

# **GUARDIAN EXPLORATION INC.**

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

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

**GUARDIAN EXPLORATION INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management's discussion and analysis ("MD&A") should be read in conjunction with Guardian Exploration Inc.'s ("Guardian" or the "Corporation") unaudited condensed interim financial statements as at and for the nine months ended September 30, 2024 and September 30, 2023, and the audited financial statements as at and for the years ended December 31, 2023 and 2022 (the "audited financial statements") and the notes thereto. The financial data presented herein, including comparative periods, have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Accordingly, certain information and disclosure normally included in audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. All dollar amounts are referenced in Canadian dollars unless indicated otherwise.

The commentary is as of October 24, 2024. The reader should be aware that historical results are not necessarily indicative of future performance.

Additional information about the Corporation, filed with the Canadian securities commissions, including periodic yearly and quarterly reports, is available online at [www.sedarplus.ca](http://www.sedarplus.ca).

**FORWARD LOOKING STATEMENTS**

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

**NATURE OF OPERATIONS**

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

The Corporation is engaged in the exploration and development of oil, natural gas and mineral properties in Western North America. The Corporation's registered office is 1250, 639 – 5th Avenue SW, Calgary, Alberta, Canada and the principal place of business is 538 Hurricane Drive, Calgary, Alberta, Canada, T3Z 3S8. The Corporation is listed on the TSX Venture Exchange under the trading symbol "GX" as well as on the Frankfurt Exchange (Frankfurt: R6B) and the OTCQB marketplace (OTC: GXUSF).

All amounts are reported in Canadian dollars unless otherwise indicated.

**CORPORATE UPDATE**

During the nine months ended September 30, 2024 and the year ended December 31, 2023, all of the Corporation's oil and gas wells remained shut-in.

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

For the nine months ended September 30, 2024, the Corporation reported a net loss of \$466,718 (nine months ended September 30, 2023 - \$303,935), and negative cash flows from operations of \$416,711 (nine months ended September 30, 2023 - \$310,288) and as at September 30, 2024, the Corporation had a working capital deficiency of \$1,487,935 (December 31, 2023 - \$1,045,778). These conditions indicate the existence of a material uncertainty which may cast significant doubt related to the Corporation's ability to continue as a going concern. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Corporation's assets and liabilities. These financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the statement of financial position classifications used. Such adjustments could be material.

Guardian's expenses for the nine months ended September 30, 2024 consisted primarily of one-time abandonment costs, costs related to completion of due diligence on the proposed acquisition of Site Exploration Mining Company ("SEMC") and routine operating and general and administrative expenses.

On February 26, 2021, the Corporation completed the acquisition (the "Acquisition") from DG Resources Management Ltd. ("DGM") and Graydon Kowal ("Kowal" and together with DGM, the "Vendors") of their interests in and to a mining property known as the Mount Cameron Property located in the Mayo Mining District in the Yukon (the "Assets").

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

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

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

On May 25, 2022, the Corporation issued an aggregate of 20,662,306 common shares to creditors. Of those shares, 19,505,707 were issued to Graydon Kowal, the President, CEO and a director of the Corporation and to companies owned by him in order to settle an aggregate of \$1,024,049 in loans made by Mr. Kowal and his companies.

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

During the year ended December 31, 2022, the Corporation received \$40,000 in the form of a grant from the Government of Yukon's Consolidated Revenue Fund for funding toward mining operating expenditures,

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

as such, this amount has been reflected in the annual audited financial statements for the years ended December 31, 2022 and 2021 as other income in the statements of net loss and comprehensive loss.

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

The Corporation continues to seek business and acquisition opportunities that will increase shareholder value.

**SELECTED FINANCIAL INFORMATION (\$)**

	<b>Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net revenue, after royalties	-	-	-
Net loss and comprehensive loss	(155,613)	(1,543,263)	(634,454)
Net loss per share (basic and fully diluted)	(0.00)	(0.02)	(0.01)
Non-current liabilities: Decommissioning liabilities	188,231	237,875	236,716
Total assets	590,872	550,682	628,300

**QUARTERLY DATA (\$)**

Period Ended	Net Revenue	Net Income (Loss)	Basic	Fully Diluted	Total Assets
September 30, 2024	-	(121,741)	(0.00)	(0.00)	547,865
June 30, 2024	-	(101,932)	(0.00)	(0.00)	527,511
March 31, 2024	-	(243,045)	(0.00)	(0.00)	504,515
December 31, 2023	-	(29,289)	(0.00)	(0.00)	590,872
September 30, 2023	-	(194,737)	(0.00)	(0.00)	563,469
June 30, 2023	-	(54,961)	(0.00)	(0.00)	565,288
March 31, 2023	-	(54,237)	(0.00)	(0.00)	548,937
December 31, 2022	-	(1,141,673)	(0.01)	(0.01)	550,682

**SUMMARY OF RESULTS (\$)**

Nine months ended	<b>September 30, 2024</b>	<b>September 30, 2023</b>
	<b>\$</b>	<b>\$</b>
Petroleum and gas sales revenue	-	-
Royalties	-	-
<b>Net revenue</b>	-	-
<b>Expenses</b>		
Operating	<b>221,790</b>	141,579
General and administrative	<b>237,666</b>	143,539
Accretion	<b>7,500</b>	11,092
Interest income	<b>(238)</b>	(1,781)
Share-based compensation	-	9,506
Net loss and comprehensive loss	<b>(466,718)</b>	(303,935)
Loss per share - basic and diluted	<b>(0.00)</b>	(0.00)
Petroleum and natural gas sales (Boe/d)	-	-
Net cash used in operating activities	<b>(416,711)</b>	(310,288)
Total assets	<b>547,865</b>	563,469

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

During the nine months ended September 30, 2024 and September 30, 2023, all of the Corporation's oil and gas wells remained shut-in. Royalties were \$Nil for the nine months ended September 30, 2024 and September 30, 2023 as all properties were shut-in.

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

**OPERATING EXPENSES (\$)**

Operating expenses for the nine months ended September 30, 2024 totalled \$221,790, representing an increase of 57% from \$141,579 during the comparative period last year.

Higher operating expenses during the nine months ended September 30, 2024, are related primarily to one-time abandonment costs and costs incurred relating to due diligence regarding the SEMC letter of intent.

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

G&A expenses for the nine months ended September 30, 2024 totalled \$237,666, representing a 66% increase from \$143,539 during the comparative period last year.

G&A costs for the nine months ended September 30, 2024 were as follows: consulting fees - \$53,738 (nine months ended September 30, 2023 - \$63,874), agent and filing fees - \$29,968 (nine months ended September 30, 2023 - \$25,297), audit and legal - \$74,362 (nine months ended September 30, 2023 - \$23,802), office and other - \$52,115 (nine months ended September 30, 2023 - \$11,892), interest and penalties - \$16,233 (nine months ended September 30, 2023 - \$7,424), and insurance - \$11,250 (nine months ended September 30, 2023 - \$11,250).

The increase in G&A during the nine months ended September 30, 2024 relates primarily to legal fees and travel costs incurred while completing due diligence on the proposed acquisition of SEMC.

During the nine months ended September 30, 2024 and year ended December 31, 2023, no G&A costs were capitalized.

**ACCRETION**

Accretion costs for the nine months ended September 30, 2024 totalled \$7,500, representing a decrease of 32% from \$11,092 during the comparative period last year. The decrease is due to a decrease in the total abandonment liability.

**SHARE-BASED COMPENSATION**

Share-based compensation expense for the nine months ended September 30, 2024 was \$Nil (nine months ended September 30, 2023 - \$9,506).

**DEPOSITS**

Deposits include an abandonment and reclamation deposit in the amount of \$Nil (December 31, 2023 - \$50,208) with Alberta Energy Regulator and a deposit of \$116,000 (December 31, 2023 - \$116,000) with the British Columbia Oil and Gas Commission.

During the nine months ended September 30, 2024, the Alberta Energy Regulator deposit was used to complete one-time abandonment and reclamation work.

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

**PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Mining Assets</b>	<b>Total</b>
Balance at December 31, 2021	\$ 274,000	\$ 274,000
Additions	96,130	96,130
Balance at December 31, 2022	\$ 370,130	\$ 370,130
Additions	-	-
Balance at December 31, 2023	\$ 370,130	\$ 370,130
Additions	-	-
<b>Balance at September 30, 2024</b>	<b>\$ 370,130</b>	<b>\$ 370,130</b>

**Accumulated depreciation**

Balance at December 31, 2021	\$ -	\$ -
Balance at December 31, 2022	\$ -	\$ -
Balance at December 31, 2023	\$ -	\$ -
<b>Balance at September 30, 2024</b>	<b>\$ -</b>	<b>\$ -</b>

**Net book value:**

At December 31, 2021	\$ 274,000	\$ 274,000
At December 31, 2022	\$ 370,130	\$ 370,130
At December 31, 2023	\$ 370,130	\$ 370,130
<b>At September 30, 2024</b>	<b>\$ 370,130</b>	<b>\$ 370,130</b>

On February 26, 2021, the Corporation completed the acquisition (the "Acquisition") from DG Resources Management Ltd. ("DGM") and Graydon Kowal ("Kowal" and together with DGM, the "Vendors") of their interests in and to a mining property known as the Mount Cameron Property located in the Mayo Mining District in the Yukon (the "Assets").

In consideration for the Assets, the Corporation issued 4,000,000 Common Shares in the share capital of the Corporation to the Vendors and a 2% Net Smelter Royalty, which Net Smelter Royalty shall be repurchaseable by the Corporation from the Vendors at a price of \$1,000,000 for a period of five years. The Corporation also assumed debt in the amount of \$50,000 owed by Graydon Kowal to Dahrouge Geological Consulting Ltd. (an affiliate of DGM) and debt in the amount of \$10,000 owed by DGM to Dahrouge Geological Consulting Ltd. (the "Debt Assumption"). The debt assumed by the Corporation bears no interest and is payable in increments of \$15,000 semi-annually until repaid. During the year ended December 31, 2021, Graydon Kowal assumed the Debt in exchange for a non-interest-bearing promissory note.

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

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

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

Common Shares. The Acquisition is an Arm's Length Transaction under the policies of the TSX Venture Exchange.

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

## **LOANS FROM RELATED PARTIES**

From time to time, the Corporation obtains loans from certain related parties to supplement its working capital. The related party loans are with companies controlled by certain directors of the Corporation and bear no interest. The shareholder loan accrues interest at the rate of 15% per year, payable monthly. All loans are secured against the assets of the Corporation and due on demand. The following loan amounts are payable:

	<b>Deckland Inc. (\$) <sup>(1)</sup></b>	<b>Guardian Helicopters Inc. (<sup>(1)</sup>)</b>	<b>G. Kowal (<sup>(1)</sup>)</b>	<b>Guardian Drilling &amp; Consulting (<sup>(1)</sup>)</b>	<b>Total (\$)</b>
Principal	199,101	515,418	306,928	-	1,021,447
Advances	83,336	267,576	-	-	350,912
Repayments	(8,852)	(160,000)	-	-	(168,852)
Converted to common shares	(201,601)	(511,690)	(310,759)	-	(1,024,050)
Interest	-	-	3,831	-	3,831
<b>Balance, December 31, 2022</b>	<b>71,984</b>	<b>111,304</b>	<b>-</b>	<b>-</b>	<b>183,288</b>
Advances	138,020	284,124	-	18,000	440,144
<b>Balance, December 31, 2023</b>	<b>210,004</b>	<b>395,428</b>	<b>-</b>	<b>18,000</b>	<b>623,432</b>
Advances	163,812	284,988	-	-	448,800
Repayments	(8,455)	-	-	-	(8,455)
<b>Balance, September 30, 2024</b>	<b>365,361</b>	<b>680,416</b>	<b>-</b>	<b>18,000</b>	<b>1,063,777</b>

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

## **CEBA LOAN**

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

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

The Corporation has recorded a fair value of \$35,453 at the initial recognition date of the CEBA using an effective interest rate of 14%.

During the year ended December 31, 2023, the Corporation recorded accretion of \$4,790 (year ended December 31, 2022 - \$4,789). In December 2023, the Corporation repaid \$40,000 related to the CEBA loan and recorded a gain of \$10,421 in conjunction with the repayment. The loan balance at September 30, 2024 was \$Nil.

## **DECOMMISSIONING LIABILITIES**

The total estimated undiscounted amount of cash flows required to settle the obligations at September 30, 2024 are approximately \$170,091 (December 31, 2023 - \$203,238) and are expected to be made over the

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

next 2 years. The decommissioning obligations have been calculated using an inflation rate of 4.02% (December 31, 2023 - 4.02%) and an average risk-free rate of 3.91% (December 31, 2023 - 3.91%). A reconciliation of the decommissioning liabilities is provided below:

	<b>Nine months ended September 30, 2024</b>	<b>Year ended December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Balance, beginning of the period</b>	<b>188,231</b>	237,875
Abandonments	<b>(33,147)</b>	(28,025)
Changes in estimates	-	(28,878)
Accretion	<b>7,500</b>	7,259
<b>Balance, end of the period</b>	<b>162,584</b>	188,231

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

## **SHARE CAPITAL**

### **a) Authorized shares**

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

### **b) Shares issued and outstanding**

<b>Common Shares</b>	<b>Number of Shares</b>	<b>Amount (\$)</b>
<b>Balance, December 31, 2021</b>	<b>82,413,748</b>	<b>15,868,642</b>
Issuance of common shares for property	1,000,000	45,000
Issuance of common shares for debt	20,662,306	1,962,919
<b>Balance, December 31, 2022, 2023 and September 30, 2024</b>	<b>104,076,054</b>	<b>17,876,561</b>

During the year ended December 31, 2021, the Corporation completed a private placement (the "Private Placement") whereby an aggregate of 2,000,000 Flow-Through Units at a price of \$0.10 per unit, and an aggregate of 2,100,000 Ordinary Units were issued at a price of \$0.05 per unit, for aggregate gross proceeds of \$305,000.

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

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

The Flow-Through Warrants and the Ordinary Warrants are subject to an acceleration clause, such that if the closing price of the Corporation's common shares trading on the TSX Venture Exchange is greater than \$0.15 (for the Flow-Through Warrants) or \$0.25 (for the Ordinary Warrants) for 30 consecutive trading days, the Corporation may, by giving notice to the holders, accelerate the warrant expiry date whereby such warrants will expire on the 30th day after the date on which the notice is provided.

On March 28, 2022, the Corporation announced that it entered into agreements to retire \$1,084,771 of indebtedness owing under previously provided loans and services in exchange for common shares



**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

in the capital of the Corporation at a price of \$0.0525 per share. Completion of debt settlement is subject to the approval from the TSX Venture Exchange (the "TSXV"), which was received on May 19, 2022.

On May 25, 2022, the Corporation issued an aggregate of 20,662,306 common shares to creditors. Of those shares, 19,505,707 were issued to Graydon Kowal, the President, CEO and a director of the Corporation and to companies owned by him in order to settle an aggregate of \$1,024,050 in loans made by Mr. Kowal and his companies.

The fair value of the 20,662,306 shares issued, being \$1,962,919, was determined based on the trading price of the Corporation's shares on the date of grant. As a result, a loss on debt settlement of \$878,148 was recorded in the statements of net loss and comprehensive loss for the year ended December 31, 2022.

*Flow-through shares*

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

**Warrants**

	<b>Number of Warrants</b>	<b>Amount (\$)</b>
Balance, December 31, 2021, 2022 and 2023	4,100,000	160,655
Expired	(4,100,000)	(160,655)
<b>Balance, September 30, 2024</b>	<b>-</b>	<b>-</b>

During the nine months ended September 30, 2024, 4,100,000 share purchase warrants expired. As a result, a value of \$160,655 was transferred from warrants reserve to contributed surplus.

**c) Stock options**

The Corporation has a stock option plan under which directors, officers, employees and consultants are eligible to receive stock option grants. The stock options issued shall not exceed 10% of the issued shares of the Corporation at the time of granting of options. The exercise price and vesting terms of any options granted are fixed by the Board of Directors of the Corporation at the time of grant. There were no stock options issued during the year ended December 31, 2022 and 2023.

During the nine months ended September 30, 2024, \$Nil (nine months ended September 30, 2023 - \$9,506) was recorded to share-based compensation expense.

**GUARDIAN EXPLORATION INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

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

	<b>Nine months ended September 30, 2024</b>			<b>Year ended December 31, 2023</b>		
	<b>Number</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life</b>	<b>Number</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life</b>
Outstanding, beginning of period	5,500,000	\$0.11	2.25	5,500,000	\$0.11	3.25
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding, at end of period	5,500,000	\$0.11	1.50	5,500,000	\$0.11	2.25
Exercisable, at end of period	5,500,000	\$0.11	1.50	5,500,000	\$0.11	2.25

**d) Per share amounts**

Basic per share amounts are calculated using the weighted average number of shares outstanding of 104,076,054 during the nine months ended September 30, 2024 (year ended December 31, 2023 - 104,076,054). The calculation of diluted loss per share for the nine months ended September 30, 2024 and year ended December 31, 2023 excludes the effect of all outstanding share options and warrants as they are anti-dilutive.

**SUPPLEMENT TO THE FINANCIAL STATEMENTS**

The outstanding common shares, warrants, and stock options are summarized below:

	<b>October 24, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Common shares	104,076,054	104,076,054	104,076,054
Warrants	-	4,100,000	4,100,000
Share options	5,500,000	5,500,000	5,500,000

**LIQUIDITY AND CAPITAL RESOURCES**

During the nine months ended September 30, 2024, the Corporation incurred a net loss of \$466,718 (nine months ended September 30, 2023 - \$303,935) and had negative cash flows from operating activities of \$416,711 (nine months ended September 30, 2023 - \$310,288). As at September 30, 2024, the Corporation has a working capital deficiency of \$1,487,935 (December 31, 2023 - \$1,045,778) and an accumulated deficit of \$24,962,156 (December 31, 2023 - \$24,495,438).

**RELATED PARTY TRANSACTIONS**

In addition to transactions disclosed elsewhere in this MD&A and the Corporation's financial statements during the nine months ended September 30, 2024 and September 30, 2023, the Corporation has the following related party transactions:

- a) Legal fees in the amount of \$30,745 for the nine months ended September 30, 2024 (nine months ended September 30, 2023 - \$7,410) have been incurred with a legal firm of which a partner is the spouse of an officer of the Corporation. As at September 30, 2024, \$5,040 is payable to this legal firm (December 31, 2023 - \$16,516) and is included in accounts payable and accrued liabilities.

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

- b) Total consulting fees, wages, salaries, benefits and other personnel costs included in the statements of net loss and comprehensive loss for the nine months ended September 30, 2024 were \$53,738 (nine months ended September 30, 2023 - \$63,874). The aggregate remuneration of key management for the nine months ended September 30, 2024 was \$51,770 in consulting fees, salaries and benefits (six months ended September 30, 2023 - \$49,660). The Corporation considers key management personnel to be the CEO and CFO.

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

## **COMMITMENTS AND CONTINGENCIES**

### **Contractual**

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

### **Other**

The Corporation is involved in a number of legal claims associated with the normal course of operations. The Corporation believes it has made adequate provisions for such legal claims. The Corporation has not presented a detailed breakdown of the claims as it may prejudice the position of management on these claims. While the outcome of these claims is uncertain, and there can be no assurance that such claims will be resolved in the Corporation's favour, the Corporation does not believe that the outcome of adverse decisions in any proceedings related to these claims, or any amount which it may be required to pay, would have a material adverse impact on its financial position, results of operations or liquidity.

## **MATERIAL TRANSACTIONS**

On December 5, 2023, the Corporation announced that it has entered into a non-binding letter of intent (the "LOI") to acquire all of the shares of Site Exploration Mining Company ("SEMC") a Saudi Arabian mining company, from its shareholders (collectively, the "Vendors"). SEMC holds mineral exploration licenses for five prospects covering 328 square kilometres and rights to an additional 30 mineral prospects covering an additional 2,909 square kilometres in various stages of licence application and approval (collectively, the "Prospects"). These license areas are predominantly prospective for gold, base and battery metals. SEMC and the Vendors are at arm's length to the Corporation.

In exchange for the shares of SEMC, the Corporation proposes to pay to the Vendors an aggregate of \$300,000 in cash and 15,000,000 Common Shares in the share capital of the Corporation ("Guardian Shares"). Additionally, the Corporation will pay to the Vendors 500,000 Guardian Shares and \$50,000 for each additional license granted to SEMC for the Prospects over the next five years following closing (the "Contingent Consideration") for a maximum Contingent Consideration of up to 15,000,000 Guardian Shares ("Contingent Share Consideration") and \$1,500,000 ("Contingent Cash Consideration").

The LOI gives the Corporation the option, subject to the approval of the TSX Venture Exchange (the "TSXV"), to pay up to 70% of the Contingent Cash Consideration using Guardian Shares at a deemed share value based on the volume weighted average trading price of the Guardian Shares on the TSXV (VWAP) for 30 days prior to issue.

The Corporation would have its choice as to which Prospects it chooses to present for licensing approval, provided it will only be able to reject up to four Prospects ("Declined Prospects"). The Vendors would be granted an option to purchase Declined Prospects at a price of \$1.00 for each Declined Prospect.

The LOI provides that the Corporation will provide funding to SEMC sufficient to fund SEMC's Q1 and Q2 2024 work program and other operating expenses of SEMC. The amount to be provided will be confirmed by the parties after due diligence, and will be a minimum of CA\$125,000.

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

The proposed transaction is subject to a number of conditions including the satisfactory completion of the Corporation's due diligence and financing raised by the Corporation of at least \$500,000. The LOI will terminate on March 30, 2024 unless extended by the parties by mutual consent.

The proposed transaction is subject to the approval of the TSXV.

On April 9, 2024, the Corporation announced that the LOI was terminated. On June 25, 2024, the Corporation filed a Statement Claim against SEMC seeking damages of \$200,000 plus costs relating to a number of allegations including misrepresentations and breach of contract.

**FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

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

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

Financial assets

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

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

Financial liabilities

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

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

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

- Financial liabilities measured at FVTPL: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the statements of loss and comprehensive loss.

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

Impairment of financial assets

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

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

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

**Interest rate risk**

At September 30, 2024 and December 31, 2023, the Corporation is not significantly exposed to interest rate cash flow risk in relation to its loan from related parties, which are at a fixed rate of interest.

**Commodity price risk**

The nature of the Corporation's operations results in an exposure to fluctuations in commodity prices. At September 30, 2024 and December 31, 2023, the Corporation had no financial derivative or physical delivery contracts in place.

**Currency risk**

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

**Capital management**

The Corporation's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Corporation defines capital as shareholder equity, working capital and credit facilities, when available. The Corporation manages its capital structure, including making adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

does not establish quantitative return on capital criteria for management; but, rather, promotes year over year sustainable growth in net income and cash flows. There have been no changes to the Corporation's objectives in managing capital or in management's management of capital in the current year.

The capital structure of the Corporation is as follows:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>(\$)</b>	<b>(\$)</b>
Total shareholders' deficiency	<b>(1,164,389)</b>	(697,671)
Working capital deficiency	<b>(1,487,935)</b>	(1,045,778)

**Credit risk**

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

**Liquidity Risk**

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

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

The Corporation has cash of \$Nil at September 30, 2024 (December 31, 2023 - \$9,513) to settle current obligations of \$1,549,670 (December 31, 2023 - \$1,100,312) and will therefore need to source equity and/or debt financing to meet obligations as they come due. The loans from related parties are due upon demand. All accounts payable and accruals are due within thirty days.

**OFF-BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements.

**CRITICAL ACCOUNTING ESTIMATES**

Significant accounting judgments, estimates and assumptions

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

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

*Critical judgments in applying accounting policies*

The following are the critical judgments that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the audited financial statements:

**GUARDIAN EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

*(i) Going concern*

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

*(ii) Identification of cash-generating units*

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

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

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

*(iv) Deferred taxes*

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

*Key sources of estimation uncertainty:*

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

*(i) Decommissioning liabilities*

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

*(ii) Taxes*

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

*(iii) Interest rate on CEBA loan*

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

**GUARDIAN EXPLORATION INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

**AUDIT COMMITTEE**

***Composition of the Audit Committee***

The following are the members of the Audit Committee:

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

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

***Education and Experience***

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

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

***Audit Committee Oversight***

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

***Reliance on Certain Exemptions***

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

***Pre-Approval Policies and Procedures***

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

***External Auditor Service Fees (by Category)***

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

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees</b>
2022	\$26,215	\$0	\$0	\$0
2023	\$26,750	\$0	\$0	\$0

Notes:

(1) Represents fees paid for professional services rendered by the auditors for the audit of the Corporation's annual financial statements and services provided in connection with statutory and



**GUARDIAN EXPLORATION INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

regulatory filings.

- (2) Represents fees incurred in connection with the International Financial Reporting Standard compliance.
- (3) Represents fees incurred for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning.

***Exemption***

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

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is filed on the SEDAR website at [www.sedarplus.ca](http://www.sedarplus.ca).

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