GUARDIAN EXPLORATION INC.

Management's Discussion & Analysis

For the Quarter Ended

March 31, 2016

Management’s Discussion & Analysis

The following management discussion and analysis (“MD&A”) of financial conditions and results of operations as of March 31, 2016 should be read in conjunction with the unaudited condensed consolidated financial statements of Guardian Exploration Inc. (”Guardian” or the “Company”) for the quarter ended March 31, 2016. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

Discussion with regard to Guardian’s current financial position and outlook is based on currently available information. The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The reporting and operating currency is the Canadian dollar. The information in this MD&A was approved by the Company's Board of Directors on May 30, 2016.

This MD&A contains the terms “funds flow from operations,” “funds flow per share” and “operating netback,” which do not have standardized meanings prescribed by Canadian GAAP, and, therefore, it may not be comparable to performance measures presented by others.

Funds flow from operations, as used by the Company, is comprised of cash flow from operating activities before changes in non-cash operating working capital. Operating netback represents revenue less royalties, operating expenses and transportations expenses. These non-GAAP measures may not be comparable to the calculation of similar measures for other entities.

The Company believes that operating netback and funds flow from (used by) operations represent indicators of the Company's performance and a key measure of the Company's ability to generate the necessary cash to fund future capital expenditures.

Funds from (used by) operations and operating netback, as presented, is not intended to represent operating cash flow or operating profits for the period, nor should they be viewed as an alternative to cash flow from operating activities, net earnings (loss) or other measures of financial performance calculated in accordance with Canadian GAAP. See "Funds Flow from Operations" and "Netbacks".

The term barrels of oil equivalent (“boe”) may be misleading, particularly, if used in isolation. A boe conversion ratio of nine thousand cubic feet (mcf) equal to one barrel (bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip, and it does not represent a value equivalency at the wellhead. In this report, all boe conversions are derived by converting gas to oil using the ratio of nine thousand cubic feet of gas to one barrel of oil.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information regarding the Company set forth in this report includes forward looking statements. All statements, other than statements of historical facts contained in this MD&A, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described elsewhere in this report.

Other sections of this report may include additional factors, which could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business, or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements.

We undertake no obligation to update publicly or revise any forward-looking statements. The forward-looking statements in this report are expressly qualified by this cautionary statement.

CORPORATE OVERVIEW

Guardian Exploration Inc. ("Guardian") 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. ("Resilient"), a public company listed on the TSX Exchange. The amalgamated company continued under the name Guardian Exploration Inc. (the "Company").

The Company is engaged in the acquisition, exploration and development of petroleum and natural gas properties in western Canada and the State of Montana. The Company's shares trade on the TSX Venture Exchange under the symbol "GX".

CORPORATE UPDATE

During the first quarter of 2016, the Company's oil and natural gas remained shut-in. The Company recorded a quarter end gain of $868 thousand on revenue of $Nil. As at March 31, 2016, the Company had a working capital deficiency of approximately $2.96 million.

SELECTED INFORMATION

	Quarter Ended March 31 2016	Quarter Ended March 31 2015
Petroleum and natural gas revenue, before royalties ($)	-	1,998
Funds flow from (used in) operations ($)	(359,841)	(61,384)
Net income (loss) ($)	868,365	274,149

	As at March 31 2016	As at March 31 2015
Working capital deficiency ($)	2,961,926	5,239,335

RESULTS OF OPERATIONS

PRICING

Benchmark Prices

	The Quarter Ended March 31 2016	The Quarter Ended March 31 2015
Crude oil - WTI (US$ per Bbl)	33.27	48.54
Crude oil - Edmonton Par Price ($/Bbl)	36.71	56.64
Exchange rate ($US/$Cdn)	1.38	1.24

West Texas Intermediate at Cushing, Oklahoma ("WTI") is the benchmark reference price for North American crude oil prices. Canadian crude oil prices are based upon the average of several postings, primarily at Edmonton Alberta, and represents the WTI price adjusted for quality and transportation differentials, the US/CDN dollar exchange rate and local demand and supply influences. For the quarter ended March 31, 2016, WTI crude oil prices averaged US$33.27 and CAD$36.71 per barrel at Edmonton.

As noted previously, no oil or natural gas was produced during the quarter ended March 31, 2016.

OPERATING EXPENSES

	Quarter Ended March 31 2016	Quarter Ended March 31 2015
Operating expenses ($)	298,137	8,422

GENERAL AND ADMINISTRATIVE EXPENSES

	Quarter Ended March 31	
	2016	**2015**
General and administrative expenses ($)	97,177	41,791

G&A expenses during the first quarter of 2016 increased in comparison to that realized in the first quarter of 2015.

INTEREST AND FINANCING EXPENSES

	Quarter Ended March 31	
	2016	**2015**
Financing fees ($)	2,229	4,386
Interest expense ($)	25,439	13,169

Financing fees relate primarily to the treatment of maturing asset retirement obligations under IFRS. The provision for asset retirement obligations is determined by management in consultation with the Company's independent engineers, and it is based on prevailing regulations, costs, technology and industry standards. The Company estimates that the undiscounted value of its asset retirement obligations at March 31, 2016 is $869,790. Current expenditures for actual abandonment and site restoration in the quarter ended March 31, 2016 were $nil. Interest expense for the quarter ended March 31, 2016 and 2015 relates primarily to the same loan.

TAXES

The following table reconciles the expected income tax expense at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2015.

	2015 **$**
Income (loss) before taxes	1,709,145
Statutory income tax rates	26%
Expected income tax expense (recovery)	444,378
Adjustment related to foreign earnings	102,180
Deferred tax benefits not recognized	(108,306)
Tax benefit previously unrecognized/other	(438,252)
Income tax expense (recovery)	-

As at March 31, 2016, the Company has Canadian non-capital losses of approximately $9,300,000 (2015 - $9,300,000) which may be carried forward to apply against future years' taxable income for Canadian tax purposes, subject to final determination by taxation authorities and will expire between 2026 and 2034.

The Company also has Canadian capital losses of approximately $41,200,000 (2015 - $41,200,000) which may be carried forward to apply against future years' taxable capital gains for Canadian tax purposes subject to final determination by taxation authorities.

At this time, management does not believe that it is probable that the Company will generate sufficient taxable income in the future to use any of its Canadian tax pools and loss carry forwards.

FUNDS FLOW FROM OPERATIONS

It is management's view that funds flow from operations is a useful measure of performance and a good benchmark when comparing results from period to period. Funds flow from operations is a non-GAAP measure, reconciled with net income (loss) in the table below:

($ Canadian)	**2016**	**2015**
Cash flows from (used in):		
Operating activities		
Net loss	868,365	274,149
Items not affecting cash:		
Depreciation, depletion and accretion	2,229	4,386
Gain on settlement of accounts payable	(1,291,375)	(345,479)
Loss on investment	-	10,560
Bad debts	-	(5,000)
Foreign exchange (gain) loss	60,941	-
	(359,841)	(61,384)

SHARE CAPITAL

	Quarter Ended March 31	
	2016	**2015**
Outstanding common shares		
Basic	74,475,877	74,475,877
Diluted	75,875,877	75,875,877

Due to the anti-dilutive effect of Guardian's net loss for the quarter ended March 31, 2016, the diluted number of shares is considered equivalent to the basic number of shares for the purposes of all per share calculations.

Detail of Outstanding Securities	**March 31**	
	2016	**2015**
Common shares	74,475,877	74,475,877
Stock options	1,400,000	1,400,000

As of the date of this MD&A, there were 74,475,877 common shares, and 1,400,000 options outstanding.

CAPITAL EXPENDITURES AND SEGMENTED DISCLOSURES

For the quarter ended March 31, 2016:

	Canada $	United States $	Total 2016 $
Petroleum and natural gas revenue	-	-	-
Interest expense	25,439	-	25,439
Income (loss) for the quarter	(352,060)	1,220,424	868,365

For the quarter ended March 31, 2015:

	Canada $	United States $	Total 2015 $
Petroleum and natural gas revenue	1,998	-	1,998
Interest expense/(recovery)	13,169	-	13,169
Income (loss) for the quarter	226,046	48,102	274,149

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2016, the Company had a working capital deficit of approximately $2.96 million. The future operations of the Company are dependent on the Company's ability to raise capital to support its activities and meet its obligations, as outlined in Note 1 to the consolidated financial statements.

The capital intensive nature of the Company's activities may create a negative working capital position during times of high levels of capital investment. The industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of crude oil and natural gas. This occurs for all the Company's Canadian operations on the 25th day following the month of sale. As a result, the Company's production revenues are collected in an orderly fashion. To the extent that the Company has joint venture partners in its activities it will attempt to collect on a monthly basis the partner's share of capital and operating expenses. These are subject to collection risk. No receivables at March 31, 2016 are past due. The Company's cash flow and earnings are highly sensitive to changes in commodity prices, exchange rates and other factors that are beyond the control of the Company.

SUMMARIZED QUARTERLY INFORMATION

SELECTED QUARTERLY HIGHLIGHTS (unaudited)	2016	2015				2014		
	Q4	Q4	Q3	Q2	Q1	Q4	Q3	Q2
($000's)								
P&NG net revenue	-	-	-	-	-	1	-	1
Production expense	298	(5)	11	27	-	27	9	2
DD&A	2	(12)	4	4	-	10	2	6
G&A	97	(54)	48	54	-	242	45	72
Net income (loss) for the period	929	1,406	(212)	356	-	(156)	(50)	(156)
Working Capital/(Deficiency)	(2,962)	(3,877)	(4,957)	(4,769)	(5,239)	(5,173)	(4,831)	(4,864)

The Company's working capital position has been in a deficiency of between $3.0 – 5.2 million over the past eight quarters.

RELATED PARTY TRANSACTIONS

a) The Company from time to time obtains loans from related parties. Related party loans accrue interest at the rate of 15% per year, payable monthly, and are secured against the assets of the Company. The loans and advances do not have maturities and are payable upon demand (see Note 5).

b) Charges from Guardian Helicopters, a company owned by Graydon Kowal, CEO and director of the Company, amounted to $Nil in the quarter ended March 31, 2016 (2015 - $Nil). At March 31, 2016, the balance of accounts payables and loans of $598,753 (December 31, 2015 - $551,969) remains outstanding.

c) In the quarter ended March 31, 2016, no charges were incurred related to the joint venture well with Deckland and no amounts is included in accounts payable or accrued liabilities. Deckland is a private company owned by Graydon Kowal, a director and CEO of Guardian.

d) Legal fees in the amount of $Nil for the quarter ended March 31, 2016 (March 31, 2015 - $Nil) have been incurred with a legal firm of which a Company director is a partner. $Nil is payable to this legal firm at March 31, 2016 (March 31, 2015 - $Nil) and is included in accounts payable and accrued liabilities.

e) The transactions from items (a) to (d) are in the normal course of business.

f) Total wages, salaries, benefits and other personnel costs included in the consolidated statements of net loss and comprehensive loss for the quarter ended March 31, 2016 were $88,542 (March 31, 2015 - $Nil).

COMMITMENTS AND CONTINGENCIES

a) Contractual

Under the terms of an employment contract with the Chief Executive Officer, the Company 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 (see Note 10).

b) Other

The Company is involved in a limited number of legal claims associated with the normal course of operations. The Company believes it has made adequate provisions for such legal claims. The Company 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 Company's favour, the Company 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.

SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements of the Group include the following controlled entities (wholly owned subsidiaries):

- K2 America Corp. - incorporated November 16, 1995 under the General and Business Corporate Law of the State of Montana, United States.
- K2 Operating Corp. - incorporated February 12, 1998 under the General and Business Corporate Law of the State of Montana, United States.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities.

K2 Operating Corp. had no assets or liabilities for any of the periods presented.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b) Jointly controlled operations and assets

Most of the Group's oil and gas exploration activities and operations are conducted through unincorporated joint ventures. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating policy decisions relating to the activities of the joint venture are made jointly).

When the Group undertakes its activities directly under joint venture arrangements, the Group's share of jointly controlled assets and jointly incurred liabilities are recognized proportionately in the financial statements of the Group and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

c) Property, plant and equipment and exploration and evaluation assets

(i) Recognition and measurement

Pre-license expenditures are expensed in the statements of net loss and comprehensive loss as incurred. The Group accounts for exploration and evaluation ("E&E") costs, having regard to the requirement of IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Costs of exploring for and evaluating oil and natural gas properties are capitalized. Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses and the projected costs of retiring the assets (if any), but do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the statements of loss and comprehensive loss as they are incurred.

Tangible assets acquired for use in E&E activities are classified as property, plant and equipment; however, to the extent that such a tangible asset is consumed in developing an intangible exploration asset, the amount reflecting that consumption is recorded as part of the cost of the intangible exploration asset.

Intangible exploration assets are not depleted and are carried forward until technical feasibility and commercial viability of extracting a petroleum resource is considered to be determined. The technical feasibility and commercial viability of extracting a petroleum resource is determined when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to assess whether proven and/or probable reserves have been discovered. Upon determination of proven and probable reserves, E&E assets attributable to those reserves are first tested for impairment using cash generating units (CGUs - refer to 'Impairment' below), and then reclassified from intangible exploration assets to oil and natural gas interests, a separate category within property, plant and equipment.

Items of property, plant and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" or "other expense" within the statements of loss and comprehensive loss.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depletion and depreciation

The net carrying value of development or production (i.e. producing) assets is depleted using the unit of production method by reference to the ratio of production in the quarter to the related proven reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. The estimates are reviewed by independent reserve engineers at least annually.

Proven reserves are estimated using independent reserve engineer reports which represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 90 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and/or,
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of nine thousand cubic feet of gas to one barrel of oil.

Tangible equipment, such as drilling, production or well equipment available for use in exploration and evaluation activities, is also depreciated on a unit of production basis unless the estimated useful life of the asset is shorter than that implied by the unit of production rate, in which case the asset is depreciated on a straight-line basis over its estimated useful life.

For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for other assets are as follows:

- Office Equipment - 2 to 5 years
- Fixtures and Fittings - 2 to 5 years
- Computer Software - 2 to 3 years

(iv) Impairment

E&E assets are assessed for impairment when they are reclassified as oil and natural gas interests to property and equipment, and when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. CGUs represent the smallest group of assets that generate independent cash inflows from continuing use, and they typically consist of oil and natural gas fields in close geographic proximity that share common infrastructure and have independent cash inflows. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGUs, otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows from proven and probable reserves are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where the conditions that give rise to an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Decommissioning liabilities

The Group’s core activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category unless it arises from the normal course of production activities, in which case it is recognized in profit or loss.

Provisions are measured at the present value of management’s best estimate of expenditure required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation timing or change in discount rates. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized (unless the obligating event was related to production activities). Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established.

The interest rate used to discount future costs is a risk-free rate over the period to when the costs are expected to be incurred.

e) Revenue recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer. This is usually when legal title passes to the external party, generally at the time product enters the pipeline. Revenue is measured net of discounts, and royalties that are taken ‘in-kind’ (e.g. oil royalties due to the Alberta Minister of Finance).

f) Financial instruments

Financial instruments include cash, accounts receivable, deposits, investment, accounts payable and accrued liabilities and loans from related parties. All financial instruments are recognized initially at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables.' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group has no 'held-to-maturity' investments or 'available-for-sale' financial assets.

(i) Financial assets at FVTPL

A financial asset is classified as FVTPL when the financial asset is either held-for-trading or it is designated as FVTPL. Cash and investment are designated as held-for-trading and are measured at fair value.

(ii) Loans and receivables

Accounts receivable are classified as 'loans and receivables' and are measured at amortized cost using the effective interest method, less any impairment.

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Group has no financial liabilities at FVTPL.

(i) Other financial liabilities

Other financial liabilities, including accounts payables and accrued liabilities and loans from related parties, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Common shares issued by the Group are classified as equity and are recognized at the proceeds received, net of direct issue costs and any tax effects.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

g) Taxes

Tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statement of net loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

h) Flow-through shares

The Company, from time to time, issues flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers.

The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the consolidated statement of financial position. When the expenditures are renounced and incurred, the liability is drawn down, a deferred income tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized as income tax expense in comprehensive income (loss).

i) Share-based payments

Equity-settled share-based payments to employees, directors and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of equity instruments is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The vesting period is the period over which the recipient becomes unconditionally entitled to the share-based award.

At the end of each reporting period, the Group assesses its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled items reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Warrants to acquire shares are similarly valued at fair value at the grant date using the Black-Scholes pricing model. Warrants which are issued as part of an equity or debt raising process are accounted for as a reduction in the cost assigned to the equity or debt instrument with a corresponding amount recorded in shareholders' equity.

j) Foreign currency

Transactions in foreign currencies are translated to the entities' functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the time of the prevailing transaction. Foreign currency translation amounts are recognized in net income/loss.

In the consolidated financial statements, all assets, liabilities and transactions of Guardian's subsidiaries with a functional currency other than the Canadian dollars (the Company's presentation currency) are translated into Canadian dollars. These assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rate over the reporting period. Exchange differences are recorded to other comprehensive income/loss and recognized in the accumulated other comprehensive income balance in equity. On disposal of a foreign operation, the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. The functional currency of these subsidiaries has remained unchanged during the reporting period.

k) Use of estimates and measurement uncertainty

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the reporting date and are based on information available to management at the reporting date. Actual results could differ from those estimated. Key sources of estimation uncertainty and judgment are discussed below:

Estimates of recoverable quantities of proved and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for decommissioning liabilities and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserve estimates are prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and are reviewed by third party reserve engineers.

The amounts recorded for depletion and depreciation of property, plant and equipment, the provision for decommissioning and the amounts used for the impairment test calculations are based on estimates of reserves, future commodity prices, royalties, operating expenses, development costs, abandonment costs and the fair value of E&E assets, all of which are inherently uncertain. The Company's reserve estimates are evaluated at least annually by an independent engineering firm.

The amount recorded as decommissioning liabilities is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

The determination of share-based payment expense requires a calculation of the fair value of the equity instrument at grant date, which involves a number of estimates, in particular, the volatility of the Group's future share price.

The recognition of deferred income tax assets requires judgment as to the existence of future taxable income or reversal of temporary differences to which the tax assets can be applied and benefit realized.

The write down of accounts payable and obligations requires judgment by management as to the likelihood of future collection attempts on those amounts, specifically assessing whether amounts may be considered stale-dated due to lack of collection activities over a period of time.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. By their nature, estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements for current and future periods could be significant.

Key judgments of the Company include the assessment of functional currency for each entity and the determination of cash generating units.

l) New and future accounting standards

New standards adopted in the current year

The Company has adopted standards, amendments and interpretations to existing standards that are effective in the current year as follows:

I. IAS 32 financial instruments – presentation

Amendments to IAS 32 provides clarification on the application of the offsetting rules. The amendment was effective and adopted by the Company as of January 1, 2015. The adoption of the standard did not have a material effect on the Company.

II. IAS 36 impairment of assets

Amendments to IAS 36 require entities to disclose the recoverable amount of an impaired CGU. The amendment was effective and adopted by the Company as of January 1, 2015. The adoption of the standard did not have a material effect on the Company.

III. IFRIC 21 levies

IFRIC 21 provides an interpretation of IAS 37 which sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The interpretation did not have a material effect on the Company.

A number of new standards, amendments to standards and interpretations have been issued by the IASB which are not yet effective for the quarter ended March 31, 2016, and have not been applied in preparing these consolidated financial statements. The Company does not expect the amendments to have a material impact on the financial statements.

I. IFRS 9 financial instruments

IFRS 9 addresses requirements for the classification and measurement of financial instruments, impairment methodology and hedge accounting. The IASB set a mandatory effective date for annual periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.

II. IFRS 15 revenue from contracts with customers

IFRS 15 replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company continues to assess this new standard, but does not expect it to have a significant impact.

III. IAS 38 intangible assets

Amendments to IAS 38 provides clarification of acceptable methods of depreciation and amortization. The amendments were issued in May 2015 and apply to annual reporting periods beginning on or after January 1, 2016, with early adoption permitted under IFRS. The Company continues to assess this new standard, but does not expect it to have a significant impact.

IV. IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operations leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases of finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

ADDITIONAL INFORMATION

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