GUARDIAN EXPLORATION INC.

Consolidated Financial Statements

(Unaudited)

For the three and six months ended
June 30, 2018 and 2017

Notice to Reader

The consolidated financial statements of Guardian Exploration Inc. and the accompanying consolidated interim statement of financial position as of June 30, 2018 and consolidated interim statements of comprehensive income, changes in equity and cash flows for the three and six months ended June 30, 2018 are the responsibility of the Company's management.

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

These interim consolidated financial statements have not been reviewed by an auditor. These interim consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

Dated: August 16, 2018

Signed "*Graydon Kowal*"

Graydon Kowal
President and Chief Executive Officer

GUARDIAN EXPLORATION INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(All amounts in Canadian dollars unless indicated otherwise)
(Unaudited)

	Notes	June 30 2018	December 31 2017
Assets			
Current assets			
Cash		10,034	8,417
Accounts receivable		2,955	4,961
Prepaid expenses		8,284	4,562
		21,273	17,940
Deposits	3	160,943	160,624
Total assets		**182,216**	**178,564**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		491,843	1,689,888
Loans from related parties	4	353,228	363,087
		845,071	2,052,975
Decommissioning liabilities	5	317,964	720,344
Total liabilities		**1,163,035**	**2,773,319**
Shareholders' deficiency			
Share capital	7	15,726,890	15,133,363
Contributed surplus		5,131,404	5,131,404
Deficit		(21,839,113)	(22,701,094)
Accumulated other comprehensive loss		-	(158,428)
Total shareholders' deficiency		(980,819)	(2,594,755)
Total liabilities and shareholders' deficiency		**182,216**	**178,564**

Going concern (Note 1)
Commitments and contingencies (Note 8)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors

"Graydon Kowal"
Graydon Kowal
Director

"Scott Reeves"
Scott Reeves
Director

GUARDIAN EXPLORATION INC.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(All amounts in Canadian dollars unless indicated otherwise)
(Unaudited)

	Notes	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Revenue					
Petroleum and natural gas		-	-	-	-
		-	-	-	-
Expenses					
Operating		11,899	12,115	14,085	12,135
General and administrative		71,561	54,852	126,905	174,752
Accretion on decommissioning liabilities	5	2,300	3,751	8,681	7,459
Bad debts		-	(6,975)	-	(5,918)
Interest	4	4,304	44,182	8,608	81,211
Interest income		(169)	(135)	(320)	(135)
		89,895	107,790	157,958	269,504
Other income					
Gain on sale of shares of subsidiary	9	1,019,939	-	1,019,939	-
Net income (loss)		**930,044**	**(107,790)**	**861,981**	**(269,504)**
Other comprehensive income					
Foreign currency translation adjustment		109,208	42,482	158,428	65,406
Total net income (loss) and comprehensive income (loss)		**1,039,252**	**(65,308)**	**1,020,409**	**(204,098)**
Net income (loss) per share					
Basic	7	0.02	(0.01)	0.02	(0.03)
Diluted	7	0.02	(0.01)	0.02	(0.03)

See accompanying notes to the consolidated financial statements.

GUARDIAN EXPLORATION INC.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Canadian dollars unless indicated otherwise)
(Unaudited)

	Notes	2018	2017
Share capital			
Balance, beginning of year		15,133,363	12,630,220
Share capital additions	7	593,527	2,503,143
Balance, end of period		**15,726,890**	**15,133,363**
Contributed surplus			
Balance, beginning of year		5,131,404	5,131,404
Balance, end of period		**5,131,404**	**5,131,404**
Accumulated other comprehensive income (loss)			
Balance, beginning of year		(158,428)	(276,635)
Foreign currency translation adjustments		158,428	118,207
Balance, end of period		**-**	**(158,428)**
Deficit			
Balance, beginning of year		(22,701,094)	(21,969,142)
Net income (loss)		861,981	(731,952)
Balance, end of period		**(21,839,113)**	**(22,701,094)**
Total shareholders' deficiency		**(980,819)**	**(2,594,755)**

See accompanying notes to the consolidated financial statements.

GUARDIAN EXPLORATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(All amounts in Canadian dollars unless indicated otherwise)
(Unaudited)

		Three months ended June 30		Six months ended June 30	
	Notes	**2018**	**2017**	**2018**	**2017**
Cash flows from (used in):					
Operating activities					
Net income (loss)		930,044	(107,790)	861,981	(269,504)
Items not affecting cash:					
Accretion on decommissioning liabilities	5	2,300	3,751	8,681	7,459
Bad debts		-	(6,975)	-	(5,918)
Proceeds on sale of shares of subsidiary		10		10	
Foreign exchange loss (gain)		109,208	42,482	158,428	65,406
		1,041,562	(68,532)	1,029,099	(202,557)
Changes in non-cash working capital		(1,686,715)	23,115	(1,611,150)	93,453
Cash used in operating activities		(645,153)	(45,417)	(582,051)	(109,104)
Financing activities					
Issuance of share capital		593,527		593,527	
Proceeds on loans from related parties	4	42,696	51,252	(9,859)	114,135
		636,223	51,252	583,668	114,135
Change in cash		(8,930)	5,835	1,617	5,031
Cash, beginning of year		**18,964**	**5,911**	8,417	6,715
Cash, end of period		**10,034**	**11,746**	**10,034**	**11,746**

See accompanying notes to the consolidated financial statements.

1. BASIS OF PREPARATION AND GOING CONCERN

Guardian Exploration Inc. (the "Company") is engaged in the exploration, development and production of oil and natural gas properties in Western Canada and the State of Montana in the United States. The Company's registered office is 600, 815 – 8 Avenue SW, Calgary, Alberta, Canada and the principal place of business is 538 Hurricane Drive, Springbank, Alberta, Canada, T3Z 3S8.

The consolidated financial statements are comprised of the Company and its controlled entities. The consolidated financial statements have been prepared on a historical cost basis and are stated in Canadian dollars, which is functional currency of the Company. The functional currency of the Company's subsidiaries is the US dollar. The consolidated financial statements have been prepared using policies consistent with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB).

The consolidated financial statements were authorized by the Board of Directors on August 16, 2018.

Going concern

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

For the six months ended June 30, 2018, the Company reported a net income of $861,981 and negative cash flow from operations of $582,051. As at June 30, 2018, the Company had a working capital deficiency of $823,798, a shareholders' deficit of $980,819 and an accumulated deficit of $21.84 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt related to the Company's ability to continue as a going concern.

The Company will need further financing in the form of either equity or debt, in order to proceed with oil and gas development projects and to fund ongoing corporate and administrative activities. The Company's operating losses, negative working capital and uncertainty regarding its ability to obtain financing in a timely manner raises significant doubt as to the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Company's assets and liabilities. The accompanying consolidated financial statements do not include any adjustments that may result if the Company is unable to continue as a going concern, and, such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

Effective June 20, 2018, the shares of K2 America Corp. were sold for proceeds of $10 (Note 9).

b) Jointly controlled operations and assets

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

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

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

(i) Recognition and measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

(ii) Subsequent costs

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

(iii) Depletion and depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

The estimated useful lives for other assets are as follows:

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

(iv) Impairment

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

d) Decommissioning liabilities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Revenue recognition

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

f) Financial instruments

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

Financial assets

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

(i) Financial assets at FVTPL

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

(ii) Loans and receivables

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

(iii) Impairment of financial assets

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

Objective evidence of impairment could include:

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

Financial liabilities and equity instruments

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

(i) Other financial liabilities

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

(ii) Equity instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(iii) Derecognition of financial liabilities

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

g) Taxes

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

h) Flow-through shares

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

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

i) Share-based payments

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Warrants to acquire shares are similarly valued at fair value at the grant date using the Black- Scholes pricing model. Warrants which are issued as part of an equity or debt raising process are accounted for

as a reduction in the cost assigned to the equity or debt instrument with a corresponding amount recorded in shareholders' equity.

j) Foreign currency

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

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

k) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has designated two operating segments on a geographic basis, Canada and the United States. Segment results include items directly attributable to each segment as allocated on a reasonable basis.

l) Use of estimates and measurement uncertainty

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

The measurement of income taxes payable and deferred income tax assets requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of tax returns by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. The recognition of deferred income tax assets requires judgment as to the existence of future taxable income or reversal of temporary differences to which the tax assets can be applied and benefit realized.

The write down of accounts payable and obligations requires judgment by management as to the likelihood of future collection attempts on those amounts, specifically assessing whether amounts may be considered stale-dated due to lack of collection attempts by the vendor over a period of time, in line with the legal requirements of the jurisdiction in which the Company incurred the liability.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

m) Significant accounting policies adopted during the period and accounting standards issued for adoption in future periods

Financial instruments

The Company has adopted new accounting standard IFRS 9 - Financial Instruments, effective for the Company's annual period beginning January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - Financial instruments: recognition and measurement. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The Company continues to classify and measure its cash and cash equivalents at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"). Prepaids are classified initially at FVTPL, and subsequently at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and due to related parties are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

Accounting policies issued for adoption in future periods

Certain new accounting standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are not yet effective for the financial period ended June 30, 2018. The standards and amendments issued that are applicable to the Company are as follows:

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting

(All amounts in Canadian dollars unless indicated otherwise)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

with its distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted for those Companies that have also adopted IFRS 15, *Revenue from Contracts with Customers*. Management will be assessing the impact of this new standard on its financial statements.

3. DEPOSITS

As at December 31, 2016, the Company had a deposit of USD $114,467 (CDN $153,695) in favour of the Bureau of Indian Affairs-Blackfeet Agency, Environmental Protection Agency, and Montana Board of Oil and Gas, in order to cover the decommissioning liabilities on the Company's US properties. During the year ended December 31, 2017, the Company forfeited on a deposit in the amount of USD $114,467 related to the finalization of the Third Amended Agreement with the Blackfeet Nation.

The total amount at June 30, 2018 includes an abandonment and reclamation deposit in the amount of $44,943 (December 31, 2017 - $44,624) with Alberta Energy Conservation Board and a deposit of $116,000 (December 31, 2017 - $116,000) with the British Columbia Oil and Gas Commission.

4. LOANS FROM RELATED PARTIES

The Company obtains loans from related parties from time to time to supplement its working capital. During the six months ended June 30, 2018, the Company obtained additional loans from related parties in the amount of $94,438. The advances were offset by elimination of $112,905 due by K2 America Corp. ("K2) upon the sale of the shares of K2 (Note 9). As at June 30, 2018 related party loans totaled $353,228. The related party loans are with companies controlled by certain directors of the Company. The loans are secured against the assets of the Company. Certain loans accrued interest at the rate of 15% per year.

The following loan principal and interest owing amounts are payable to related parties at June 30, 2018:

	Principal	Interest	Total
Deckland Inc.[(1)]	83,458	-	83,458
Guardian Helicopters[(1)]	83,096	-	83,096
G. Kowal	114,772	71,902	186,674
	281,326	71,902	353,228

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

(All amounts in Canadian dollars unless indicated otherwise)

4. LOANS FROM RELATED PARTIES *(continued)*

	$
Balance, December 31, 2015	**1,823,634**
Additional loans	426,816
Balance, December 31, 2016	**2,250,450**
Advances	155,311
Shares for debt conversion*	(2,105,968)
Balance, December 31, 2017	**299,793**
Advances	**94,438**
Eliminated upon sale of K2 (Note 9)	**(112,905)**
Balance, March 31, 2018	**281,326**

Accrued interest payable, December 31, 2017	63,294
Accrued interest payable, June 30, 2018	71,902

*Included in the related party shares for debt conversion of $2,409,979 is $2,105,968 of principal and $304,011 of interest which was included in loans from related parties.

5. DECOMMISSIONING LIABILITIES

The total undiscounted amount of cash flows required to settle the obligations as measured at June 30, 2018 are estimated to be $317,964 (December 31, 2017 - $720,344). The estimated inflation rate used to project future costs in the three months ended June 30, 2018 was 2% (2017 – 2%). A reconciliation of the Company's undiscounted decommissioning liabilities is provided below:

	June 30 2018 $	December 31 2017 $
Balance, beginning of the year	720,344	745,333
Abandonments	-	(11,280)
Changes in estimates and foreign exchange	24,7021	(28,109)
Accretion	8,681	14,400
Eliminated upon the sale of K2 (Note 9)	(435,763)	-
Balance, end of the period	**317,964**	**720,344**

6. INCOME TAXES

The following table reconciles the expected income tax expense at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2017:

(All amounts in Canadian dollars unless indicated otherwise)

6. INCOME TAXES *(continued)*

	2017 **$**
Income (loss) before taxes	(731,952)
Statutory income tax rates	27%
Expected income tax expense (recovery)	(197,627)
Adjustment related to foreign earnings	(30,449)
Deferred tax benefits not recognized	228,076
Income tax expense (recovery)	-

As at December 31, 2017, the Company has Canadian non-capital losses of approximately $10,932,000 (December 31, 2016 - $10,200,000) which may be carried forward to apply against future years' taxable income for Canadian tax purposes, subject to final determination by taxation authorities and will expire between 2026 and 2035. As at June 30, 2018, the Company has not completed its United States Federal or State income tax filings. Consequently, the non- capital losses in the United States cannot be verified.

The Company also has Canadian capital losses of approximately $41,200,000 (December 31, 2017 - $41,200,000) which may be carried forward to apply against future years' taxable capital gains for Canadian tax purposes subject to final determination by taxation authorities. At this time, management does not believe that it is probable that the Company will generate sufficient taxable income in the future to use any of its Canadian tax pools and loss carry forwards.

7. SHARE CAPITAL

a) Authorized shares

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

b) Shares issued and outstanding

	Number of Shares	**Amount $**
Balance, December 31, 2016	7,447,546	12,630,220
Shares issued, 2017	50,062,862	2,503,143
Balance, December 31, 2017 and March 31, 2018	57,510,408	15,133,363
Shares issued, June 20, 2018	16,803,340	593,527
Balance, June 30, 2018	74,313,748	15,726,890

During the year ended December 31, 2017, the Company entered into shares for debt agreements with several related parties and trade creditors. The Company issued 50,062,862 shares at a value of $0.05 per share to settle $2,503,143 of debts including $2,409,979 of related party debt and $93,164 of trade accounts payable.

7. SHARE CAPITAL *(continued)*

During the period ended June 30, 2018, and in conjunction with the sale of K2, the Company entered into a shares for debt agreement with K2 and issued 16,803,340 shares to settle $593,527 of a related party debt to K2 (Note 9).

During the year ended December 31, 2016, the Company completed a share consolidation of its common shares on the basis of one post-consolidated common share for every ten pre-consolidated common shares. Unless otherwise noted, all references herein to number of shares or options; price per share or option; or weighted average shares or options outstanding have been adjusted to reflect the share consolidation on a retroactive basis.

c) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding of 59,541,581 for the three months ended June 30, 2018 (2017 - 7,447,546) and 58,531,605 for the six months ended June 30, 2018 (2017 - 7,447,546). There were no dilutive instruments in place as at June 30, 2018.

8. COMMITMENTS AND CONTINGENCIES

a) Contractual

Under the terms of an employment contract with the Chief Executive Officer, the Company is committed to pay (i) severance equal to 24 months' base salary; (ii) compensation for loss of employee benefits; (iii) all accrued but unpaid bonuses; and (iv) accrued and unpaid salary, benefits, perquisites and expenses to the termination date and any un-received vacation allotment (see Note 9).

b) Other

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

9. RELATED PARTY TRANSACTIONS

a) On June 20, 2018, the Company sold the shares of a subsidiary (K2 America Corp.("K2")) to a related party (Graydon Kowal, CEO and director of the Company) for $10. As a result of the sale, the Company recorded a gain on sale of shares and eliminated certain assets and liabilities as follows:

(All amounts in Canadian dollars unless indicated otherwise)

9. RELATED PARTY TRANSACTIONS *(continued)*

Net proceeds on sale of shares	10
Cash	1,843
Due from related parties	(593,527)
Accounts payable and accrued liabilities	1,321,278
Decommissioning liabilities	435,763
Due to related parties (USD $90,000)	119,709
Accumulated foreign exchange translation	(265,137)
Gain on sale of subsidiary	**1,019,939**

In conjunction with the sale, the Company entered into a shares for debt agreement with K2 and issued 16,803,340 shares to settle $593,527 of a related party debt to K2.

b) The Company from time to time obtains loans from related parties. Certain related party loans accrue interest at the rate of 15% per year, payable monthly, and are secured against the assets of the Company. Certain related parties have waived a portion of their interest for the six months ended June 30, 2018. The loans and advances do not have maturities and are payable upon demand (see Note 4).

c) Advances from Guardian Helicopters, a company owned by Graydon Kowal, CEO and director of the Company, amounted to $32,176 in the six months ended June 30, 2018 (2017 - $29,455). At June 30, 2018, $83,096 (December 31, 2017 - $50,920) and USD $Nil (December 31, 2017 - USD $90,000) remains outstanding within accounts payable and accrued liabilities. As a result of the sale of K2, USD $90,000 of advances from Guardian Helicopters was eliminated.

d) Advances from Deckland Inc, a private company owned by Graydon Kowal, CEO and director of the Company, amounted to $62,263 in the six months ended June 30, 2018 (2017 - $2,377). At June 30, 2018, the amount of $83,458 (December 31, 2017 - $21,196) remains outstanding within accounts payable and accrued liabilities.

e) Legal fees in the amount of $3,965 for the six months ended June 30, 2018 (2017 - $3,168) have been incurred with a legal firm of which a Company director is a partner. $24,011 is payable to this legal firm at June 30, 2018 (December 31, 2017 - $19,203) and is included in accounts payable and accrued liabilities.

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

g) Total wages, salaries, benefits and other personnel costs included in the consolidated statements of net income (loss) and comprehensive income (loss) for the six months ended June 30, 2018 were $7,500 (2017 - $42,034). The aggregate remuneration of key management for the six months ended June 30, 2018 was $19,425 in salaries, benefits and consulting fees (2017 - $Nil).

(All amounts in Canadian dollars unless indicated otherwise)

10. SEGMENT DISCLOSURES

For the six months ended June 30, 2018:

	Canada **$**	**United States** **$**	**June 30, 2018** **$**
Assets	182,216	-	182,216
Liabilities	(1,163,035)	-	(1,163,035)
Interest expense	8,608	-	8,608
Income (loss) for the period	861,981	-	861,981

For the year ended December 31, 2017:

	Canada **$**	**United States** **$**	**Dec 31, 2017** **$**
Assets	180,351	(1,739)	178,564
Liabilities	(1,007,224)	(1,766,075)	(2,773,319)
Interest expense	129,389	-	129,389
Income (loss)	(552,840)	(179,112)	(731,952)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) Fair value of financial assets and liabilities

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

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

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

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

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

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

(All amounts in Canadian dollars unless indicated otherwise)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT *(continued)*

b) Interest rate risk

At June 30, 2018, the Company is not significantly exposed to interest rate cash flow risk in relation to its loan from related parties, which are at a fixed rate of interest.

c) Commodity price risk

The nature of the Company's operations results in an exposure to fluctuations in commodity prices. At June 30, 2018, the Company had no financial derivative or physical delivery contracts in place.

d) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk on the translation of its U.S. dollar denominated subsidiary. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

e) Capital management

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

The capital structure of the Company is as follows:

	June 30, 2018 $	December 31, 2017 $
Total shareholders' deficiency	(980,819)	(2,594,755)
Working capital deficiency	(823,798)	(2,035,035)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT *(continued)*

f) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company is subject to credit risk on its cash and accounts receivable. The Company's cash is held at major financial institutions, and, as such, is subject to only minor credit risk. A majority of the Company's accounts receivable at the balance sheet date arises from crude oil, natural gas liquids and natural gas sales, as well as recoverable government remittances. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production. Account receivables outstanding for greater than 90 days are considered overdue. For the period ended June 30, 2018, $Nil of accounts receivable was considered overdue but not impaired (December 31, 2017 - $Nil).

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

g) Liquidity Risk

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

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

The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program, are continuously monitored and adjusted as input variables change. The variables include, but are not limited to, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risk may necessitate the Company to conduct equity issues, obtain project debt financing, enter into joint venture arrangements or carry out asset divestitures. There is no assurance that adequate funds will be available to the Company in a timely manner (refer to Note 1 Going Concern). The loans from related parties are due upon demand. All accounts payable and accruals are due within thirty days of period end.

12. SETTLEMENT OF ACCOUNTS PAYABLE

Periodically, certain debts of the Company become statute barred and/or management negotiated the settlement of debt at a value less than the amount recorded. During the six months ended June 30, 2018, the Company recorded a gain on the settlement of accounts payable of $Nil (2017 - $Nil).