed transaction is subject to the approval of the TSXV.

**FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

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

Financial instrument	Classification
Cash	FVTPL
Prepays	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

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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.

**Interest rate risk**

At December 31, 2024 and 2023, the Corporation is not significantly exposed to interest rate cash flow risk in relation to its loan from related parties, which are at a fixed rate of interest.

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**Commodity price risk**

The nature of the Corporation's operations results in an exposure to fluctuations in commodity prices. At December 31, 2024 and December 31, 2023, the Corporation had no financial derivative or physical delivery contracts in place.

**Currency risk**

Currency risk is the risk to the Corporation's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is not exposed to significant current risk. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

**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:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
Total shareholders' deficiency	<b>(1,210,448)</b>	(697,671)
Working capital deficiency	<b>(1,585,005)</b>	(1,045,778)

**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 as well as a Trust account with the Corporation's legal counsel, 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 \$Nil (2023 - \$9,513) to settle current obligations of \$1,631,441 (2023 - \$1,100,312) 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.

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**OFF-BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements.

**CRITICAL ACCOUNTING ESTIMATES**

Significant accounting judgments, estimates and assumptions

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 reporting 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) Going concern*

Management has applied judgements in the assessment of the Corporation's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

*(ii) 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.

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

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations. The key estimates the Corporation applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of the occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

*(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.



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*Key sources of estimation uncertainty:*

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

*(i) 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.

*(ii) Taxes*

The amounts recorded for deferred tax assets 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.

*(iii) Interest rate on CEBA loan*

The CEBA loan is measured at fair value based on management's best estimate of the effective interest rate at initial recognition.

**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*
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.

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.

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***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:

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees</b>
2023	\$26,750	\$0	\$0	\$0
2024	\$28,355	\$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.sedarplus.ca](http://www.sedarplus.ca).

Information can also be obtained by contacting the Corporation at Guardian Exploration Inc., 538 Hurricane Drive, Calgary, Alberta, Canada, T3Z 3S8.

**SUBSEQUENT EVENTS**

On January 2, 2025, 1,000,000 of the Corporation's incentive stock options were forfeited.

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**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 and is actively seeking a fourth director. The Board has concluded that one of the three directors, Kevin Flaherty, is independent. Graydon Kowal and Roger Jewett are not considered to be independent by virtue of their executive positions with the Corporation.

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**

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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:

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- (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;

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- (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
- (l) 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.

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- (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;



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- (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.