

# **GUARDIAN EXPLORATION INC.**

## **Condensed Interim Financial Statements**

**For the Three and Six Months Ended June 30, 2021 and 2020**

*(unaudited)*

### **Notice of No Auditor Review of Condensed Interim Financial Statements**

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

The accompanying condensed interim financial statements of Guardian Exploration Inc. (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 condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**GUARDIAN EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
As at

		<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		<i>(unaudited)</i>	
Current assets			
Cash (Note 3)	\$	219,532	\$ 21,974
Prepays	\$	6,008	\$ -
		225,540	21,974
Deposits (Note 4)		162,807	162,691
Property and equipment (Note 5)		274,000	-
<b>Total assets</b>	<b>\$</b>	<b>662,347</b>	<b>\$ 184,665</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$	421,137	\$ 446,697
Promissory note (Note 8)	\$	60,000	\$ -
Loans from related parties (Note 6)		813,541	747,933
		1,294,678	1,194,630
CEBA loan (Note 7)		38,447	36,052
Decommissioning liabilities (Note 9)		263,092	260,492
<b>Total liabilities</b>	<b>\$</b>	<b>1,596,217</b>	<b>\$ 1,491,174</b>
<b>Shareholders' deficiency</b>			
Share capital (Note 11)	\$	16,044,981	\$ 15,724,195
Warrants (Note 11)	\$	180,296	\$ -
Contributed surplus (Note 11)		5,340,371	5,131,404
Deficit		(22,499,518)	(22,162,108)
<b>Total shareholders' deficiency</b>		<b>(933,870)</b>	<b>(1,306,509)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$</b>	<b>662,347</b>	<b>\$ 184,665</b>

Going concern (Note 1)  
Commitments and contingencies (Note 12)

*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 AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
*(Unaudited)*

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Expenses</b>				
Operating	\$ 2,369	\$ 16,646	\$ 5,785	\$ 22,530
General and administrative	50,285	32,235	109,172	49,315
Accretion (Note 7,9)	2,498	1,300	4,995	2,600
Interest	4,304	4,304	8,608	8,608
Interest income	(59)	(90)	(117)	(321)
Share-based compensation (Note 11)	80,928	-	208,967	-
	140,325	54,395	337,410	82,732
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (140,325)</b>	<b>\$ (54,395)</b>	<b>\$ (337,410)</b>	<b>\$ (82,732)</b>
<b>Net loss per share</b>				
Basic and diluted (Note 11)	\$ (0.00)	\$ (0.00)	(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 SIX MONTHS ENDED JUNE 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**  
*(All amounts in Canadian dollars unless indicated otherwise)*

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Share capital</b>	<i>(unaudited)</i>	
Balance, beginning of period/year	\$ 15,724,195	\$ 15,724,195
Share capital additions (Note 11)	505,000	-
Share issue costs (Note 11)	(3,918)	-
Warrants (Note 11)	(180,296)	-
Balance, end of period/year	\$ 16,044,981	\$ 15,724,195
<b>Warrants</b>		
Balance, beginning of period/year	\$ -	\$ -
Warrants (Note 11)	180,296	-
Balance, end of period/year	\$ 180,296	\$ -
<b>Contributed surplus</b>		
Balance, beginning of period/year	\$ 5,131,404	\$ 5,131,404
Share-based compensation (Note 11)	208,967	-
Balance, end of period/year	\$ 5,340,371	\$ 5,131,404
<b>Deficit</b>		
Balance, beginning of period/year	\$ (22,162,108)	\$ (21,978,398)
Net loss for the period/year	(337,410)	(183,710)
Balance, end of period/year	\$ (22,499,518)	\$ (22,162,108)
<b>Total shareholders' deficiency</b>	<b>\$ (933,870)</b>	<b>\$ (1,306,509)</b>

See accompanying notes to the unaudited condensed interim financial statements.

**GUARDIAN EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(All amounts in Canadian dollars unless indicated otherwise)*  
*(Unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Cash flows provided by (used in):</b>				
<b>Operating activities</b>				
<b>Net loss</b>	\$ (140,325)	\$ (54,395)	\$ (337,410)	\$ (82,732)
Items not affecting cash:				
Accretion (Note 9)	1,300	1,300	2,600	2,600
Share-based compensation (Note 11)	80,928	-	208,967	-
Interest (Note 6)	4,304	-	8,608	-
Accretion of CEBA loan (Note 7)	1,198	-	2,395	-
Changes in non-cash working capital (Note 14)	(34,500)	10,732	(31,684)	5,614
<b>Cash used in operating activities</b>	\$ (87,095)	\$ (42,363)	\$ (146,524)	\$ (74,518)
<b>Investing activities</b>				
Acquisition of property (Note 5)	-	-	(14,000)	-
<b>Cash used in investing activities</b>	-	-	(14,000)	-
<b>Financing activities</b>				
Issuance of share capital (Note 11)	\$ -	\$ -	305,000	-
Share issue costs (Note 11)	-	-	(3,918)	-
Proceeds on loans from related parties (Note 6)	\$ 30,303	\$ 42,363	57,000	74,518
<b>Cash provided by financing activities</b>	\$ 30,303	\$ 42,363	\$ 358,082	\$ 74,518
<b>Change in cash</b>	\$ (56,792)	\$ -	\$ 197,558	\$ -
<b>Cash, beginning of period</b>	276,324	1	21,974	1
<b>Cash, end of period</b>	\$ 219,532	\$ 1	219,532	1

See accompanying notes to the unaudited condensed interim financial statements.

**GUARDIAN EXPLORATION INC.**  
**Condensed Interim Notes to the Financial Statements**  
**For the three and six months ended June 30, 2021 and 2020**

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

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**1. GENERAL BUSINESS DESCRIPTION AND ABILITY TO CONTINUE AS A GOING CONCERN**

Guardian Exploration Inc. (the "Corporation") is engaged in the exploration, development and production of oil and natural gas properties in Western Canada. The Corporation'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 Corporation is listed on the TSX Venture Exchange under the trading symbol "GX".

**Going concern**

These financial statements as at and for the three and six months ended June 30, 2021 and 2020 (the "Interim Financial Statements") have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

For the six months ended June 30, 2021, the Corporation reported a net loss of \$337,410 (year ended December 31, 2020 - \$183,710), and negative cash flows from operations of \$146,524 (year ended December 31, 2020 - \$154,312) and as at June 30, 2021, the Corporation had a working capital deficiency of \$1,069,138 (December 31, 2020 - \$1,172,656). 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 Interim 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.

During Q1 2020, crude oil prices declined dramatically, largely due to a drop in global oil demand triggered by the impact of the novel coronavirus ("COVID-19") and the disagreements between OPEC and non-OPEC countries with respect to production quotas. OPEC and other countries agreed in Q2 2020 to decrease production. These production curtailments, as well as government stimulus programs and other improvements in general economic conditions, resulted in a strengthening of commodity prices, although still below levels existing prior to March 2020. The full extent of the impact on the Corporation's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital.

**2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

**(a) Statement of compliance**

These Interim Financial Statements have been prepared by management in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Corporation's last annual financial statements as at and for the year ended December 31, 2020 ("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 Corporation's financial position and performance since the Last Annual Financial Statements.

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on August 30, 2021.

**(b) Basis of measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value as explained in the accounting policies.

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(c) Functional and presentation currency

These financial statements have been presented in Canadian dollars, which is the Corporation's functional currency.

(d) 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 are 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, estimates and assumptions 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 these financial statements:

(i) *Going concern*

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

(ii) *Identification of cash-generating units*

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

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

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations. The key estimates the Corporation applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of 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) *Joint operations*

The Corporation is party to various joint interest, operating and other agreements in conjunction with its petroleum and natural gas activities. The revenues and expenses allocated between partners are governed by the terms of these agreements and are subject to interpretation and audit by the appropriate parties.

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*(v) 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 asset 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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies below have been applied consistently to all years presented in these financial statements.

*(a) Cash*

Cash consists of balances on deposit with financial institutions as well as a Trust account with the Corporation's legal counsel.

*(b) Revenue recognition*

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

*(c) Decommissioning liabilities*

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

Provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation timing or change in discount rates. The increase in the provision due to the passage of time is



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recognized as accretion expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized (unless the obligating event was related to production activities). Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established.

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

**(d) Impairment of non-financial assets**

The carrying amounts of the Corporation's non-financial assets are reviewed for indicators of impairment and facts and circumstances that suggest that the carrying amount exceeds the recoverable amount at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated to determine the amount of impairment.

For the purposes of assessing impairment, property and equipment are grouped into CGUs defined as the lowest levels for which there are separately identifiable independent cash inflows.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs of disposal may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in profit or loss in the period in which they are determined.

The fair value less costs of disposal values used to determine the recoverable amounts of property and equipment are classified as Level 3 fair value measurements as they are not based on observable market data.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

**(e) Provisions and contingent liabilities**

Provisions are recognized by the Corporation when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

**(f) Taxes**

Taxes are comprised of current and deferred taxes. Tax expense (recovery) is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss. Current taxes are the expected taxes payable on the taxable income for the year plus any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities

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are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences including carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred taxes are not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(g) Flow-through shares

Under Canadian income tax legislation, a corporation is permitted to issue shares whereby the Corporation agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the Corporation allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits.

The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. In situations where there is an absence of compelling evidence supporting a comparable value of the underlying shares, the Corporation allocates management's estimate of the prevailing flow-through premium in current market conditions at the time of issuance to the sale of tax benefits. The amount which is allocated to the sale of tax benefits is recorded as a liability and is reversed proportionately and recognized as after-tax income when the tax benefits are renounced. The tax effect of the renunciation is recorded at the time the Corporation makes the renunciation, which may differ from the effective date of renunciation and on renunciation the value of the tax assets renounced is recorded as a deferred tax expense.

(h) Loss per share

Loss per share is calculated by dividing loss by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In periods where a net loss is reported all outstanding options, warrants and other convertible instruments are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

(i) Share-based compensation

Share options granted to directors, officers, employees and consultants of the Corporation are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the option at the grant date using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When share options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

The Corporation measures share-based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options is measured using the Black-Scholes option pricing model.

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(j) Financial instruments

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
Promissory note	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.
- 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.

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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.

(k) Equity instruments

The Corporation's outstanding common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(l) Business combinations

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS.

The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recognized in profit or loss.

(m) Joint arrangements

A portion of the Corporation's exploration activities is conducted jointly with others whereby the Corporation enters into agreements that provide for specified percentage interests in petroleum and natural gas properties and exploration and evaluation assets. These joint arrangements are classified as either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement. Joint operations are accounted for by recognizing the Corporation's share of any assets, liabilities, revenue and expenses of the joint operation and joint ventures are accounted for using the equity method.

**Business Combinations**

On January 1, 2020, the Corporation adopted the amendment as issued on October 22, 2018 by the IASB related to IFRS 3, "Business Combinations" ("IFRS 3"), revising the definition of a business and providing for the addition of an optional 'concentration test' to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input – Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when on or more processes are applied to it.
- Process – Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output – The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

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The optional 'concentration test' permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined to not be a business and no further assessment is needed. The amendment to IFRS 3 had no effect to the Corporation for the six months ended June 30, 2021.

**4. DEPOSITS**

Deposits include an abandonment and reclamation deposit in the amount of \$46,807 (December 31, 2020 - \$46,691) with Alberta Energy Regulator and a deposit of \$116,000 (December 31, 2020 - \$116,000) with the British Columbia Oil and Gas Commission.

**5. PROPERTY AND EQUIPMENT**

	<b>Mining Assets</b>	<b>Total</b>
<b>Cost</b>		
Balance at January 1, 2020	\$ -	\$ -
Balance at December 31, 2020	\$ -	\$ -
Additions	274,000	274,000
Balance at June 30, 2021	\$ 274,000	\$ 274,000
<b>Accumulated depreciation</b>		
Balance at January 1, 2020	\$ -	\$ -
Balance at December 31, 2020	\$ -	\$ -
Balance at June 30, 2021	\$ -	\$ -
<b>Net book value:</b>		
At December 31, 2020	\$ -	\$ -
At June 30, 2021	\$ 274,000	\$ 274,000

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"). The acquisition was first announced in the Corporation's press release dated May 21, 2020.

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 (see Note 8).

In conjunction with the Acquisition, the Corporation completed a private placement as described in Note 11. The Corporation intends to use the proceeds from the private placement to fund the proposed work program

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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).

**6. 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 to related parties and shareholder at June 30, 2021 and December 31, 2020:

	<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	212,497	614,432
Advances	51,318	64,967	-	116,285
Interest	-	-	17,216	17,216
<b>Balance, December 31, 2020</b>	<b>179,601</b>	<b>338,619</b>	<b>229,713</b>	<b>747,933</b>
Advances	12,000	45,000	-	57,000
Interest	-	-	8,608	8,608
<b>Balance, June 30, 2021</b>	<b>191,601</b>	<b>383,619</b>	<b>238,321</b>	<b>813,541</b>

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

Included in the related party balance is accrued interest payable as follows:

	<b>(\$)</b>
Accrued interest payable, December 31, 2018	80,510
Accrued interest payable, December 31, 2019	97,725
Accrued interest payable, December 31, 2020	114,941
Accrued interest payable, June 30, 2021	123,549

**7. 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.

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%. The difference of \$24,547 between the fair value and the total amount of CEBA received was recorded as a gain on government grant for the year ended December 31, 2020. During the six months ended June 30, 2021, the Corporation recorded accretion of \$2,395 (December 31, 2020 - \$599).

**8. PROMISSORY NOTE**

In consideration for the Assets acquired in February 2021 (see Note 5), the Corporation 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 assumed by the Corporation bears no interest and is payable in increments of \$15,000 semi-annually until repaid.

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**9. DECOMMISSIONING LIABILITIES**

The total undiscounted amount of cash flows required to settle the obligations as measured at June 30, 2021 are estimated to be approximately \$261,000 (December 31, 2020 - \$261,000). These payments are expected to be made over the next 2 years. The decommissioning obligations have been calculated using an inflation rate of 0.62% (December 31, 2020 – 0.62%) and an average risk-free rate of 0.17% (December 31, 2020 – 0.17%). A reconciliation of the Corporation's decommissioning liabilities is provided below:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Balance, beginning of the period</b>	260,492	258,389
Abandonments	-	-
Changes in estimates	-	-
Accretion	2,600	2,103
<b>Balance, end of the period</b>	<b>263,092</b>	<b>260,492</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.

**10. INCOME TAXES**

As at June 30, 2021, the Corporation has non-capital losses of approximately \$14.4 Million (December 31, 2020 - \$14.3 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 June 30, 2021, the Corporation has approximately \$7.5 Million (December 31, 2020 – \$7.3 Million) of oil and gas resource pools and undepreciated capital costs.

The Corporation also has capital losses of approximately \$41.2 Million (December 31, 2020 - \$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 Corporation will generate sufficient taxable income in the future to use any of its tax pools and loss carry forwards.

**11. 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, 2020 and 2019</b>	<b>74,313,748</b>	<b>15,724,195</b>
Issuance of common shares for cash	2,100,000	30,541
Issuance of flow-through shares for cash	2,000,000	94,163
Issuance of common shares for property	4,000,000	200,000
Share issue costs	-	(3,918)
<b>Balance, June 30, 2021</b>	<b>82,413,748</b>	<b>16,044,981</b>

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On February 26, 2021, the Corporation completed the Acquisition (as described in Note 5) from 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 Guardian 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.

In connection with the Acquisition, 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.

<b>Warrants</b>	<b>Number of Warrants</b>	<b>Amount (\$)</b>
<b>Balance, December 31, 2020 and 2019</b>	-	-
Issuance of Flow Through warrants	2,000,000	105,837
Issuance of Ordinary warrants	2,100,000	74,459
<b>Balance, June 30, 2021</b>	<b>4,100,000</b>	<b>180,296</b>

The Corporation calculated the fair value of the 2,000,000 Flow Through Warrants granted in 2021 using the Black-Scholes pricing model using the following assumptions:

	<b>2021</b>
Share-price	\$0.13
Risk-free interest rate	0.40%
Expected volatility	68%
Dividend yield	0%
Expected life of each warrant granted	3 years
Estimated forfeiture rate	0%
Fair value per warrant	\$0.05

The fair value of the 2,000,000 Flow Through warrants granted on February 26, 2021 was \$105,837.

The Corporation calculated the fair value of the 2,100,000 Ordinary Warrants granted in 2021 using the



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Black-Scholes pricing model using the following assumptions:

	<b>2021</b>
Share-price	\$0.13
Risk-free interest rate	0.40%
Expected volatility	68%
Dividend yield	0%
Expected life of each warrant granted	3 years
Estimated forfeiture rate	0%
Fair value per warrant	\$0.04

The fair value of the 2,100,000 Ordinary Warrants granted on February 26, 2021 was \$74,459.

**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 years ended December 31, 2020 or 2019.

On March 26, 2021, the Corporation granted an aggregate of 6,500,000 incentive stock options under its stock option plan to its officers and directors. Each option entitles the holder thereof to purchase one Common Share in the capital of the Corporation for a period of five years at a price of \$0.11 per share.

The options will vest quarterly over a two-year period.

The stock options are not transferrable. The common shares issued upon exercise of the stock options will be subject to a four-month resale restriction from the date of grant.

The Corporation calculated the fair value of options granted in 2021 using the Black-Scholes option pricing model using the following weighted average assumptions:

	<b>2021</b>
Share-price	\$0.11
Risk-free interest rate	0.93%
Expected volatility	68%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Weighted average fair value per option	\$0.06

The fair value of the 6,500,000 stock options granted on March 26, 2021 was \$376,881. As at June 30, 2021, \$208,967, representing the vested portion of the options, was recorded to share-based compensation expense, with a corresponding credit to contributed surplus.

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**d) Per share amounts**

Basic per share amounts are calculated using the weighted average number of shares outstanding of 79,907,671 during the six months ended June 30, 2021 (December 31, 2020 - 74,313,748). The calculation of diluted loss per share for the six months ended June 30, 2021 excludes the effect of all outstanding share options and warrants as they are anti-dilutive.

**12. COMMITMENTS AND CONTINGENCIES**

**a) 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.

**b) 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.

**13. RELATED PARTY TRANSACTIONS**

In addition to transactions disclosed elsewhere in these Interim Financial Statements, the Corporation has the following related party transactions:

- a)** Legal fees in the amount of \$7,472 for the six months ended June 30, 2021 (June 30, 2020 - \$1,755) have been incurred with a legal firm of which a partner is the spouse of an officer of the Corporation. As at June 30, 2021, \$3,496 is payable to this legal firm (June 30, 2020 - \$1,843) and is included in accounts payable and accrued liabilities.
- b)** Total consulting fees, wages, salaries, benefits and other personnel costs included in the statements of net loss and comprehensive loss for the six months ended June 30, 2021 were \$69,579 (June 30, 2020 - \$19,930). The aggregate remuneration of key management for the six months ended June 30, 2021 was \$56,454 in consulting fees, salaries and benefits (June 30, 2020 - \$19,930).

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

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

	June 30, 2021 (\$)	December 31, 2020 (\$)
Accounts receivable	-	-
Prepaid expenses	(6,008)	-
Deposits	(116)	(438)
Accounts payable and accrued liabilities	(25,560)	40,139
	<b>(31,684)</b>	<b>39,701</b>

**15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

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

The Corporation'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 4) does not differ significantly from its fair value and the carrying value of the CEBA loan approximates fair value due to the market rate of interest.

The Corporation classifies the fair value of 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 Corporation's financial assets carried at fair value are considered Level 1.

**b) Interest rate risk**

At June 30, 2021 and December 31, 2020, 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.

**c) Commodity price risk**

The nature of the Corporation's operations results in an exposure to fluctuations in commodity prices. At June 30, 2021 and December 31, 2020, the Corporation had no financial derivative or physical delivery contracts in place.

**d) 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 Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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**e) Capital management**

The Corporation's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Corporation defines capital as shareholder equity, working capital and credit facilities, when available. The Corporation manages its capital structure, including making adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but, rather, promotes year over year sustainable growth in net income and cash flows. There have been no changes to the Corporation's objectives in managing capital or in management's management of capital in the current year.

The capital structure of the Corporation is as follows:

	<b>June 30, 2021 (\$)</b>	<b>December 31, 2020 (\$)</b>
Total shareholders' deficiency	(933,870)	(1,306,509)
Working capital deficiency	(1,069,138)	(1,172,656)

**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 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.

**g) 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 \$219,532 (December 31, 2020 - \$21,974) to settle current obligations of \$1,294,678 (December 31, 2020 - \$1,194,630) and will therefore need to source equity and/or debt financing to meet obligations as they come due (Note 1). The loans from related parties are due upon demand. All accounts payable and accruals are due within thirty days.

**16. SETTLEMENT OF ACCOUNTS PAYABLE**

Periodically, management negotiates the settlement of accounts payable at a value less than the amount recorded. During the six months ended June 30, 2021, the Corporation recorded a gain on the settlement of accounts payable of \$Nil (December 31, 2020 - \$5,674).