EF EnergyFunders Ventures, Inc.
Consolidated Financial Statements
December 31, 2021 and 2020
(Expressed in US Dollars)

FRUCI & ASSOCIATES II
A Professional Limited Liability Company

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of EF EnergyFunders Ventures, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of EF EnergyFunders Ventures, Inc. ("the Company") as of December 31, 2021, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The financial statements of EF EnergyFunders Ventures, Inc. as of December 31, 2020 were audited by other auditors whose report dated June 17, 2021 on those statements included an explanatory paragraph that described the Company's ability to continue as a going concern as discussed in Note 1 of the financial statements.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has a significant accumulated deficit and a significant working capital deficiency. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fruci & Associates II, PLLC

We have served as the Company's auditor since 2022.

Spokane, Washington
May 3, 2022

EF EnergyFunders Ventures, Inc.
Consolidated Balance Sheets
(Expressed in US Dollars)
As at

	December 31, 2021 $	December 31, 2020 $
ASSETS		
Current assets		
Cash and cash equivalents	**128,841**	147,189
Accounts receivable		
Related parties	**172,727**	9,2583
Third parties	**4,495**	31,626
Prepaid expenses and deposits	**15,490**	30,291
	321,553	218,359
Deposit (Note 4)	**250,094**	247,893
Goodwill	**439,458**	439,458
Oil and gas properties, successful efforts method (Note 5)		
Proved properties, net	**1,273,468**	969,568
Unproved properties	**39,438**	-
Investment in equity	**498,304**	-
TOTAL ASSETS	**2,822,315**	1,875,278
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties	**1,851,506**	1,457,188
Third parties	**705,516**	760,220
Deferred management fee – related parties	**11,767**	65,466
Loans payable (Note 78		
Related parties	**1,985,184**	3,621,710
Third parties	**300,000**	300,000
Convertible debentures (Note 7)		
Related parties	**-**	505,693
Third parties	**281,247**	1,312,445
Other current liabilities	**99,343**	-
	5,234,563	8,022,722
Convertible debentures (Note 8)		
Related parties	**-**	-
Third parties	**-**	278,608
Loans payable, third parties (Note 7)	**324,700**	174,703
Asset retirement obligations (Note 9)	**773,121**	391,748
TOTAL LIABILITIES	**6,332,384**	8,867,781
SHAREHOLDERS' EQUITY (DEFICIT)		
Class A common shares, no par, unlimited shares authorized and 543,284,697 and 313,179,813 issued and outstanding at December 31, 2021 and December 31, 2020, respectively (Note 10)	**35,667,229**	32,368,127
Additional paid in capital	**3,590,317**	3,161,109
Accumulated other comprehensive loss	**(852,712)**	(810,441)
Accumulated deficit	**(41,925,628)**	(41,705,187)
Total EF EnergyFunders Ventures, Inc.'s shareholders' equity (deficit)	**(3,520,794)**	(6,986,392)
Non-controlling interest	**10,725**	(6,111)
Total equity (deficit)	**(3,510,069)**	(6,992,503)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,822,315**	1,875,278

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board

(signed) "Tom M. Crain, Jr." *(signed) "Roger S. Braugh, Jr."*

President and Director Director

The accompanying notes are an integral part of these consolidated financial statements.

EF EnergyFunders Ventures, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in US Dollars)
For the years ended December 31, 2021 and 2020

	2021 $	2020 $
Revenue		
Oil and gas sales, related parties, net of royalties	**371,842**	204,709
Oil and gas sales, third parties, net of royalties	**79,096**	2,715
Reimbursement revenue, related parties	**17,667**	46,352
Reimbursement revenue, third parties	**-**	33,293
Management fees - related parties	**437,525**	57,239
	906,130	344,308
Operating costs and expenses		
Lease operating expenses	**138,485**	98,425
Production taxes	**34,847**	22,811
General and administrative	**1,050,494**	697,946
Depletion, depreciation, amortization and accretion (Notes 5 and 7)	**405,039**	269,944
Impairment and dry hole expense (Note 5)	**135**	9,767,009
Mining royalty and staking	**-**	(1,122)
Total operating costs and expenses	**1,629,000**	10,855,013
Loss from operations	**(722,870)**	(10,510,705)
Other income and (expense)		
Interest expense	**(471,616)**	(322,272)
Foreign exchange gain	**4,249**	10,337
Other income, related parties	**-**	21,289
Gain on forgiveness of debt	**621,423**	72,422
Gain on disposition of proved properties	**420,372**	-
Other income and (expense), net	**574,428**	(218,224)
Net (loss)	**(148,442)**	(10,728,929)
Net income (loss) attributable to non-controlling interest	**71,999**	(17,098)
Net (loss) attributable to EF EnergyFunders Ventures, Inc.'s shareholders	**(220,441)**	(10,711,831)
Comprehensive loss		
Foreign currency translation	**(42,271)**	(63,111)
Comprehensive income (loss) for the year	**(262,710)**	(10,774,942)
Basic and diluted net income (loss) per share (Note 11)	**($0.00)**	($0.04)
Weighted average number of common shares outstanding - basic	**435,375,979**	277,541,099
Weighted average number of common shares outstanding - diluted	**435,375,979**	277,541,099

(Expressed in US Dollars)

	2021 **$**	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	**(148,442)**	(10,728,929)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	**405,039**	269,944
Impairment	**-**	9,734,712
Debt discount amortization (Note 7)	**10,578**	22,106
Unrealized foreign exchange gain	**(5,898)**	(3,978)
Gain on forgiveness of debt	**(606,423)**	(72,422)
Gain on disposition of assets	**44,758**	-
Changes in operating assets and liabilities		
Account receivable	**(136,230)**	(4,154)
Deferred income, related parties	**(53,700)**	(44,563)
Prepaid expenses and deposits	**14,919**	43,684
Accounts payable and accrued liabilities	**529,232**	180,783
Net cash used in operating activities	**53,833**	(602,817)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	**(1,379)**	(2,324)
Cash from EF Resources acquisition (Note 3)	**-**	27,365
Additions to unproved oil and gas properties	**(39,438)**	-
Additions to proved oil and gas properties	**(236,999)**	(122,175)
Investment in equity	**(416,667)**	-
Net cash used in investing activities	**(694,483)**	(221,514)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party loans payable	**460,093**	565,619
Proceeds from third party loans payable	**224,100**	100,600
Repayment of related party loans payable	**-**	-
Repayment of third party loans payable	**-**	-
Repayment of long-term debt	**-**	-
Distribution to noncontrolling interest	**(55,163)**	(3,222)
Net cash provided by financing activities	**629,030**	662,997
Effect of changes in foreign exchange rates on cash held in foreign currencies	**(6,728)**	(51,120)
Net increase (decrease) in cash and cash equivalents for the year	**(18,348)**	(88,074)
Cash and cash equivalents, beginning of the year	**147,189**	235,263
Cash and cash equivalents, end of the year	**128,841**	147,189

(Expressed in US Dollars)

	2021 **$**	2020 $
Supplemental cash flow disclosures		
Interest paid	**80,316**	151,492
Income taxes paid	**-**	-
Non-cash investing and financing activities		
Revision in asset retirement obligation	**274,789**	32,297
Shares issued for the acquisition of EF Resources Inc.	**-**	638,352
Additions to proved properties in accounts payable	**34,178**	80,185
Share issued for debt for share	**3,299,102**	-

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in US Dollars)

	Number of Shares #	Common Stock $	Additional Paid In Capital $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	EF EnergyFunders Ventures, Inc.'s Shareholders' Equity $	Noncontrolling Interest $	Total Shareholders' Equity (Deficit) $
Balance, December 31, 2019	235,286,816	31,729,775	3,161,109	(747,330)	(30,993,356)	3,150,198		3,150,198
Common stock issued for acquisition of EF Resources	77,892,997	638,352				638,352	14,209	652,561
Noncontrolling interest distribution	-	-		-	-	-	(3,222)	(3,222)
Foreign currency translation loss	-	-	-	(63,111)	-	(63,111)		(63,111)
Net loss for the year	-	-	-	-	(10,711,831)	(10,711,831)	(17,098)	(10,728,929)
Balance, December 31, 2020	**313,179,813**	**32,368,127**	**3,161,109**	**(810,441)**	**(41,705,187)**	**(6,986,392)**	**(6,111)**	**(6,992,503)**
Debt for share issuance	132,474,848	1,866,500	230,119			2,096,619		2,096,619
Convertible debenture share settlement	89,172,302	1,432,602	199,089			1,631,691		1,631,691
EF Resources holdback share issued	8,457,734					-		-
Noncontrolling interest distribution						-	(55,163)	(55,163)
Foreign currency translation loss	-	-	-	(42, 271)		(42,271)		(42,271)
Net loss for the year	-	-	-		(220,441)	(220,441)	71,999	(148,442)
Balance, December 31, 2021	**543,284,697**	**35,667,229**	**3,590,317**	**(852,712)**	**(41,925,628)**	**(3,520,794)**	**10,725**	**(3,510,069)**

1. Description of business and going concern

Description of business

Tanager Energy Inc. ("Tanager") was incorporated in 1945 and in fiscal 2013, the name of the Company was changed to "Tanager Energy Inc." In addition, on June 20, 2016 Tanager incorporated Tanager Energy (USA) Inc., a wholly owned subsidiary. On August 6, 2018, Tanager incorporated Tanager Chalk, Inc., as wholly owned subsidiary of Tanager Energy (USA) Inc.

On March 6, 2019, Tanager continued from the Province of Alberta to the Province of British Columbia pursuant to a resolution passed by shareholders of Tanager at the annual general and special meeting held on December 19, 2018. On April 11, 2019, the Company amended its articles of incorporation to change its name from Tanager Energy Inc. Paleo Resources Inc. In addition, the Company's subsidiary, Tanager Energy (USA) Inc. changed its name to Paleo Resources (USA), Inc. Effective March 7, 2022, the Company changed its name from Paleo Resources, Inc. to EF EnergyFunders Ventures, Inc. (EnergyFunders or the "Company").

EnergyFunders is an exploration company, engaged in the acquisition, exploration and development of oil and gas properties in Alberta, Canada and Texas, USA. In 2020, Paleo discontinued the precious and base metal operation in Ontario, Canada. As the discontinuation of the mining operation did not represent a strategic shift and did not have a major effect on the Company's operations and financial results, the Company determined that discontinued operations reporting was not applicable.

On June 16, 2020, the Company completed the merger transaction contemplated by the Agreement and Plan of Merger ("Merger Agreement") dated December 20, 2019, by and among Paleo Resources, Paleo EFR Acquisition, a wholly-owned subsidiary of Paleo, ("Merger Sub"), and EF Resources, Inc. ("EFR"). Pursuant to the terms of the Merger Agreement, at the effective time, the Merger Sub merged with and into EFR, with EFR continuing as the surviving corporation and becoming a wholly-owned subsidiary of Paleo. EFR is the owner of the EnergyFunders financial technology platform. EFR and related subsidiaries is an energy-focused crowdfunding company operating in the oil and gas industry. The results of operations of EFR are included with those of Paleo from June 16, 2020 to December 31, 2020 (Note 2).

The Company's common shares are listed on the TSX Venture Exchange under the symbol EFV and on the OTCQB Venture Market in the U.S. as PRIEF. The primary office is located at 716 S Frio St, Suite 201, San Antonio, TX 78207.

Going concern

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America ("US GAAP") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year after the date that the December 31, 2021 financial statements are available to be issued. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As of December 31, 2021, the Company had a working capital deficiency of $4,913,011 (December 31, 2020 - $7,804,363) and an accumulated deficit of $41,925,628(December 31, 2020 - $41,705,187). These conditions raise substantial doubt on the Company's ability to continue as a going concern. The Company will need additional funding in order to continue operations. The Company is dependent upon its ability to finance its operations and oil and gas drilling programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration and evaluation assets and plant property and equipment, and, ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the exploration and development of the properties, and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interests in one or more assets on an advantageous basis, all of which are uncertain. While the Company has been successful in obtaining funding in the past, through the issuance of equity and debentures and non-arm's length loans, there is no assurance that such funding will be available in the future. An inability to raise additional funds would adversely impact the future assessment of the Company as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis of presentation

These consolidated financial statements have been prepared in accordance with US GAAP in effect as at the balance sheet date and are presented in a reporting currency of US dollars ("USD"). The functional currency of the parent entity is Canadian Dollars ("CDN") and the functional currency of the US subsidiary is USD.

2. Significant accounting policies *(continued)*

Principles of consolidation

These consolidated financial statements consolidate the accounts of the Company and its wholly owned subsidiary, Paleo Resources (USA), Inc. The Company incorporated two wholly owned entities, Tanager Energy GP, LLC and Tanager Energy, LP on December 31, 2017 and Tanager Chalk, Inc. on August 6, 2018 and these entities are inactive to date.

As of June 16, 2020, the Company's wholly owned subsidiaries include EFR and all affiliated entities in which EFR has a controlling financial interest. To determine if EFR holds a controlling financial interest in an entity, EFR first evaluates if it is required to apply the variable interest entity (VIE) model to the entity; otherwise, the entity is evaluated under the voting interest model.

If EFR holds current or potential rights that give it the power to direct the activities of a VIE that most significantly impact the VIEs economic performance, combined with a variable interest that gives EFR the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, EFR has a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the design of an entity, EFR reconsiders whether it is subject to the VIE model. EFR continuously evaluates whether it has a controlling financial interest in a VIE.

EFR holds a controlling financial interest in other entities where EFR currently holds, directly or indirectly, more than 50% of the voting rights or where the Company exercises control through substantive participating rights or as a general partner. If EFR is a general partner, it considers substantive removal rights held by other partners in determining if EFR holds a controlling financial interest. EFR revaluates whether it has a controlling financial interest in these entities when its voting or substantive participating rights change.

Unconsolidated VIEs and other entities in which EFR has significant influence, but not a controlling financial interest, are accounted for as equity method investments. EFR typically holds a voting interest of 20% to 50% for significant influence.

Entities that EFR does not have significant influence, typically less than 20% voting interest, are recorded at cost less impairment.

As of June 16, 2021, Company's consolidated subsidiaries includes EFR; EnergyFunders, LLC; EF Advisor, LLC; EF Funding Portal, LLC; EF GP, LLC; EF MGMT HLD, LLC; EF VC2, LLC and EF VC6, LLC. In March 2021, EFR formed two wholly owned entities, EF Manager LLC and EF Equity Holdings LLC.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates pertain to the use of the going concern assumption, valuation of goodwill, valuation of intangible assets related to customer relationships, proved natural gas reserves and related cash flow estimates used in impairment tests of oil and natural gas properties, asset retirement obligations, and accrued natural gas revenues and operating expenses. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid instruments with an original maturity of three months or less are stated at cost, which approximates fair value.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are primarily consisting of sales tax receivable from government authorities in Canada and trade and accrued accounts receivable from industry partners. There are no past due receivables from industry partners that are considered impaired. We review all outstanding accounts receivable balances and record a reserve for amounts that we expect will not be fully recovered. Actual balances are not applied against the reserves until substantially all collection efforts have been exhausted. Our allowance for doubtful accounts was nil as of December 31, 2021 (2020 - $nil). There was no bad debt expense recognized for the years ended December 31, 2021 and 2020.

2. Significant accounting policies *(continued)*

Goodwill

The Company's goodwill relates to the June 16, 2020 acquisition of EFR. Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. Goodwill is not amortized; rather, it is tested for impairment annually and when events or changes in circumstances indicate that the fair value of a reporting unit with goodwill has been reduced below carrying value. The impairment test requires allocating goodwill and other assets and liabilities to reporting units. To assess impairment, the Company has the option to qualitatively assess if it is more likely than not that the fair value of the reporting unit is less than the book value. Absent a qualitative assessment, or, through the qualitative assessment, if the Company determines it is more likely than not that the fair value of the reporting unit is less than the book value, a quantitative assessment is prepared to calculate the fair market value of the reporting unit. If it is determined that the fair value of the reporting unit is less than the book value, the recorded goodwill is impaired to its implied fair value with a charge to operating expenses.

Intangible assets

The Company's intangible asset relates to customer relationship asset acquired by Company through the acquisition of EFR. The Company evaluates the recoverability of finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of such assets is not recoverable, the carrying amount of such assets are reduced to fair value. In 2020. the Company recorded $6,083 in amortization expense and impairment expense $723,917 on the intangible asset related to customer relationship.

Oil and natural gas properties

The Company accounts for its crude oil and natural gas exploration and production activities under the successful efforts method of accounting.

Oil and natural gas lease acquisition costs are capitalized when incurred. Unproved properties with acquisition costs that are not individually significant are aggregated. If the unproved properties are determined to be productive, the appropriate related costs are transferred to proved oil and natural gas properties. Lease delay rentals are expensed as incurred.

Oil and natural gas exploration costs, other than the costs of drilling exploratory wells, are expensed as incurred. The costs of drilling exploratory wells are capitalized pending determination of whether the Company has discovered proved commercial reserves. If proved commercial reserves are not discovered, such drilling costs are expensed. In some circumstances, it may be uncertain whether proved commercial reserves have been discovered when drilling has been completed. Such exploratory well drilling costs may continue to be capitalized if the reserve quantity is sufficient to justify viabilitiy of the project is being made. Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of crude oil and natural gas, are capitalized.

Depletion of the cost of proved oil and natural gas properties is calculated using the unit-of-production method. The reserve base used to calculate depletion for leasehold acquisition costs and the cost to acquire proved properties is proved reserves. With respect to lease and well equipment costs, which include development costs and successful exploration drilling costs, the reserve base includes only proved developed reserves.

The Company periodically reviews oil and natural gas properties for impairment when facts and circumstances indicate that their carrying value may not be recoverable.

Proved Properties

In order to determine whether the carrying value of an asset is recoverable, the Company compares net capitalized costs of proved oil and natural gas properties to estimated undiscounted future net cash flows using management's expectations of future oil and natural gas prices. These future price scenarios reflect the Company's estimation of future price volatility. If the net capitalized cost exceeds the undiscounted future net cash flows, the Company writes the net cost basis down to the discounted future net cash flows, which is management's estimate of fair value. Significant inputs used to determine the fair value include estimates of: (i) reserves; (ii) future operating and development costs; (iii) future commodity prices; and (iv) a market-based weighted average cost of capital rate. The underlying commodity prices embedded in the Company's estimated cash flows are the product of a process that begins with NYMEX forward curve pricing, adjusted for estimated location and quality differentials, as well as other factors that the Company's management believes will impact realizable prices.

2. Significant accounting policies *(continued)*

The Company conducted an impairment test of the carrying value of its proved oil and gas properties and recognized impairment expenses for years ended December 31, 2021 and 2020 of nil and $390,180, respectively.

Unproved Properties

In order to determine whether the carrying value of its unproved properties are recoverable, the Company evaluates whether sufficient progress has been made on assessing the reserves and the economic and operating viability of each project. Such progress is assessed based upon various facts and circumstances and indicators including: (i) review of lease term expiries and expectations whether the leases are expected to be renewed or drilled upon in the future; (ii) occurrence of dry holes being drilled on the project; (iii) commitment of company project personnel at appropriate levels and skills for the project; (iv) costs that are being incurred to assess the reserves and their potential development; (v) assessment of the economic, legal, political, and environmental aspects of the development in progress; (vi) existence (or active negotiations) of sales contracts with customers for the oil and gas, as well as agreements with joint venture partners; (vii) existence of firm plans, established timetables, or contractual commitments for the development; (viii) progress being made on contractual arrangements that will permit future development; (ix) identification of existing transportation and other infrastructure that is or will be available for the project; and (x) identification of sources of capital to fund the project.

The Company has reviewed for indicators of impairment of its unproved properties as of December 31, 2021 and December 31, 2020. As at December 31, 2021, the Company recognized an impairment of $nil (2020 - $8,620,615) based upon the carrying value of those individual area leases.

Fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company utilizes a three-level valuation hierarchy for disclosures of fair value measurements, defined as follows:

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 makes its own assumptions about how market participants would price the assets and liabilities.

The carrying value of short-term instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities. and short-term loans and convertible debentures approximate fair value due to the relatively short period to maturity for these instruments. The carrying value of long-term debt approximates fair value since the related rates of interest approximate current market rates. There are no financial assets and liabilities carried at fair value on a recurring basis as of December 31, 2021 and 2020.

Revenue recognition

The Company recognizes revenue under Accounting Standards Codification 606, *Revenue from Contracts with Customers ("Topic 606")*. Topic 606 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenue from the sale of crude oil, natural gas, and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with customers, excludes amounts collected on behalf of third parties and is presented net of royalties paid and accrued. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines or other transportation methods.

2. Significant accounting policies *(continued)*

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any, realized by the Company from the transaction.

Gathering fees charged to other entities for use of facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Gathering

fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

Revenue from managing investee companies is measured based on the consideration specified in the partnership operating agreements. The Company recognizes management fee revenue as services are provided to investee companies and collectability is reasonably assured.

In the course of managing investee companies, the Company incurred expenses pertaining to investee companies and the related oil and gas projects. Revenue from reimbursement fee is measured based on the time and expenses spent on behalf of the customers. The Company recognizes revenue when it incurred the expenses or when the investment fund is delivered to its customers and collectability is reasonably assured.

Joint operations

The Company conducts its exploration and development activities independently, as well as jointly with others through joint operations. All of the Company's current interests in joint arrangements are classified as joint operations. To account for these arrangements, the Company recognizes its proportionate share of the related revenues, expenses, assets and liabilities of such joint operations.

Asset retirement obligations

The Company records a liability for asset retirement obligations ("ARO") at fair value in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method of the asset's useful life. Recognized asset retirement obligation relates to the plugging and abandonment of oil and natural gas wells. Management periodically reviews the estimates of the timing of well abandonments as well as the estimated plugging and abandonment costs, which are discounted at the credit adjusted risk free rate. Subsequent adjustments in the cost estimate are reflected in the ARO liability and the amounts continue to be amortized over the useful life of the related long-lived assets. An ongoing accretion expense is recognized for changes in the value of the liability as a result of the passage of time, which is recorded in depreciation, depletion, amortization, and accretion expense in the consolidated statements of operations and comprehensive income (loss).

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Exposure is controlled to credit risk associated with these instruments by (i) placing assets and other financial interests with credit-worthy financial institutions, (ii) maintaining policies over credit extension that include the evaluation of customers' financial condition and monitoring paying history, although the Company does not have collateral requirements and (iii) netting derivative assets and liabilities for counterparties with a legal right of offset. At December 31, 2021 and 2020, the cash and cash equivalents were primarily concentrated in three financial institutions, one in Canada and three in the US. The Company periodically assesses the financial condition of these institutions and believe that any possible credit risk is minimal.

Share-based compensation transactions

The fair value of equity-settled share options granted is recognized as an expense over the vesting period with a corresponding increase in equity.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Management is required to estimate forfeitures and revise its estimates of the number of equity-settled share options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period. Management defines forfeitures as share-based payments for which the counterparty does not fulfill the vesting conditions.

Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Earnings (loss) per share

Basic earnings or loss per share is calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options, warrants, convertible debentures and other dilutive instruments granted to employees. In the calculation of diluted per share amounts, outstanding dilutive instruments are assumed to have been converted or exercised on the later of the beginning of the year and the date granted. The number of additional shares related to convertible debentures is calculated assuming the debentures are converted into common shares by dividing the face value of convertible debentures by the conversion price. Earnings is adjusted for interest or accretion, net of tax, related to the convertible debentures. In loss per share situations, the diluted per share amount is the same as the effect would be anti-dilutive.

Foreign currency translation

The financial statements are presented in a reporting currency of US dollars ("USD"). The functional currency of the parent entity is Canadian Dollars ("CDN") and the functional currency of the US subsidiaries is USD. Any gains or losses on transactions or monetary assets or liabilities in currencies other than the reporting currency are included in net income in the current period. Gains and losses on translation of balances denominated in Canadian dollars are included in accumulated other comprehensive income.

Recently issued accounting standards

The Company, an emerging growth company ("EGC"), has elected to take advantage of the benefits of the extended transition period provided for in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards which allows the Corporation to defer adoption of certain accounting standards until those standards would otherwise apply to private companies.

2. Significant accounting policies *(continued)*

In March 2020, the FASB issued ASU No. 2021-04 - Reference Rate Reform (Topic 848), codified as ASC 848 ("ASC 848"). This was followed by ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope ("ASU 2021-01"), issued in January 2021. The purpose of ASC 848 is to provide optional guidance to ease the potential effects on financial reporting of the market-wide migration away from Interbank Offered Rates ("IBORs") to alternative reference rates. ASC 848 applies only to contracts, hedging relationships, and other transactions that reference a reference rate expected to be discontinued because of reference rate reform. The guidance may be applied upon issuance of ASC 848 through December 31, 2022. We do not expect a material impact from the adoption of this ASU.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740). The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and modifies other areas of the topic to clarify the application of GAAP. Certain amendments within the standard are required to be applied on a retrospective basis and others on a prospective basis. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Effective January 1, 2021, the Company adopted this ASU with no material impact on the Company's consolidated financial position or results of operations.

In February 2016, the FASB issued ASU 2016 02, "Leases (Topic 842)" (ASU 2016-02), which significantly changes accounting for leases by requiring that lessees recognize a right of use asset and a related lease liability representing the obligation to make lease payments, for all lease transactions with terms greater than one year. Additional disclosures about an entity's lease transactions will also be required. ASU 2016-02 defines a lease as "a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration." ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods therein for public entities and public not for profit entities and is effective for fiscal years beginning after December 15, 2020 and interim periods within fascial years beginning after December 15, 2021 for all other entities. ASU 2021-05 further amended the effective date to fiscal years beginning after December 15, 2020 and interim periods therein and beginning for public not for profit entities and effective date to fiscal years beginning after December 15, 2021, and interim periods with fiscal years beginning after December 15, 2022 for all other entities. The Company does not anticipate this to impact our consolidated financial statements at this time and adoption is expected in fiscal year beginning after December 15, 2021.

3. Acquisition of EF Resources, Inc.

On June 16, 2020, the Company completed its acquisition of EFR with the issuance of 86,547,774 shares of common stock in exchange for all outstanding shares of EFR of which 77,892,997 shares have been issued and 8,654,777 shares were subject to a holdback in respect of certain representations and warranties provided in favor of Paleo pursuant to the merger agreement. In December 2021, 8,457,734 of the holdback shares were issued and 197,043 shares were forfeited. The results of EFR's operations since the closing date of the acquisition are included in the consolidated statement of operations through December 31, 2020. The Company's common stock closing price on June 16, 2020 was $0.01 CDN. The fair value of the Company's common stock was $638,352 USD (at assumed exchange rate of CDN $0.7376 to US$1.00).

In connection with the acquisition, Paleo incurred acquisition-related costs of $75,950 which are included in general and administrative expenses.

The acquisition has been accounted for as a business combination, therefore, the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated acquisition date fair values based on then currently available information.

(Expressed in US Dollars unless otherwise stated)

3. Acquisition of EF Resources, Inc. *(continued)*

The following table sets forth the Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date.

	Purchase Price Allocation
Consideration:	
Fair value of the Company's common stock	**$638,352**
Assets acquired	
Cash	$ 27,365
Accounts receivable	3,563
Goodwill	439,458
Intangible asset	730,000
Proved properties	20,245
Less liabilities assumed and non-controlling interest	
Accounts payable and accrued liabilities	304,803
Deferred management revenue	104,467
Deferred rent liability	5,562
Asset retirement obligations	16,635
Notes payable, related parties	62,500
Note payable, third party	74,103
Non-controlling interest	14,209
Total purchase price	**$638,352**

The results of operations attributable to EFR are included in the Company's consolidated statement of operations and comprehensive income (loss) beginning on June 16, 2020. Revenues of $139,599 and net loss of $951,496 attributable to the Company's shareholders from EFR were generated from June 16, 2020 to December 31, 2020.

The following unaudited pro forma condensed combined financial information was derived from historical financial statements of Paleo and EFR and gives the effect to the acquisition as if it had occurred on January 1, 2020. The below information reflects pro forma adjustment for the issuance of the Company's common stock in exchange for EFR's outstanding share of common stock, as well as pro forma adjustments based on available information and certain assumptions that the Company believes are reasonable as of the closing date of the acquisition.

Additionally, unaudited pro forma earnings were adjusted to excluded acquisition-related costs incurred by EFR of $161,450 and Paleo of $75,950. The pro forma results of operations do not include any cost savings or other synergies that may result from the acquisition or any estimated costs that have been or will be incurred by the Company to integrate the EFR assets.

(Expressed in US Dollars unless otherwise stated)

3. Acquisition of EF Resources, Inc. *(continued)*

The unaudited pro forma condensed combined financial information has been included for comparative purposes and is not necessarily indicative of the results that might have actually occurred had the acquisition taken place on January 1, 2020; furthermore, the financial information is not intended to be a projection of future results.

	For the years ended December 31,
	2020
	$
Revenue	448,498
Net income (loss) attributable to Paleo shareholders	(10,740,955)
Net income (loss) per common share - basic and diluted	($0.03)
Weighted average shares outstanding:	
Basic and diluted	313,179,813

4. Deposit

The deposit $250,094 (2020 - $247,893) relates to payments to the Alberta Energy Regulator ("AER") held in trust as security deposits in connection with AER estimated net future abandonment liabilities for operated Alberta well licenses. The deposit bears interest at bank prime minus 1.95%.

(Expressed in US Dollars unless otherwise stated)

5. Oil and gas properties, successful efforts method

Oil and gas properties	**2021** **$**	2020 $
Proved properties	**7,225,523**	6,594,169
Accumulated depletion, depreciation, and impairment	**(5,952,055)**	(5,624,601)
Proved properties, net	**1,273,468**	969,568
Unproved properties	**39,438**	-
Total oil and gas properties, net	**1,312,906**	969,568

The movement in the Company's proved oil and gas properties is as follows:

Proved properties	**2021** **$**	2020 $
Cost		
Balance, beginning of year	**6,594,169**	6,318,074
Additions	**271,177**	222,605
Disposal	**(107,149)**	
Asset retirement obligation adjustments	**462,903**	32,297
Gain on foreign exchange translation	**4,423**	21,193
Balance, end of year	**7,225,523**	6,594,169
Accumulated depletion, depreciation, and impairment		
Balance, beginning of year	**5,624,601**	4,992,214
Depletion and depreciation	**370,352**	242,207
Disposal	**(44,707)**	
Impairment	**-**	390,180
Gain on foreign exchange translation	**1,809**	-
Balance, end of year	**5,952,055**	5,624,601
Net book value	**1,273,468**	969,568

The movement in the Company's unproved oil and gas properties is as follows:

Unproved properties	**2021** **$**	2020 $
Balance, beginning of period	**-**	8,620,615
Additions	**39,438**	-
Properties adjustment	**-**	-
Disposition	**-**	-
Impairment	**-**	(8,620,615)
Balance, end of period	**39,438**	-

(Expressed in US Dollars unless otherwise stated)

6. Equity Investment

On March 9, 2021, the Company entered into a Common Stock Purchase and License Agreement with Field Genie, Inc. Field Genie, Inc. ("FGI") is a technology service provider that uses advanced artificial intelligence techniques to deliver solutions using spatial/geo intelligence and computer vision, including real-time detection and recognition of objects and patterns. In connection with the above agreement, the Company agreed to purchase a maximum of 50,000 shares of common stock of FGI at $10 per share or an aggregate purchase price of $500,000 in exchange for a license to certain intellectual property of FGI. The purchase price is payable over a period of 12 months. The Company will earn and be vested in a proportionate share of the FGI stock with each installment payment. As of December 31, 2021, the Company paid $416,667 to FGI and earned 4.167% of FGI common stock and $83,333 remain outstanding.

The Company accounted for the investment under the cost method. Under the cost method, the Company's share of the earnings or losses of such investee companies is not included in the consolidated balance sheets or statements of operations; however, impairment charges are recognized in the consolidated statements of operations. If circumstances occur showing that the value of the investee company has subsequently recovered, such recovery is not recorded. For the twelve months ended December 31, 2021, no impairment expense was recognized.

7. Loans payable

	2021 **$**	2020 $
Promissory note from US JV Partner	**1,462,591**	1,462,591
Loan from US JV Partner	**522,593**	62,500
Loan from subsidiary of US JV Partner	**-**	2,096,619
Total loans payable from related parties	**1,985,184**	3,621,710
Loan from third-party lender	**300,000**	300,000
Paycheck Protection Program loan	**74,100**	74,103
Economic Injury Disaster Loan	**250,600**	100,600
	2,609,884	4,096,413

In September 2018, the Company converted outstanding accounts payable owing to the US JV into a promissory note. On May 29, 2020, the Company entered into a Modification of Note and Liens agreement with the lender which extended the maturity date of the outstanding balance of the loan of $1,462,591 to June 30, 2021, and all monthly payments of principal and interest are deferred until the maturity date.

In September 2018, the Company also entered into a loan agreement with a wholly owned subsidiary of the US JV Partner for a total available amount of $1,250,000. Effective September 30, 2019, the total available amount of the loan was amended to $2,100,000. On May 29, 2020, the Company entered into a Modification of Note and Liens agreement with the lender which extended the maturity date of the outstanding balance of the loan of $1,531,000 to September 30, 2021, and all monthly payments of principal and interest are deferred until the maturity date. On March 1, 2021, the entire amount of the existing loan from the subsidiary of US JV Partner has been assigned to Roger S. Braugh, Jr., a director and officer of Paleo, and Chris Pettit & Associates PC, a company controlled by Christopher J. Pettit, a director of Paleo, as trustee of a Trust, in the aggregate amount, including principal and interest, of $2,283,662. On March 10, 2021, the Company settled outstanding indebtedness, excluding interest, the aggregate amount of $2,096,619 now owing to director and trustee following the noted assignment, through the issuance of an aggregate of 132,474,848 common shares of the Company at an agreed upon price of CDN$0.02 per share. The Company's common stock average price on March 10, 2021 was CDN$0.018 per share. The fair value of the Company's common stock was $1,866,500USD (at assumed exchange rate of CDN $0.7913 to USD $1.00) and additional paid in capital of $209,662. The common shares issued in connection with the Debt Settlement are subject to a hold period that expired on July 31, 2021.

The loan from a third-party lender is unsecured and bears interest at 6% per annum. On November 15, 2019, the Company entered into a loan amendment with the third-party lender which extends the maturity date to December 16, 2020 and requires the payment of principal and accrued interest of $339,746 on that date. On July 17, 2021, Jim Durham (the "Plaintiff"), the third party lender, filed a claim against the Company and a related party who is the loan guarantor for Breach of Contract/Guaranty. The Plaintiff demands the repayment of loan plus interest and attorney's fees.

(Expressed in US Dollars unless otherwise stated)

7. Loans payable *(continued)*

On April 21, 2020, the Company's subsidiary, EnergyFunders, LLC, entered into an unsecured loan with the U.S. Small Business Administration ("SBA") in the amount of $74,103 under the Paycheck Protection Program (the "PPP Loan") with an interest rate of 1.0% and maturity date two years from the effective date of the PPP Loan. The Paycheck Protection Program was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the SBA. Payments are required to be made in eighteen monthly installments of principal and interest, with the first payment being due on the date that is seven months after the date of the PPP loan. Under the CARES Act, the PPP Loan is eligible for forgiveness for the portion of the PPP Loan proceeds used for payroll costs and other designated operating expenses for up to eight weeks, provided at least 75% of PPP Loan proceeds are used for payroll costs and the Company meets all necessary criteria for forgiveness. Receipt of these funds requires the Company to, in good faith, certify that the PPP Loan was necessary to support ongoing operations of the Company during the economic uncertainty created by the COVID-19 pandemic. This certification further requires the Company to take into account current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. Additionally, the SBA provides no assurance that the Company will obtain forgiveness of the PPP Loan in whole or in part. In August 2021, the first PPP loan in the amount of $74,103 and interest accrued was forgiven by the SBA. In April 2021, the Company's subsidiary entered into a second unsecured PPP loan in the amount of $74,100 with an interest rate of 1% and a term of five years.

On December 8, 2020, the Company's subsidiary, Paleo Resources (USA), Inc., entered into a secured loan with the U.S. Small Business Administration ("SBA") in the amount of $100,600 under the Economic Injury Disaster Loan (the "EIDL Loan") with an interest rate of 3.75% and maturity date thirty years from the effective date of the EIDL Loan. The Economic Injury Disaster Loan was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the SBA. Principal and interest payments of $491 is due every month beginning thirty months from the date of the EIDL loan.

On February 11, 2021, another Company's subsidiary entered into a secured loan with the U.S. Small Business Administration ("SBA") in the amount of $150,000 under the Economic Injury Disaster Loan (the "EIDL Loan") with an interest rate of 3.75% and maturity date thirty years from the effective date of the EIDL Loan. Principal and interest payments of $731 is due every month beginning thirty months from the date of the EIDL loan.

8. Convertible debentures

	2021	2020
	$	$
Convertible debentures issued to related parties	**-**	505,693
Convertible debentures issued to third parties	**281,247**	1,591,053
	281,247	2,096,746

2020 CD: On June 5, 2019, the Company issued subordinated secured convertible debentures (the "June 2019 debentures") in the aggregate amount of CDN$2,036,245

The debentures bear interest at a rate of seven and a half percent (7.5%) per annum, payable monthly in arrears on the 15th day of the following month and will mature on the date that is three years from the closing date. The debentures are secured by a subordinated (second-charge) security interest against the Company's working interest in the Joffre, Alberta property and convertible at any time at the holder's option into common shares of the Company at a conversion price of CDN$0.12 (US$0.0888 at an assumed exchange rate of CDN$0.74 to US$1.00) per common share. The holders of the debentures shall have the right, upon at least 30 days written notice prior to the date that is two (2) years following the closing date, to require the Company to repurchase all amounts outstanding under the debentures on the date that is two (2) years following the closing date, at a repurchase price equal to 115% of the outstanding principal amount of the debenture, together with payment of the interest on the principal amount accrued and unpaid to the repurchase date.

In July 2019, the Company closed a second tranche of the debenture offering (the "2019 debentures"). The Company settled a portion of the debt owed to the subsidiary of the US JV partner. Pursuant to the debt settlement, the Company issued debentures in the aggregate principal amount of CDN$646,554 ($482,000 at an assumed exchange rate of CDN$0.7455 to US$1.00) to shareholders of the US JV partner, namely Roger S. Braugh, Jr., a director of the Company and Chris Pettit & Associates PC, a company controlled by J. Pettit, a director of the Company, as trustee of a Trust.

(Expressed in US Dollars unless otherwise stated)

8. Convertible debentures *(continued)*

In April 2021, holders of the Company's outstanding 2019 convertible debentures in the aggregate principal amount of CDN$2,682,799 (the "Debentures") provided notice to require the Corporation to repurchase all amounts outstanding under the Debentures, in accordance with the terms of such Debentures. The Debentures provide the holders the right, upon at least 30 days written notice prior to the date that is two years following the original issuance date of such Debentures (the "Repurchase Date"), to require the Company to repurchase all amounts outstanding under the Debentures on such Repurchase Date, at a repurchase equal to 115% of the outstanding principal amount of the Debentures, together with payment of the interest on the principal amount accrued and unpaid to the Repurchase Date.

The total principal amount of the indebtedness due as a result of the repurchase notifications was CDN$3,085,219 (the "Repurchase Indebtedness") of which CDN$2,341,682 was due on June 5, 2021 and CDN$743,537 was due on July 25, 2021. On November 4, 2021, the Company settled a total of CDN$2,675,169 of the Repurchase Indebtedness through the issuance of an aggregate 89,172,302 common shares of the Corporation at a deemed price of CDN$0.03 per share.

The following table summarizes the movement of Company's convertible debentures:

	2021	2020
	$	$
Balance, beginning of period	**2,096,746**	2,032,600
Convertible debentures settled, issuance of stock	**(1,834,859)**	-
Amortization of issuance cost	**10,578**	22,106
Foreign exchange	**8,782**	42,040
Balance, end of period	**281,247**	2,096,746

9. Asset retirement obligations

The Company's asset retirement obligations ("ARO") represent the present value of the estimated cash flows expected to be incurred to plug, abandon and remediate producing properties, excluding salvage value, at the end of their productive lives in accordance with applicable laws. Change in estimated liabilities during the period relate primarily to changes in estimates of asset retirement costs. Change in estimated liabilities can also include, but are not limited to, change of estimated inflation rates, change in property lives and expected timing of settlement.

The following table presents the reconciliation of the carrying amount of the obligation associated with the reclamation and abandonment of the Company's oil and gas properties:

	2021	2020
	$	$
Balance, beginning of period	391,748	316,595
Accretion	34,688	21,654
Additions	188,115	16,635
Change in estimate	274,788	32,297
Disposal	(17,684)	-
Foreign exchange	809	4,567
Balance, end of period	872,464	391,748

(Expressed in US Dollars unless otherwise stated)

10. Common stock

(a) Authorized common stock

The authorized common stock consists of an unlimited number of Class A common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Common shares issued and outstanding

The change in issued share capital is as follows:

	Number of common shares	Amount $
Balance December 31, 2019	**235,286,816**	**31,729,775**
Issued for EF Resources acquisition	77,892,997	638,352
Balance December 31, 2020	**313,179,813**	**32,368,127**
Issued EF Resources holdback share	**8,457,734**	**-**
Related parties debt and convertible debenture share conversion	**157,259,418**	**2,264,678**
3rd parties convertible debenture conversion	**64,387,732**	**1,034,424**
Balance December 31, 2021	**543,284,697**	**35,666,229**

11. Stock options

The Company has a Stock Option Plan (the "Plan") to provide incentive for the directors, officers, employees, consultants and service providers of the Company. The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares of the Company.

Under the Plan, options may be granted to directors, officers, key employees and consultants of the Company. The Plan is a "rolling" stock option plan reserving for issuance upon the exercise of options granted pursuant to the plan a maximum of 10% of the issued and outstanding shares of the Company at any time, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Plan.

Under TSX Venture Exchange policies, a "rolling" stock option plan which sets the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares at the time of the grant must be approved and ratified by shareholders on an annual basis.

On April 6, 2017, the Company granted 2,000,000 stock options to directors and officers of the Company with an exercise price of CDN$0.15 and an expiry date of April 6, 2022. These stock options vest 50% on the grant date and 25% on each of the first and second anniversaries from the grant date. As of December 31, 2021, all of these stock options have vested and remain outstanding. As of December 31, 2021, the 2,000,000 outstanding options have a weighted average term of three months and an intrinsic value of zero.

For the years ended December 31, 2021 and 2020, the Company recorded share-based compensation expense of $nil.

12. Net (loss) per common share

Basic net income (loss) per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share is computed similar to basic net loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The treasury stock method and as if converted methods are used to determine the dilutive shares for the Company's options and warrants and convertible notes, respectively. In periods when losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

12. Net (loss) per common share *(continued)*

(Expressed in US Dollars unless otherwise stated)

The following table sets forth the computation of basic and diluted income per common share for the years ended December 31, 2021 and 2020:

	2021	2020
Numerator:		
Net income (loss) attributable to EF EnergyFunders Ventures' shareholders	($220,441)	($10,711,831)
Add: interest expense on convertible debentures	-	-
Numerator for basic and diluted income	($220,441)	($10,711,831)
Denominator:		
Weighted average number of common shares outstanding - basic	435,375,979	277,541,099
Dilution effect of if-converted debentures	-	-
Denominator for weighted average number of common shares outstanding -diluted	435,375,979	277,541,099
Net income (loss) per common shares - diluted	($0.00)	($0.04)

The Company excluded the following shares from diluted income (loss) per share calculations because they are anti-dilutive

	2021	2020
EFR holdback shares	-	8,654,777
Share options	2,000,000	2,000,000
Convertible debentures shares	2,971,375	22,356,658
Total shares	4,971,375	33,011,435

13. Related party transactions

Related parties include the Board of Directors, senior management and enterprises that are controlled by these individuals. Related party transactions are conducted in the normal course of operations under normal market conditions and terms. The following transactions were entered into with related parties during the years ended December 31, 2021 and 2020:

Related Party	**Transactions**	**2021 $**	2020 $
Director and Trust[(1)]	Convertible debentures - interest expense incurred	**98,720**	36,275
US JV Partner and sub[(2)]	Promissory note and loan interest expense incurred	**69,710**	130,568
US JV Partner	US operation revenues and expenses, net	**69,153**	85,403
US JV Partner	Unsecured loan	**460,093**	-
Senior management[(3)]	Equity investment	**500,000**	-

(1) Total accrued interest payable to the director and the Trust as of December 31, 2021 was $232,384 (2020 – $229,254) and is included in accounts payable and other liabilities.

13. Related party transactions *(continued)*

(Expressed in US Dollars unless otherwise stated)

(2) The US JV Partner is owned by a director of the Company and a Trust controlled by another director in his capacity as trustee of the Trust. Included in accounts payable as at December 31, 2021 is $1,851,506 (December 31, 2020 - $972,839) owing to the US JV Partner and its subsidiary.

(3) As of December 31, 2021, the Company paid $416,667 to Field Genie which is co-owned by a member of senior management and the balance outstanding under the terms of the Purchase and License Agreement of $83,333 is included in accounts payable and other liabilities.

On November 4, 2021, the Company settled a total of CDN$743,537 of the Repurchase Indebtedness through the issuance of an aggregate 24,784,570 common shares of the Corporation at a deemed price of CDN$0.03 per share to a director of the Company and a Trust controlled by another director in his capacity as trustee of the Trust. The Company's common stock average price on November 4, 2021 was CDN$0.02 per share. The fair value of the Company's common stock was USD$398,178 (at assumed exchange rate of CDN $0.80328 to USD $1.00) and additional paid in capital of USD$199,089

The Company receives management fees from the investment companies managed by a Company's subsidiary, which at times are paid in advance and are recorded on the balance sheet as deferred management fees, related parties. As of December 31, 2021 deferred management fees totaled $11,767 (December 31, 2020 -$65,466). For the year ended December 31, 2021, management fee revenue was $86,611 and $39,00 for 2020. The Company charges an origination fee, an assets under management (AUM) fee and may also receive a carried interest in investee companies as part of management fee. Management revenue from origination and carried interest for the years ended December 31, 2021 and 2020 were $350,914 and $18,239, respectively. The Company received reimbursement revenue for costs incurred from related parties totaling $17,667 for the year ended December 31, 2021 and $46,352 for 2020.

On June 16, 2020, the Company authorized the issuance of common shares of EnergyFunders to the former shareholders of EFR (see Note 3). Charles Minshew, CEO of EFR is entitled to receive up to 14,978,269 common shares with 13,480,442 common shares received upon closing of the acquisition and 1,497,827 common shares subject to holdback ("Holdback Shares") and will be issued in the event that no claims diminish the available Holdback Shares per the terms of the merger agreement.

Certain officers are shared with a related party and the officers' compensations are paid by the related party and not charged to the Company. The Company's president is providing services to the Company, from January 31, 2021, for no compensation.

14. Income Taxes

The provision for income taxes is as follows:

	2021	2020
	$	$
Current tax expense (benefit)	**-**	-
Deferred tax expense (benefit)		
Canada	**(229,261)**	(102,450)
United States	**20,311**	(2,272,608)
Total deferred tax benefit	**(208,950)**	(2,375,058)
Total income tax expense (benefit) before valuation allowance	**(208,950)**	(2,375,058)
Valuation allowance (utilization of losses carried)	**208,950**	
	-	-

On June 28, 2019 Alberta Bill 3, the Job Creation Tax Cut (Alberta Corporate Tax Amendment) Act, was signed into law resulting in a reduction of the Alberta corporate tax rate from 12% to 11% effective July 1, 2019, with further 1% rate reductions to take effect every year on January 1 until the general corporate tax rate is 8% on January 1, 2022.

The Company's Canadian statutory income tax rate of 23.0% (2019- 23%) is comprised of a Federal rate of 15% and an Alberta provincial tax rate of 8% for the 2021 and 2020 tax year, which is based upon the expected utilization of existing temporary differences in years after 2021.

14. Income Taxes *(continued)*

(Expressed in US Dollars unless otherwise stated)

The Company's US subsidiary has a statutory income tax rate of 21% consisting of federal taxes of 21% and no state income tax in Texas for 2021 and 2020 tax years.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	2021	2020
	$	$
Deferred tax assets:		
Net-operating losses carried forward (Canada)	**1,131,419**	889,444
Net-operating losses carried forward (USA)	**3,926,808**	4,057,259
Financing costs	**4,301**	
Oil and gas properties	**1,974,085**	2,205,193
Less valuation allowance	**(7,036,613)**	(7,150,578)
	-	

The Company has CDN$6,236,577 (2020 – CDN$4,923,654) net operating losses in Canada which expire between 2025 and 2040. The Company has net operating losses for income tax purposes in the U.S. of US$18,699,083 (2020 – $19,320,279), of which $17,458,457 expire between 2036 and 2040 and $1,240,626 will carry forward indefinitely. Canadian and US tax returns for the years 2019 to 2021 are subject to examination by the respective tax authorities.

15. Revenue

The Company sells its production pursuant to variable price contracts entered into by the Company's operator or contract operator of its joint operations. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver a fixed or variable volume of crude oil, natural gas, and NGLs to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price.

Currently, all of the Company's crude oil, natural gas and NGLs is sold on the Company's behalf at spot prices received by the operator or contract operator of the Company's joint operations. Gathering fees charged to third parties are earned under multi-year contracts at fixed fees by volume.

Revenue from petroleum and natural gas sales is presented net of associated royalties.

The following table provides a summary of the Company's oil and gas revenue attributable to the Company's shareholder disaggregated by revenue source December 31, 2021 and 2020:

	2021	2020
	$	$
Crude oil	**65,902**	2,715
Natural gas liquids	**-**	-
Natural gas	**375,653**	204,709
Petroleum and natural gas sales	**441,555**	207,424
Total revenue	**441,555**	207,424

Revenue received from third party operators and from the US JV Partner represented 12% and 88%, respectively, of the total revenue during the year ended December 31, 2021. For 2020, revenue received from one contractor operator was 1% and 99% from US JV Partner.

(Expressed in US Dollars unless otherwise stated)

15. Revenue *(continued)*

The Company recognizes management fee revenue as services are provided to investee companies only when a firm agreement or contract is in place, services have been rendered and collectability is reasonably assured. Management fees received related to future management activities are recorded as deferred revenue and recognized based on the agreed monthly fixed fee. The Company also receives an origination fee and a carried interest in investee companies as part of management fee.

The following table provides a summary of the Company's management fee revenue source for year ended December 31, 2021 and 2020:

	2021	2020
	$	$
Monthly fixed fee and AUM	**86,611**	39,000
Carried interest and origination fee	**350,914**	18,239
Total management fee revenue	**437,525**	36,049

The Company recognizes reimbursement revenue relating to soft costs incurred on behalf of investee companies at the time the costs have been incurred and the reimbursement is reasonably assured. The related expenses incurred is reported under general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). The Company received reimbursement revenue for soft costs incurred from related parties for the years ended December 31, 2021 and 2020 of $17,667 and $1,500, respectively. For the years ended December 31, 2021 and 2020, platform reimbursement revenue was $nil and $78,145, respectively.

(Expressed in US Dollars unless otherwise stated)

16. Segment information

The Company's reportable segments are determined based on its geographic locations and types. The Canada segment includes the exploration for, and development and production of, crude oil and natural gas in Alberta, Canada and the acquisition, exploration and development of precious and base metal properties in Ontario, Canada. U.S. includes the exploration for, and the development and production of, crude oil and natural gas in USA. As of June 16, 2021, the Company added Fintech platform to its reportable segments. The Fintech platform includes the operations of the energy-focused investment listing and investment portfolio management activities. Corporate includes corporate activities and items not allocated between operating segments.

For the year ended December 31, 2021

	Canada	U.S.	Fintech platform	Corporate	**Consolidated**
	$	$	$	$	**$**
Revenue, net	47,970	387,358	470,802	-	**906,130**
Operating costs and expenses					
Lease operating expenses	33,455	97,252	7,778	-	**138,484**
Production taxes	-	34,079	768	-	**34,847**
General and administrative	-	-	673,072	377,424	**1,050,494**
Depletion, depreciation, amortization, and accretion	22,702	380,538	1,799	-	**405,039**
Impairment and dry hole expenses	-	135	-	-	**135**
Total operating costs and expenses	56,157	512,004	683,417	377,424	**1,628,999**
Loss from operations	(8,187)	(124,646)	(212,614)	(377,424)	**(722,870)**
Other income and (expense)					
Interest expense	-	-	(5,973)	(465,643)	**(471,616)**
Foreign exchange gain	-	-	-	4,249	**4,249**
Gain on disposition of proved properties	343,905	-	76,468	-	**420,372**
Other income	-	-	75,171	546,252	**621,423**
Other income and (expense), net	343,905	-	145,666	84,858	**574,428**
Net loss	335,718	(124,646)	(66,948)	(292,566)	**(148,442)**
Net loss attributable to non-controlling interest			71,999		**71,999**
Net loss attributable to EF EnergyFunders Ventures, Inc. shareholders	335,718	(124,646)	(138,947)	(292,566)	**(220,441)**
Unproved oil and gas properties expenditures	-	39,438	-	-	**39,438**
Proved oil and gas properties expenditures	119,846	151,331	-	-	**271,177**

As at December 31, 2021

Canadian assets	1,478,047	-	-	-	**1,478,047**
U.S. oil and gas operation assets	-	649,311	-	-	**649,311**
U.S. Fintech platform operation assets	-	-	694,956	-	**694,956**
	1,478,047	649,311	694,956	-	**2,822,315**

(Expressed in US Dollars unless otherwise stated)

16. Segment information *(continued)*

For the year ended December 31, 2020

	Canada	U.S.	Fintech platform	Corporate	Consolidated
	$	$	$	$	**$**
Revenue, net	-	204,709	139,599	-	**344,308**
Operating costs and expenses					
Lease operating expenses	26,330	72,095	-	-	**98,425**
Production taxes	-	22,747	64	-	**22,811**
General and administrative	-	-	367,476	330,470	**697,946**
Depletion, depreciation, amortization, and accretion	13,740	249,378	6,826	-	**269,944**
Impairment and dry hole expense	-	9,043,092	723,917	-	**9,767,009**
Mining royalty and staking	(1,122)	-	-	-	**(1,122)**
Total operating costs and expenses	38,948	9,387,312	1,098,283	330,470	**10,855,013**
Loss from operations	(38,948)	(9,182,603)	(958,684)	(330,470)	**(10,510,705)**
Other income and (expense)					
Interest expense	-	-	(410)	(321,862)	**(322,272)**
Foreign exchange gain	-	-	-	10,337	**10,337**
Gain on forgiveness of debt	-	-	-	72,422	**72,422**
Other income	-	-	7,525	13,764	**21,289**
Other income and (expense), net	-	-	7,115	(225,339)	**(218,224)**
Net loss	(38,948)	(9,182,603)	(951,569)	(555,809)	**(10,728,929)**
Net loss attributable to non-controlling interest			(17,098)		**(17,098)**
Net loss attributable to Paleo Resources, Inc. sharehol	(38,948)	(9,182,603)	(934,471)	(555,809)	**(10,711,831)**
Proved oil and gas properties expenditures	24,359	198,246	-	-	**222,605**

As at December 31, 2020

	Canada	U.S.	Fintech platform	Corporate	Consolidated
Canadian assets	925,085	-	-	-	**925,085**
U.S. oil and gas operation assets	-	444,710	-	-	**444,710**
U.S. Fintech platform operation assets	-	-	505,483	-	**505,483**
	925,085	444,710	505,483	-	**1,875,278**

17. Commitments

(Expressed in US Dollars unless otherwise stated)

(a) The Company has the following debt obligation principal repayments over the next five years (Note 6 and 7):

Year	**$**
2022	2,043,838
2023	-
2024	-
2025	-
Thereafter	324,700

(b) As described in Note 3, the Company completed the Acquisition with EFR. EFR leases its office under a long-term operating lease agreement that was effective from June 1, 2018 to October 31, 2023. The lease contains an early termination option which allows EFR to terminate the lease at the end of the 41st full month provided nine months advance notice is given and an early termination fee equal to the sum of two months base rent plus one-month base rent prorated for each year remaining on the lease.

The lease contains the following provisions - nine months free rent, and annual rent increases. The total amount of rental payments due over the lease term is being charged on a straight-line basis over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent liability. The Company incurred rent expense of $46,607 for the year ended December 31, 2021 and $22,777 for 2020.

Future minimum rental commitments under the operating lease are as follows as of December 30, 2021:

Year	**USD $**
2022	47,545
2023	40,560

18. Subsequent events

Effective March 7, 2022, the Company changed its name from Paleo Resources, Inc. to EF EnergyFunders Ventures, Inc.