

Resilient Resources Ltd.

2006 Q1 Management's Discussion & Analysis
The unaudited financial statements of Resilient Resources Ltd. for the three month period ended March 31, 2006 to which the MD&A relates have not been reviewed by an auditor.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of Resilient Resources Ltd. consolidated results of operations and financial condition. This discussion should be read in conjunction with the unaudited comparative consolidated financial statements of the Company for the quarter ended March 31, 2006, together with the notes thereto all of which has been prepared in accordance with Canadian generally accepted accounting principles and in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2005.

The date of this Management's Discussion and Analysis is May 11, 2006.

Additional Information relating to the Corporation, including the Management's Discussion and Analysis and financial statements for the year ended December 31, 2005 and the latest Annual Information Form filed by the Company, is available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This disclosure includes forward-looking statements and assumptions respecting the Company's strategies, future operations, expected financial results, financing sources, commodity prices, costs of production and quantum of oil and natural gas reserves and discusses certain issues, risks and uncertainties that can be expected to impact on any of such matters.

By their nature, forward-looking statements are subject to numerous risks and uncertainties that can significantly affect future results. Actual future results may differ materially from those assumed or described in such forward-looking statements as a result of the impact issues, risks and uncertainties whether described herein or not, which the Company may not be able to control. The reader is therefore cautioned not to place undue reliance on such forward-looking statements.

The Company disclaims any intention or obligation to update or revise these forward-looking statements, as a result of new information, future events or otherwise.

OVERALL PERFORMANCE

Activity during the first quarter of 2006 focused on maintaining shareholder value through a merger with another oil and gas company. Effective April 20, 2006 the Company merged with Guardian Exploration Inc. resulting in the shareholders of Resilient holding approximately 9% of the amalgamated Company. Upon amalgamation there are funds available to pay the Company's accounts payable. Accordingly, as a condition of the amalgamation closing was the requirement of Guardian to raise \$4,500,000 through a debenture issue. The net proceeds from the Debenture Financing were used to repay Guardian's bank indebtedness of \$900,000 and to fund working capital and capital expenditures in the amalgamated company.

The amalgamated company is named Guardian Exploration Inc. and listed on the Venture Exchange (TSE). The amalgamated company continues to provide liquidity for shareholders and allows them to participate in the future growth of an oil and gas business in western Canada and Montana.

RESULTS OF OPERATIONS

During the quarter the Company continued to do work necessary to maintain its Blackfeet Tribal Lands in Montana and complete the Moulton #3 and #4 wells drilled in the second half of 2005. Commercial production has not commenced and all costs incurred on the Blackfeet Tribal lands of \$194,000 which included operating and overhead costs of \$134,000 have been capitalized compared with costs of \$83,000 for the first quarter of 2005.

The Company recorded a consolidated loss of \$245,000 for the three months ended March 31, 2006 compared with a loss of \$399,000 for the corresponding period in 2005.

Overhead costs for the three months ended March 31, 2006 totaled \$336,000, of which \$94,000 related to exploration and development activities and have been capitalized. Overhead costs for the corresponding period in 2005 totaled \$243,000 of which \$102,000 was capitalized. The overhead costs for 2006 included a one time expenditure of \$100,000 directly related to the amalgamation.

The Company carried no debt during this quarter which resulted in no interest charges and no amortization charges on deferred financing costs. For the first quarter of 2005 the company had interest expenses of \$78,000 and amortization charges on deferred financing costs of \$176,000.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

The only major transaction that occurred in the quarter that affects the financial results of the Company is the amalgamation which is outlined below.

At a special meeting on April 13, 2006 the shareholders of the Company and the shareholders of Guardian Exploration Inc. (Guardian) approved an amalgamation of the two companies effective April 20, 2006. Guardian is a private oil and gas exploration and development company with current production of approximately 200 Boe/d and approximately 9,300 gross (3,000 net) acres of undeveloped lands. The Amalgamation resulted in the Resilient shareholders holding approximately 9% of the Amalco shares.

As a prior condition of the amalgamation Guardian completed a private equity financing issuing 5,333,333 flow-through shares at a price of \$0.75 per flow-through share and 1,480,000 common shares at a price of \$0.65 per common share for net proceeds of \$4,495,685. The net proceeds were used to finance an acquisition of a working interest in a northeast British Columbia gas asset for \$4,000,000.

An additional condition of the amalgamation required Guardian to issue a convertible debenture, immediately prior to the amalgamation, in the principal amount of \$4,500,000 to fund the working capital requirements of Amalco. The debenture has an 18 month term, bears interest at a rate of 7% per annum and is convertible into shares of Guardian at a conversion price of \$0.75. The Lender of the debenture received a finance fee comprised of 650,000 Guardian common shares and 1,600,000 warrants exercisable into Guardian common shares at a price of \$0.75 per share until October 20, 2009. The selling agent for the debenture issue was paid a commission of \$270,000 and was issued 113,333 warrants exercisable into common shares at a price of \$0.75 per share until October 20, 2007.

LIQUIDITY – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's ability to continue as a going concern was dependent upon the amalgamation which is outlined in detail under the heading "Major Transactions Affecting Financial Results".

The Company is subject to certain fluctuations and trends, such as market conditions, interest rate levels, commodity prices, and industry conditions which could affect its ability to raise the necessary capital to remain as a going concern. The current commodity price environment has resulted in buoyant market conditions for oil and gas focused companies, however, a significant decrease in commodity prices could have a negative effect. In addition, the Company remains focused on exploration of oil and gas prospects and the results of drilling these prospects could materially affect the Company's ability to raise additional capital.

LIQUIDITY – GOING CONCERN, continued

To maintain its exploration rights on the Eastern tribal acreage for the next year the Company must pay a lease rental of \$300,000 US by April 18, 2006 and must spud two wells on the lands by September 1, 2006. Failure to meet its commitment could result in loss of the Eastern Lands, which represents the most significant portion of the Company's entire asset base. The Company has paid the 2006 lease rental payment of \$300,000 US.

As at March 31, 2006, the Company's ability to continue as a going concern and the resulting amalgamated company is dependent on it raising sufficient capital to fund ongoing overhead expenses and capital expenditures.

CASH FLOW FROM OPERATIONS

The Company currently is in the pre-production stage of exploration and development and thus all costs associated with the exploration and development of its properties are capitalized.

OUTSTANDING SHARE DATA

As at March 31, 2006 the common shares of Resilient Resources Ltd. trade on the Toronto Stock Exchange under the symbol "RRL". The amalgamated company named Guardian Exploration Inc. will trade on the Venture Exchange (TSE) under the symbol "GX" The following table summarizes the common shares issued during 2005, 2004, and 2003, which are the only class of share outstanding.

	<u>Common Shares</u>
Balance at December 31, 2003	62,438,002
Rights offering	7,491,618
Private placement – debt conversion	11,487,520
Private placement – debt extension	2,220,000
Interest on 10% Conv Sec Debenture	<u>703,985</u>
Balance at December 31, 2004	84,341,125
Interest on 10% Conv Sec Debenture	<u>712,152</u>
Balance at May 17, 2005 (pre consolidation)	85,053,277
Share Consolidation (30 shares to 1 share)	<u>(82,218,109)</u>
Balance at May 18, 2005 (post consolidation)	2,835,168
Interest on 10% Conv Sec Debentures	210,415
Debt conversion	5,983,335
Share issue	<u>3,076,923</u>
Balance at March 31, 2006 and December 31, 2005	<u>12,015,841</u>

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

The Company continues to incur substantial capital expenditures as required to meet its obligations under the K2/Blackfeet Indian Mineral Development Agreement (see “Commitments and Contingencies”).

Costs incurred by the Company in respect of land acquisition and retention, exploration and development activities, including the capitalization of exploration overhead and disposition of properties for each of the last two years are summarized as follows:

For three months ended March 31st	2006	2005
	\$	\$
Land acquisition and retention	3,019	17,421
Exploration and development, including exploration overhead and pre-production operating expenses	190,534	65,086
Disposition of oil and gas properties	<u>-</u>	<u>(800,000)</u>
	<u>193,553</u>	<u>(717,493)</u>

The Company’s oil and gas operations are conducted solely in the US and are regarded to be in the pre-production stage as exploration and development work continues and planned principal operations have not commenced. Accordingly, all costs incurred in this cost centre have been capitalized and will commence to be amortized once commercial production levels have been attained or written-off if permanent impairment in value has been determined.

In 2005 the Company’s carrying value of its oil and gas properties was reduced by \$971,575 which relates to the assignment of the Company’s net revenues from its producing oil and gas wells to Aquilon Capital Corp. Also, during 2005 the Company spent \$3,058,000 on exploration costs. These costs were written off in the year as no commercial quantities of hydrocarbons were found. In addition, at year end 2005, the Company wrote down the carrying value of its unproven oil and gas properties by an additional \$2,028,464 to reflect management’s estimate of fair value.

SELECTED QUARTERLY INFORMATION

	<i>Year Ended December 31, 2006</i>	<i>Year Ended December 31, 2005</i>				<i>Year Ended December 31, 2004</i>		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Expenses								
General and administrative	242,211	151,439	204,514	165,196	140,379	140,895	112,182	125,752
Debt interest	-	8,905	18,617	105,972	78,383	85,658	69,161	46,651
Deemed interest expense	-	-	-	-	-	-	-	184,808
Depreciation and amortization	870	1,545	171,985	180,258	177,088	177,220	151,216	259,775
Write-Down of oil & gas properties	-	5,086,472	-	-	-	11,802,729	-	-
Net loss per common share	(0.02)	(0.46)	(0.11)	(0.16)	(0.34)	(4.79)	(0.12)	(0.25)

CONTRACTUAL COMMITMENTS

Contractual Obligations	Payments Due by Period – June 30, 2005				
	Total	Less than 1 year	1 – 3 Years	4 – 5 years	After 5 years
Operating Leases	110,603	38,943	61,660		
Purchase Obligations					
Other Long Term Obligations ^{(1) (2)}	1,039,446	346,482	692,964		
Total Contractual Obligations	1,140,049	385,425	754,624		

- (1) Under the terms of the first Amended Agreement to an exploration agreement originally signed with the Blackfeet Tribe in 1997, the Company is committed to pay to the Tribe an annual lease rental payment of \$300,000 US on April 18, 2006, 2007 & 2008 to maintain the Eastern lands.
- (2) All future commitments in US dollars have been calculated at the average exchange rate for the forth quarter of 2005 of 1.15494.
- (3) The above data does not include cost associated with the Company's drill obligations with the Blackfeet Tribe. Please see "Commitments and Contingencies" of this document for further discussion as to these drilling obligations and their estimated associated costs.

COMMITMENTS AND CONTINGENCIES

a) Exploration Commitments

The Company holds its exploration rights on the Reservation under the terms of an exploration agreement originally signed with the Blackfeet Tribe in 1997 (the “Original Agreement”) and subsequently three Amending Agreements have been made as follows:

- 1) First Amended Agreement, January 2003 – assigns the Company exploration rights in the 100,000 acres of Eastern Tribal lands.
- 2) Second Amended Agreement, June 2004 – deals with clarification of certain terms and commits the Company to pay an annual rental payment of \$450,000 on April 18, 2004, 2005 and 2006. These payments relate to the 150,000 acres of Western Tribal lands.
- 3) Third Amended Agreement, March 2005 – deals with the Company surrendering the 150,000 acres of Western Tribal lands.

Under the terms of the First Amended Agreement, the Company paid a \$1,000,000 US land bonus to the Blackfeet on April 23, 2003, in consideration for the exploration rights to an additional 100,000 tribal mineral acres (Eastern Lands) to be earned through the drilling of 10 wells, two per year over a five-year period between April 18th, 2003 through April 18th, 2008 (“Exploration Phase”).

The outstanding Drilling Commitment as at March 31, 2006 requires the drilling of six wells, two wells per year for the last three years of the “Exploration Phase”, both wells to be drilled on the Company’s Eastern Land Block.

The Company has adopted a corporate strategy of seeking out and identifying joint venture partners to share in or absorb the capital cost of the above drilling commitments. If no joint venture partners can be identified for these drilling commitments, the Company will be obligated to incur such costs and such costs could be substantial. The Company’s costs for its 2005 drilling program ranged between \$1,000,000 to \$1,200,000 US for wells ranging between 4,000 and 4,500 feet.

Under the terms of the First Amended K2/Blackfeet Agreement, the Company is also obligated to pay a \$3.00 US per acre annual rental commencing in years two through five of Exploration Phase for the additional 100,000 tribal mineral acres under the Amended Agreement.

COMMITMENTS AND CONTINGENCIES, continued

Under the terms of the “Third Amended Oil and Gas Exploration Agreement” signed by the Blackfeet Tribe on March, 2005 the Company’s outstanding obligations and future exploration rights relating to the Western lands have been terminated. The company continues to retain its exploration rights and commitments relating to the Eastern Lands. However, the Company’s annual drilling obligation of 2 wells on the Eastern Lands requires the commencement of drilling operations by September 1. This extension from

April to September 1 applied to the drilling commitment in 2005 and also 2006 and 2007, but does not apply to 2008. The Company drilled two exploration wells in September 2005. The commitment of an annual rental fee of \$300,000 US remains unchanged. Accordingly, the Company was obligated to pay to the Blackfeet Tribe by April 18, 2005 a total amount of \$550,000 US, which comprises the annual rental fee of \$300,000 US for the Eastern Lands, and an additional \$250,000 US relating to the termination of the Company’s commitments for the Western lands and the extension of the drilling obligation on the Eastern Lands. The Company made the required \$550,000 US payment on April 18, 2005 and the required \$300,000 on April 18, 2006.

Following the completion of the drilling obligations and the expiration of the respective “Exploration Phase” of the agreement in 2008, the Company will become obligated to pay an annual rental of \$2.00 US per acre commencing on the first anniversary date of the expiration of the respective “Exploration Phase” for any of the exploration acreage covered under the Original or Amended Agreement that has been converted to 5-year oil and gas leasehold interests by the Company, except for those leases that are held by oil and gas production from the property.

In the event that the Company fails to comply with its obligations as outlined above, particularly its drilling obligations, it could be required within five days of receipt of written notification from the Blackfeet Tribe of the Company’s failure to comply, to surrender and relinquish all of the subject lands outside of the spacing units established for any producing or capable of producing wells that have been drilled and completed prior to the failure of the Company to timely comply with the well obligations. This potential requirement under the agreement for surrender of acreage currently would account for the majority of the Company’s existing assets. The Company may, however, make requests for extensions to its drilling commitments provided that said extensions shall not exceed one year and the request is not unreasonable. The Blackfeet Tribe may not unreasonably withhold its consent to the Company’s requests for extensions provided that requests are not made based on economic or financial need or necessity.

COMMITMENTS AND CONTINGENCIES, continued

In the event of certain commercial gas discoveries, the Company and/or its joint venture partner(s) may be required to incur considerable costs associated with the construction of pipelines and related gathering and production facilities. The Company's calculated maximum distance to an existing gas sales line is 22 miles in the Eastern Land Block.

The above referenced capital requirements are significant due to its contractual obligations under its agreement with the Blackfeet Tribe. The Company plans to meet its exploration and development expenditures and overhead costs through the raising of additional debt or equity financing and/or the completion of joint venture partnerships with third parties. If the Company is unsuccessful in obtaining such financing or joint ventures it could have a material adverse affect on the Company and its equity and/or debt holders.

GOVERNANCE

Immediately prior to the amalgamation, the directors and officers of Resilient, D.M. McDonald, M.J. Geoff Fulton, Maxon R. Davis and Jeffrey D. Francoz resigned. Effective with the amalgamation the directors and officers of the newly amalgamated company are Graydon L.M. Kowal, Director, President and CEO, David G. Mallory, Director and Chief Financial Officer, William L. McKenzie, Vice President, Exploration, Melvin H. Chambers, Director, Timothy Campbell, Director, David R. P. Mears, Director, and Scott Reeves, Corporate Secretary.

OUTLOOK

As previously outlined, effective April 20, 2006 the Company amalgamated with Guardian Exploration Inc. giving the shareholders of Resilient approximately a 9% ownership in the amalgamated company which has interests and prospects in a number of oil and gas properties in northeast British Columbia and Alberta. The amalgamated company is named Guardian Exploration Inc. and trades on the Venture Exchange (TSE). The amalgamation will provide continued liquidity for shareholders and allow them to participate in the future growth of the oil and gas business in Western Canada and Montana.

OTHER BUSINESS RISKS AND UNCERTAINTIES

This document contains statements about expected future events and/or financial results that are forward looking in nature and subject to substantial risks and uncertainties. The Company cautions the readers that actual performance will be affected by a number of factors, many of which are beyond its control, as many may respond to changes in economic and political circumstances around the world. These external factors beyond the Company's control may affect the marketability of oil and natural gas produced, industry conditions including changes in laws and regulations, changes income tax regulations, increased competition, fluctuations in commodity prices, interest rates, and variations in the Canadian/United States dollar exchange rate.

OTHER BUSINESS RISKS AND UNCERTAINTIES, continued

In addition, the Company is exposed to several risks inherent to the oil and gas exploration and production industry including, but not limited to:

- Finding and developing oil and natural gas reserves at economic costs;
- Production of oil and natural gas in commercial quantities; and
- Marketability of oil and natural gas produced.

The Company strives to mitigate these risks by effective and proactive management, employing qualified experienced staff and consultants in all areas of its operation, with careful regard for environmental and safety concerns.

The Company will need to raise additional capital and/or complete joint venture arrangements with third parties in order to fund the further development of its natural gas properties and ultimately achieve sufficient commercial oil and gas production to continue as a going concern. If the Company is unsuccessful in obtaining such financing or joint ventures it could have a material adverse affect on the Company and its equity and/or debt holders.

Reference is hereby made to the Company's Annual Information Form filed on www.sedar.com for further Business Risks and Uncertainties.

Submitted on behalf of the Board of Directors

“Signed by”

Graydon L. M. Kowal
Director; President & Chief Executive Officer

Resilient Resources Ltd.

**Interim Consolidated Financial Statements
(Unaudited)
March 31, 2006**

NOTICE TO READER

The accompanying unaudited interim financial statements of Resilient Resources Ltd. for the quarter ended March 31, 2006 have been prepared by management and approved by the Board of Directors of the Corporation. These statements have not been reviewed by Resilient Resources Ltd.'s external auditors.

Dated May 11,2006

On behalf of Resilient Resources Ltd.

“Graydon Kowal”

Director, President & Chief Executive Officer

Resilient Resources Ltd.

Interim Consolidated Balance Sheet
(unaudited)

	March 31, 2006 \$	December 31, 2005 \$
Assets		
Current assets:		
Cash and cash equivalents	221,990	367,132
Accounts receivable	127,021	539,523
Prepaid expenses and deposits	16,882	50,508
	<hr/>	<hr/>
	365,893	957,163
	<hr/>	<hr/>
Deposit	350,280	349,800
Property, plant and equipment (note 3)	1,739,825	1,539,978
	<hr/>	<hr/>
	2,455,998	2,846,941
	<hr/>	<hr/>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	1,144,900	1,298,170
	<hr/>	<hr/>
Asset retirement obligation (note 4)	316,672	312,879
	<hr/>	<hr/>
	1,461,572	1,611,049
	<hr/>	<hr/>
Shareholders' Equity		
Capital stock (note 5)	6,800,513	6,806,313
Contributed surplus (note 5)	997,679	988,766
Deficit	(6,803,766)	(6,559,187)
	<hr/>	<hr/>
	994,426	1,235,892
	<hr/>	<hr/>
	2,455,998	2,846,941
	<hr/>	<hr/>

Approved by the Board of Directors.

"Graydon Kowal" Director

"David Mallory" Director

Resilient Resources Ltd.

Interim Consolidated Statement of Loss and Deficit
(unaudited)

	Three Month Period Ended March 31,	
	2006	2005
	\$	\$
Expenses		
Asset retirement obligation accretion (note 4)	3,327	3,369
General and administrative	242,211	140,379
Depreciation and amortization	870	177,088
Debenture interest expense	-	78,383
Foreign exchange losses (gains)	(1,829)	(417)
	<hr/>	<hr/>
	244,579	398,802
	<hr/>	<hr/>
Loss for the period	(244,579)	(398,802)
Deficit – beginning of period	(6,559,187)	(38,064,016)
	<hr/>	<hr/>
Deficit - end of period	(6,803,766)	(38,462,818)
	<hr/>	<hr/>
Loss per common share	(0.020)	(0.142)
	<hr/>	<hr/>
Weighted average number of shares	12,015,841	2,811,371
	<hr/>	<hr/>

Resilient Resources Ltd.

Interim Consolidated Statement of Cash Flows
(unaudited)

	Three Month Period Ended March 31,	
	2006	2005
	\$	\$
Cash provided by (used for):		
Operating activities:		
Loss for the period	(244,579)	(398,802)
Items not affecting cash		
Depreciation and amortization	870	177,088
Asset retirement obligation accretion	3,327	3,369
Stock-based compensation	3,565	4,218
Debenture interest expense	-	48,614
Foreign exchange gains	(1,829)	(417)
	<hr/>	<hr/>
Funds flow from operations	(238,646)	(165,930)
Changes in non-cash working capital balances	(7,123)	(11,847)
	<hr/>	<hr/>
	(245,769)	(177,777)
Financing activities:		
Financing charges	(5,800)	(1,000)
	<hr/>	<hr/>
Investing activities:		
Expenditures on property, plant and equipment	(193,553)	(82,513)
Changes in non-cash working capital balances	299,980	(5,395)
	<hr/>	<hr/>
	106,427	(87,908)
Increase (decrease) in cash	(145,142)	(266,685)
Cash, beginning of period	367,132	304,593
	<hr/>	<hr/>
Cash, end of period	221,990	37,908
	<hr/>	<hr/>

Resilient Resources Ltd.

Notes to Interim Consolidated Financial Statements
(unaudited) March 31, 2006

1 Nature of business and basis of presentation

Nature of Business

Resilient Resources Ltd. (formerly K2 Energy Corp.) is a corporation formed under the laws of the Province of Alberta. K2 America Corp. a wholly owned subsidiary, explores for and develops oil and gas reserves in the state of Montana.

Basis of presentation

These financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As at March 2006, the company had a working capital deficiency of \$779,007 (see Note 8 Subsequent Event) (December 31, 2005 – a deficit of \$341,007), no long-term debt (December 31, 2005 – nil) and an accumulated deficit of \$ 6,803,766, (December 31, 2005 – \$6,559,187). On May 17, 2005 at the Annual General and Special Meeting the Shareholders of the Corporation passed a special resolution reducing the Company's accumulated deficit by \$38,064,016 by deducting that amount from the stated share capital account.

The company's activities over the past seven years have been primarily directed towards the acquisition, exploration and development of oil and gas properties on the Blackfeet Indian Reservation ("Reservation") in northern Montana. The company's primary asset is the rights to a large block of exploratory acreage on the Reservation where exploration activity is continuing. As at March 31, 2006, the company had expended \$1,702,233 on the acquisition and exploration of its oil and gas properties in Montana, net of recoveries and write-downs of \$32,249,201 in prior years.

Effective April 20, 2006 the Company amalgamated with Guardian Exploration Inc. refer to Subsequent Event note 8.

K2 Blackfeet agreement

The Company owns the rights to explore for oil and gas on approximately 100,000 tribal mineral acres of land on the Blackfeet Indian Reservation in northern Montana.

As at March 31, 2006 the Company's commitments to retain its exploration rights in the lands going forward are as follows:

- payments to the Blackfeet Tribe of an annual rental fees of \$300,000 US until 2008
- an obligation to drill a total of 6 wells, 2 wells in each of 2006 and 2007 by September 1st and the remaining 2 wells by April 18, 2008, when the exploration agreement with the Blackfeet Tribe expires.

2 Significant accounting policies

The interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended December 31, 2005 and should be read in conjunction with such audited annual financial statements and notes thereto.

Resilient Resources Ltd.

Notes to Interim Consolidated Financial Statements
(unaudited) March 31, 2006

3 Property, plant and equipment

As at December 31, 2005

	Cost	Impaired Value	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$
Unproven oil and gas properties	33,749,201	(32,249,201)	-	1,500,000
Building and equipment	435,916	-	(395,938)	39,978
	<u>34,185,117</u>	<u>(32,249,201)</u>	<u>(377,056)</u>	<u>1,539,978</u>

As at March 31, 2006

	Cost	Impaired Value	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$
Unproven oil and gas properties	33,951,434	(32,249,201)	-	1,702,233
Building and equipment	435,916	-	(398,324)	37,592
	<u>34,387,350</u>	<u>(32,249,201)</u>	<u>(398,324)</u>	<u>1,739,825</u>

For the quarter ended March 31, 2006 the Company capitalized general and administration costs of \$93,667 as compared to \$102,181 in the first quarter of 2005 and \$114,105 for the quarter ended December 31, 2005.

4. Asset retirement obligation

For the Company, asset retirement obligations relate to the abandonment of oil and gas producing facilities. Changes in asset retirement obligations were as follows:

	Three month period ended March 31, 2006	Year ended December 31, 2005
	\$	\$
Asset retirement obligation – beginning of period	312,879	289,485
Liabilities incurred	-	22,703
Accretion expense	3,327	13,480
Foreign exchange loss (gain)	466	(12,789)
	<u>316,672</u>	<u>312,879</u>

At March 31, 2006 the undiscounted estimated future well abandonment and site reclamation costs were \$490,000 (December 31, 2005 - \$490,000). This amount was inflated by the inflation rate and discounted using a credit adjustment rate of 9.5% over the expected useful life of the underlying assets.

Resilient Resources Ltd.

Notes to Interim Consolidated Financial Statements
(unaudited) March 31, 2006

5 Capital stock

a) Authorized

Unlimited number of common voting shares

b) Issued

Common shares	Number of shares	Amount \$
Balance December 31, 2003	62,438,002	33,297,133
Shares issued for cash on exercise of rights issue	7,491,618	1,648,156
Shares issued pursuant to conversion of long term debentures	10,952,520	3,286,029
Shares issued in payment of fees related to debenture conversion	535,000	160,500
Shares issued pursuant to extension of long term debenture	1,600,000	336,000
Shares issued in payment of fees related to debenture extension	620,000	125,200
Share issue costs	-	(375,569)
Shares issued in payment of interest	703,985	55,141
Balance December 31, 2004	84,341,125	38,532,590
Shares issued in payment of interest	712,152	35,964
Balance pre share consolidation and reduction of stated capital	85,053,277	38,568,554
Share Consolidation	(82,218,109)	-
Reduction of stated capital	-	(38,064,016)
Balance post share consolidation and reduction of stated capital	2,835,168	504,538
Equity portion of 10% debenture	-	80,000
Shares issued in payment of interest	210,415	192,284
Shares issued pursuant to conversion of debentures	4,560,002	3,420,000
Shares issued pursuant to offering	3,076,923	1,691,542
Shares issued pursuant to conversion of Aquilon Debenture	1,333,333	1,000,000
Share issue costs	-	(435,423)
Balance December 31, 2005	12,015,841	6,452,941
Share issue costs	-	(5,800)
Balance March 31, 2006	12,015,841	6,447,141
Warrants	Number of Warrants	Amount \$
Balance beginning of year	797,636	-
Broker's warrants on debt issue	118,200	44,914
Warrants issued pursuant to private placement	1,538,462	308,458
Broker warrants on debt conversion	166,000	-
Warrants cancelled or expired	(797,636)	-
Balance December 31, 2005 and March 31, 2006	1,822,662	353,372
Balance in Capital stock, March 31, 2006		6,800,513

Resilient Resources Ltd.

Notes to Interim Consolidated Financial Statements
(unaudited) March 31, 2006

5. Capital stock, continued

c) Contributed surplus

	\$
Balance – December 31, 2004	782,402
Stock-based compensation – 2005	105,287
Agents options on share issue	<u>101,077</u>
Balance – December 31, 2005	988,766
Stock-based compensation – 2006	<u>8,913</u>
Balance – March 31, 2006	<u>997,679</u>

d) Stock options

Under the company's Stock Option Plan, the company may grant options to purchase up to 233,334 common shares of its capital stock. As at March 31, 2006 there were 191,297 stock options outstanding under the Company's Stock Option Plan. During the three months ending March 31, 2006, no stock options were granted, exercised or cancelled. The Company has granted an additional 56,975 stock options outside of the Plan under the 2% rule set forth by the Toronto Stock Exchange relating to newly appointed management.

The following table summarizes information about options outstanding at March 31, 2006

Exercise prices \$	Number of options	Options outstanding		Options exercisable	
		Average remaining life in years	Weighted average Exercise Price \$	Number of options	Weighted average Exercise Price \$
0.75 to 1.31	209,600	3.46	1.02	161,150	0.85
5.40 to 46.50	38,672	1.88	17.19	34,499	18.38
0.75 to 46.50	<u>248,272</u>	<u>3.21</u>	<u>3.54</u>	<u>195,649</u>	<u>3.94</u>

Options Granted to Employees and Directors

For the first quarter of 2006 the company recognized compensation costs of \$8,913 (2005 - \$9,304) which was allocated 40% to expenses and 60% to property, plant and equipment.

Resilient Resources Ltd.

Notes to Interim Consolidated Financial Statements
(unaudited) March 31, 2006

5. Capital stock, continued

d) Stock options, continued

Options granted to non-employees

For the first quarter of 2006 the Company did not recognize any compensation cost for non-employees (2005 - \$1,241) which was allocated 40% to expenses and 60% to property, plant and equipment.

e) Share purchase warrants

At March 31, 2006, the following share purchase warrants are outstanding:

Number of warrants Outstanding		Exercise Price \$	Expiry date
118,200		1.50	April 30, 2006
166,000		0.75	July 31, 2006
1,538,462	6 months at	0.75	March 16, 2006
	18 months at	0.90	September 16, 2007

As at March 31, 2006 the company's share price was \$0.24 and all of the outstanding warrants were exercisable.

f) Diluted average common shares outstanding

The weighted average number of shares outstanding for the basic per share calculations for the three months ended March 31, 2006 was 12,015,841. There was no dilutive effect as stock options and share purchase warrants, were excluded from the dilution calculation as the exercise prices exceeded the average market price for common shares during the first quarter of 2006 of \$0.32.

6 Related party transactions

Effective March 1, 2005, the Company assigned the net revenues of its producing oil and gas wells to Aquilon Capital Corp. The Company continues to manage and operate the properties for Aquilon and for the first quarter of 2006 paid to Aquilon net revenues of \$52,905 US. A director of the Company is one of the principals and President of the Aquilon Capital Corp., which is an independent investment firm that specializes in portfolio management. Also, Aquilon Capital Corp. manages accounts represented by 70,325 Common Shares of the Company.

7 Contingent liabilities

As at March 31, 2006, the Company had unrecorded contingent liabilities totalling \$503,604 which related to the Amalgamation. This amount became due and payable on the effective date of the Amalgamation. (Refer to note 8 Subsequent Event)

Resilient Resources Ltd.

Notes to Interim Consolidated Financial Statements
(unaudited) March 31, 2006

8. Subsequent event

At a special meeting on April 13, 2006 the shareholders of the Company and the shareholders of Guardian Exploration Inc. (Guardian) approved an amalgamation of the two companies effective April 20, 2006. Guardian is a private oil and gas exploration and development company with current production of approximately 200 Boe/d and approximately 9,300 gross (3,000 net) acres of undeveloped lands. The Amalgamation resulted in the Resilient shareholders holding approximately 9.3% of the Amalco shares.

As a prior condition of the amalgamation Guardian completed a private equity financing issuing 5,333,333 flow-through shares at a price of \$0.75 per flow-through share and 1,480,000 common shares at a price of \$0.65 per common share for net proceeds of \$4,495,685. The net proceeds were used to finance an acquisition of a working interest in a northeast British Columbia gas asset for \$4,000,000.

An additional condition of the amalgamation required Guardian to issue a convertible debenture, immediately prior to the amalgamation, in the principal amount of \$4,500,000 to fund the working capital requirements of Amalco. The debenture has an 18 month term, bears interest at a rate of 7% per annum and is convertible into shares of Guardian at a conversion price of \$0.75. The Lender of the debenture received a finance fee comprised of 650,000 Guardian common shares and 1,600,000 warrants exercisable into Guardian common shares at a price of \$0.75 per share until October 20, 2009. The selling agent for the debenture issue was paid a commission of \$270,000 and was issued 113,333 warrants exercisable into common shares at a price of \$0.75 per share until October 20, 2007.