

# **GUARDIAN EXPLORATION INC.**

## **Condensed Interim Financial Statements For the Three-Month Periods Ended March 31, 2020 and 2019**

*(unaudited)*

### **NOTICE OF DISCLOSURE OF NO AUDITOR REVIEW**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**GUARDIAN EXPLORATION INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
*(unaudited)*

	<b>Notes</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Assets</b>		<i>(unaudited)</i>	
Current assets			
Cash		\$ 1	\$ 1
Prepaid expenses		3,900	-
		3,901	1
Deposits	3	162,484	162,253
<b>Total assets</b>		<b>\$ 166,385</b>	<b>\$ 162,254</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 411,245	\$ 412,232
Loans from related parties	4	646,587	614,432
		1,057,832	1,026,664
Decommissioning liabilities	5	259,689	258,389
<b>Total liabilities</b>		<b>\$ 1,317,521</b>	<b>\$ 1,285,053</b>
<b>Shareholders' deficiency</b>			
Share capital	7	\$ 15,724,195	\$ 15,724,195
Contributed surplus		5,131,404	5,131,404
Deficit		(22,006,735)	(21,978,398)
<b>Total shareholders' deficiency</b>		<b>(1,151,136)</b>	<b>(1,122,799)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 166,385</b>	<b>\$ 162,254</b>

Going concern (Note 2(d))  
 Commitments and contingencies (Note 8)  
 Subsequent events (Note 13)

*See accompanying notes to the unaudited condensed interim financial statements.*

**Approved on behalf of the Board of Directors**

"Graydon Kowal"  
 Graydon Kowal  
 Director

"David McMillan"  
 David McMillan  
 Director

**GUARDIAN EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
*(unaudited)*

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Expenses</b>			
Operating		\$ 5,884	\$ 140
General and administrative		17,080	18,446
Accretion on decommissioning liabilities	5	1,300	2,300
Interest		4,304	4,304
Interest income		(231)	(224)
		28,337	24,966
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (28,337)</b>	<b>\$ (24,966)</b>
<b>Net loss per share</b>			
Basic and diluted	7	(0.00)	(0.00)

*See accompanying notes to the unaudited condensed interim financial statements.*

**GUARDIAN EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND YEAR ENDED DECEMBER 31, 2019**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
*(unaudited)*

	Notes	March 31, 2020	December 31, 2019
<b>Share capital</b>			
Balance, beginning of period		\$ 15,724,195	\$ 15,724,195
Share capital additions	7	-	-
Share issuance costs		-	-
Balance, end of period		\$ 15,724,195	\$ 15,724,195
<b>Contributed surplus</b>			
Balance, beginning of period		\$ 5,131,404	\$ 5,131,404
Balance, end of period		\$ 5,131,404	\$ 5,131,404
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		\$ -	\$ -
Foreign currency translation adjustments		-	-
Balance, end of period		\$ -	\$ -
<b>Deficit</b>			
Balance, beginning of period		\$ (21,978,398)	\$ (21,894,240)
Net loss for the period		(28,337)	(84,158)
Balance, end of period		\$ (22,006,735)	\$ (21,978,398)
<b>Total shareholders' deficiency</b>		<b>\$ (1,151,136)</b>	<b>\$ (1,122,799)</b>

*See accompanying notes to the unaudited condensed interim financial statements.*

**GUARDIAN EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
*(unaudited)*

	Notes	2020	2019
<b>Cash flows provided by (used in):</b>			
<b>Operating activities</b>			
<b>Net income (loss)</b>		\$ (28,337)	\$ (24,966)
Items not affecting cash:			
Accretion	5	1,300	2,300
Changes in non-cash working capital	10	(5,118)	4,074
<b>Cash used in operating activities</b>		\$ (32,155)	\$ (18,592)
<b>Financing activities</b>			
Proceeds on loans from related parties	4	\$ 32,155	\$ 11,707
<b>Cash provided by financing activities</b>		\$ 32,155	\$ 11,707
<b>Change in cash</b>		\$ -	\$ (6,885)
<b>Cash, beginning of period</b>		1	7,777
<b>Cash, end of period</b>		\$ 1	\$ 892

See accompanying notes to the unaudited condensed interim financial statements.

**GUARDIAN EXPLORATION INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended March 31, 2020 and 2019**

*(All amounts in Canadian dollars unless indicated otherwise)*  
*(Unaudited)*

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**1. REPORTING ENTITY**

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

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting**

These unaudited condensed interim financial statements ("interim financial statements") have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's last annual financial statements as at and for the year ended December 31, 2019 ("last annual financial statements"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

These interim financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2020.

**(b) Use of judgments and estimates**

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in that last annual financial statements.

**(c) Significant accounting policies**

Please refer to the December 31, 2019 audited financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's December 31, 2019 financial statements were consistently applied to all periods presented. These unaudited interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2019.

**(d) Going concern**

The interim financial statements have been prepared by management in accordance with IFRS on a going concern basis. The going concern basis contemplates the realization of assets and the settlement of liabilities in the ordinary course of business. If the Company is unable to raise funds to pay its liabilities as they become due and successfully finance its current and future oil and natural gas properties and projects, it may not be able to realize its assets and discharge its liabilities in the normal course of operations.

**GUARDIAN EXPLORATION INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended March 31, 2020 and 2019**

*(All amounts in Canadian dollars unless indicated otherwise)*  
*(Unaudited)*

For the three months ended March 31, 2020, the Company reported a net loss of \$28,337 (year ended December 31, 2019 - \$84,158) and negative cash flow from operations of \$32,155 (year ended December 31, 2019 - \$151,821) and as at March 31, 2020, the Company had a working capital deficiency of \$1,053,931.

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

**3. DEPOSITS**

Deposits include an abandonment and reclamation deposit in the amount of \$46,484 (December 31, 2019 - \$45,253) with Alberta Energy Regulator and a deposit of \$116,000 (December 31, 2019 - \$116,000) with the British Columbia Oil and Gas Commission.

**4. LOANS FROM RELATED PARTIES**

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

During the three-month period ended March 31, 2020 and year ended December 31, 2019, the Company obtained additional loans from related parties in the amount of \$27,850 and \$144,045, respectively. The related party loans are with companies controlled by certain directors of the Company. Certain loans accrue interest at the rate of 15% per year, payable monthly and all loans are secured against the assets of the Company and due on demand. The following loan amounts are payable to related parties at March 31, 2020 and December 31, 2019:

	<b>Deckland Inc. (\$) <sup>(1)</sup></b>	<b>Guardian Helicopters Inc. (\$) <sup>(1)</sup></b>	<b>G. Kowal (\$)</b>	<b>Total (\$)</b>
Principal	128,283	273,652	114,772	516,707
Interest	-	-	97,725	97,725
<b>Balance, December 31, 2019</b>	<b>128,283</b>	<b>273,652</b>	<b>212,497</b>	<b>614,432</b>
Advances	14,429	13,421	-	27,850
Interest	-	-	4,305	4,305
<b>Balance, March 31, 2020</b>	<b>142,712</b>	<b>287,073</b>	<b>216,802</b>	<b>646,587</b>

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

	<b>\$</b>
<b>Balance, December 31, 2018</b>	<b>372,662</b>
Advances	144,045
<b>Balance, December 31, 2019</b>	<b>516,707</b>
Advances	27,850
<b>Balance March 31, 2020</b>	<b>544,557</b>
Accrued interest payable, December 31, 2018	80,510
Accrued interest payable, December 31, 2019	97,725
Accrued interest payable, March 31, 2020	102,030

**GUARDIAN EXPLORATION INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended March 31, 2020 and 2019**

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**5. DECOMMISSIONING LIABILITIES**

The total undiscounted amount of cash flows required to settle the obligations as measured at March 31, 2020 are estimated to be approximately \$272,605 (December 31, 2019 - \$272,000). These payments are expected to be made over the next 3 years. The decommissioning obligations have been calculated using an inflation rate of 2% (December 31, 2019 - 2%). A reconciliation of the Company's decommissioning liabilities is provided below:

	<b>March 31, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
<b>Balance, beginning of the period</b>	258,389	307,616
Abandonments	-	(63,665)
Changes in estimates	-	4,477
Accretion	1,300	9,961
<b>Balance, end of the period</b>	<b>259,689</b>	<b>258,389</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.

**6. INCOME TAXES**

As at March 31, 2020, the Company has non-capital losses of approximately \$14 million (December 31, 2019 - \$14 million) which may be carried forward to apply against future years' taxable income, subject to final determination by taxation authorities and will expire between 2026 and 2039. As at March 31, 2020, the Company has approximately \$7 million (December 31, 2019 - \$7 million) of oil and gas resource pools.

The Company also has capital losses of approximately \$41.2 million (December 31, 2019 - \$41.2 million) which may be carried forward to apply against future years' taxable capital gains, 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 tax pools and loss carry forwards.

**7. 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>Share Capital</b>	<b>Number of Shares</b>	<b>Amount (\$)</b>
Balance, December 31, 2018	74,313,748	15,724,195
Shares issued	-	-
<b>Balance, December 31, 2019 and March 31, 2020</b>	<b>74,313,748</b>	<b>15,724,195</b>



**GUARDIAN EXPLORATION INC.**  
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**c) Stock options**

The Company 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 Company 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 Company at the time of grant. There were no stock options issued during the three months ended March 31, 2020 or year ended December 31, 2019 and there are no stock options outstanding as at March 31, 2020 and December 31, 2019.

**d) Per share amounts**

Basic per share amounts are calculated using the weighted average number of shares outstanding of 74,313,748 during the three months ended March 31, 2020 and year ended December 31, 2019. The calculation of diluted loss per share for the three-month period ended March 31, 2020 and year ended December 31, 2019 excludes the effect of all outstanding stock options as they are anti-dilutive.

**8. 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.

**b) Other**

The Company is involved in a 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.

**9. RELATED PARTY TRANSACTIONS**

- a)** From time to time, the Company obtains loans from related parties. Shareholders loans accrue interest at the rate of 15% per year, payable monthly, and are secured against the assets of the Company. The remaining related party loans do not accrue interest. The loans and advances do not have maturities and are payable upon demand (see Note 4).
- b)** Advances from Guardian Helicopters Inc., a company owned by Graydon Kowal, CEO and director of the Company, amounted to \$13,421 during the three months ended March 31, 2020 (year ended December 31, 2019 - \$94,773). At March 31, 2020, the balance of \$287,073 (December 31, 2019 - \$273,652) remains outstanding within loans from related parties.
- c)** Advances from Deckland Inc., a private company owned by Graydon Kowal, CEO and director of the Company, amounted to \$14,429 during the three months ended March 31, 2020 (year ended December 31, 2019 - \$49,272). At March 31, 2020, the balance of \$142,712 (December 31, 2019 - \$128,283) remains outstanding within loans from related parties.

**GUARDIAN EXPLORATION INC.**  
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- d) Legal fees in the amount of \$810 for the three months ended March 31, 2020 (March 31, 2019 - \$nil) have been incurred with a legal firm of which a partner is the spouse of a Company officer. As at March 31, 2020, \$810 is payable to this legal firm (March 31, 2019 - \$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 consulting fees, wages, salaries, benefits and other personnel costs included in the statements of net loss and comprehensive loss for the three months ended March 31, 2020 were \$7,303 (March 31, 2019 - \$6,745). The aggregate remuneration of key management for the three months ended March 31, 2020 was \$7,303 in consulting fees, salaries and benefits (March 31, 2019 - \$6,745).

**10. CHANGE IN NON-CASH WORKING CAPITAL**

	<b>March 31, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
Accounts receivable	-	528
Prepaid expenses	(3,900)	767
Deposits	(231)	(915)
Accounts payable and accrued liabilities	(987)	47,524
	<b>(5,118)</b>	<b>47,904</b>

**11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

**a) Fair value of financial assets and liabilities**

The Company's carrying value of cash, accounts receivable, accounts payable and accrued liabilities and loans from related parties approximates their fair values, due to the immediate or short-term maturity of these instruments. The carrying value of the deposits (see Note 3) does not differ significantly from its fair value.

Financial instruments consisting of deposits, accounts receivable, accounts payable and accrued liabilities, and loans from related parties on the statements of financial position are carried at amortized cost. Cash is carried at fair value. All of the fair value items are transacted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

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

The Company's financial assets carried at fair value are considered Level 1.

**b) Interest rate risk**

At March 31, 2020 and December 31, 2019, the Company 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.

**GUARDIAN EXPLORATION INC.**  
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**For the Three Months Ended March 31, 2020 and 2019**

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**c) Commodity price risk**

The nature of the Company's operations results in an exposure to fluctuations in commodity prices. At March 31, 2020 and December 31, 2019, the Company had no financial derivative or physical delivery contracts in place.

**d) Capital management**

The Company'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 Company defines capital as shareholder equity, working capital and credit facilities, when available. The Company 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 Company'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 Company's objectives in managing capital or in management's management of capital in the current period.

The capital structure of the Company is as follows:

	<b>March 31, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
Total shareholders' deficiency	(1,151,136)	(1,122,799)
Working capital deficiency	(1,053,931)	(1,026,663)

**f) 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 Company is subject to credit risk on its cash and accounts receivable. The Company's cash is held at major financial institutions, and, as such, is subject to only minor credit risk. Historically the Company's accounts receivable arises from crude oil, natural gas liquids and natural gas sales, as well as recoverable government remittances. Industry standard dictates that commodity sales are settled on the 25<sup>th</sup> day of the month following the month of production. Account receivables outstanding for greater than 90 days are considered overdue. As at March 31, 2020, \$nil of accounts receivable was considered overdue but not impaired (December 31, 2019 - \$nil).

The Company assesses if there has been any impairment of its financial assets on a quarterly basis.

**g) Liquidity Risk**

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

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

The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program, are continuously monitored and adjusted as input variables change. The variables include, but are not limited to, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity

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risk may necessitate the Company to conduct equity issues, obtain project debt financing, enter into joint venture arrangements or carry out asset divestitures. There is no assurance that adequate funds will be available to the Company in a timely manner (refer to Note 1 Going Concern). The loans from related parties are due upon demand. All accounts payable and accruals are due within thirty days of year end.

**12. SETTLEMENT OF ACCOUNTS PAYABLE**

Periodically, management negotiates the settlement of accounts payable at a value less than the amount recorded. During the three months ended March 31, 2020, the Company recorded a gain on the settlement of accounts payable of \$nil (December 31, 2019 - \$83,554).

**13. SUBSEQUENT EVENTS**

To date in 2020, crude oil prices have declined dramatically, largely due to the actual and anticipated impact of the novel coronavirus ("COVID-19") outbreak upon global commerce and energy demand, and the recent disagreements between major oil producing nations of Saudi Arabia and Russia with respect to production quotas. The production cuts by the Organization of Petroleum Exporting Countries ("OPEC") in late 2019 and discussions of potentially further cuts in 2020 had, until recently, kept WTI oil prices in the mid-to-low US\$50's.

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks.

On May 21, 2020, the Company announced that it has entered into a letter of intent with Graydon Kowal and DG Resources Management Ltd. ("DGM" and together with Graydon Kowal, the "Vendors") to acquire from the Vendors (the "Acquisition") their interests in and to a mining property known as the Mount Cameron Property located in the Mayo Mining District in the Yukon (the "Assets"). The purchase price for the Assets will be satisfied through issuance of 4,000,000 Common Shares in the share capital of Guardian to be divided equally between the Vendors and a 2% Net Smelter Royalty to be divided equally between the Vendors, which Net Smelter Royalty shall be repurchaseable by Guardian from the Vendors at a price of \$1,000,000 for a period of five years.

The Acquisition is a "Reviewable Transaction" under the policies of the TSX Venture Exchange and is therefore subject to the prior approval of the Exchange.

In connection with the Acquisition, the Corporation will complete a private placement of a minimum of 6,000,000 Common Shares and a maximum of 10,000,000 Common Shares at a price of \$0.05 per Common Share for total gross proceeds of between \$300,000.00 and \$500,000.00 (the "Private Placement"). The Corporation intends to use the proceeds from the Private Placement in order to fund the proposed work program for the Assets. The Corporation may pay finders fees to persons who assist the Corporation in filling the Private Placement.

Additionally, the Corporation will also assume 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 shall bear no interest and shall be payable in increments of \$15,000 semi-annually until repaid.

**GUARDIAN EXPLORATION INC.****Notes to the Condensed Interim Financial Statements****For the Three Months Ended March 31, 2020 and 2019**

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Completion of the Acquisition is subject to the concurrent completion of the Private Placement and Debt Assumption as well as Exchange approval for the Acquisition, Private Placement and Debt Assumption in addition to conditions usual to transactions of this nature.

Because Graydon Kowal is one of the Vendors of the Assets and is also a director of the Company and is its President and CEO, the Acquisition is a "Related Party Transaction" under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Mr. Kowal also owns, directly and indirectly, an aggregate of 66,490,085 common shares in the capital of the Corporation, or 89.47% of the common shares of the Corporation now issued and outstanding. The Corporation will rely upon the exemptions from the minority shareholder approval and valuation requirements set out in Sections 5.7(1)(a) and 5.5(a), respectively, of MI 61-101.