

**Paleo Resources, Inc.**  
**Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended June 30, 2020 and 2019*  
*(Unaudited, Expressed in US Dollars)*

## **Auditor's Involvement**

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

The Auditors' of Paleo Resources, Inc. have not performed a review of the interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019.

**Paleo Resources, Inc.**  
**Condensed Interim Consolidated Balance Sheets**  
*(Unaudited, expressed in US Dollars)*  
As at

	June 30, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	223,940	235,263
Accounts receivable and other assets	46,311	33,162
Due from related parties	8,158	-
Prepaid expenses and deposits	36,232	73,282
	<b>314,641</b>	<b>341,707</b>
Deposit (Note 4)	231,015	240,729
Goodwill (Note 5)	1,085,067	-
Intangibles, net (Note 6)	30,729	-
Oil and gas properties, successful efforts method (Note 7)		
Proved properties, net	1,355,773	1,325,860
Unproved properties	8,620,615	8,620,615
<b>TOTAL ASSETS</b>	<b>11,637,840</b>	<b>10,528,911</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		
Related parties	1,104,443	986,123
Third parties	999,596	749,804
Deferred management fee – related parties	55,000	-
Loans payable (Note 8)		
Related parties	3,356,091	2,993,591
Third parties	300,000	300,000
Current portion of long-term debt	37,052	-
	<b>5,852,182</b>	<b>5,029,518</b>
Convertible debentures (Note 9)		
Related parties	470,745	470,463
Third parties	1,477,273	1,562,137
Loans payable (Note 8)	37,052	-
Asset retirement obligations (Note 10)	325,674	316,595
<b>TOTAL LIABILITIES</b>	<b>8,162,926</b>	<b>7,378,713</b>
<b>SHAREHOLDERS' EQUITY</b>		
Class A common shares, no par, unlimited shares authorized and 321,834,590 and 235,286,816 issued and outstanding at June 30, 2020 and December 31, 2019, respectively (Note 11)	32,368,127	31,729,775
Additional paid in capital	3,161,109	3,161,109
Accumulated other comprehensive (loss)	(595,848)	(747,330)
Non-controlling interest	160,195	-
Accumulated deficit	(31,618,669)	(30,993,356)
Total shareholders' equity	<b>3,474,914</b>	<b>3,150,198</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>11,637,840</b>	<b>10,528,911</b>

Approved on behalf of the Board

*(signed)* "Tom M. Crain, Jr."

President and Director

*(signed)* "Chris Pettit"

Director

**Paleo Resources, Inc.**  
**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**  
*(Unaudited, expressed in US Dollars)*  
For the three and six months ended June 30, 2020 and 2019

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Revenue</b>				
Management revenue	4,000	-	4,000	
Oil and gas sales, related parties, net	37,409	28,407	91,139	98,252
Oil and gas sales, third parties, net	-	28,288	-	59,962
	<b>41,409</b>	<b>56,695</b>	<b>95,139</b>	<b>158,214</b>
<b>Operating costs and expenses</b>				
Lease operating expenses	25,066	71,389	51,185	201,676
Production taxes	6,616	3,212	14,101	11,079
General and administrative				
Share-based compensation expenses		-		5,957
Other general and administrative expense	90,926	245,457	225,879	438,220
Acquisition expense	57,008	-	57,008	-
Depletion, depreciation and accretion (Note 7 and 10)	48,174	177,371	114,547	471,302
Impairment (Note 7)	-	-	32,297	-
Mining royalty and staking	7,199	23,024	22,681	56,463
	<b>234,989</b>	<b>520,453</b>	<b>517,698</b>	<b>1,184,697</b>
<b>Loss from operations</b>	<b>(193,580)</b>	<b>(463,758)</b>	<b>(422,559)</b>	<b>(1,026,483)</b>
<b>Other income and (expense)</b>				
Interest expense (Note 13)	(74,520)	(79,708)	(158,539)	(191,429)
Foreign exchange gain (loss)	(58,380)	(20,692)	(57,979)	72,320
Other income	13,764	-	13,764	-
Gain on forgiveness of debt	-	3,353,990	-	3,353,990
Other income and (expense), net	(119,136)	3,253,590	(202,754)	3,234,881
<b>Net income (loss) attributable to shareholders</b>	<b>(312,716)</b>	<b>2,789,832</b>	<b>(625,313)</b>	<b>2,208,398</b>
<b>Comprehensive income (loss)</b>				
Foreign currency translation	(26,095)	(16,243)	177,577	(111,960)
<b>Comprehensive income (loss) for the period</b>	<b>(338,811)</b>	<b>2,773,589</b>	<b>(135,020)</b>	<b>2,096,438</b>
Basic and diluted net income (loss) per share (Note 14)	( <b>\$0.00</b> )	\$0.01	( <b>\$0.00</b> )	\$0.01
Weighted average number of common shares outstanding	<b>249,552,438</b>	235,286,816	<b>242,419,627</b>	235,286,816

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

**Paleo Resources, Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
*(Unaudited, expressed in US Dollars)*  
For the six months ended June 30, 2020 and 2019

	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	(625,313)	2,208,398
Adjustments:		
Depletion, depreciation and accretion	114,547	480,656
Impairment	-	-
Debt discount amortization (Note 9)	10,857	5,957
Unrealized foreign exchange	9,963	(211,603)
Gain on settlement of debt	-	(3,110,629)
Changes in operating assets and liabilities		
Account receivable	(7,986)	10,220
Prepaid expenses and deposits	35,432	-
Accounts payable and accrued liabilities	101,955	253,995
Net cash used in operating activities	(360,545)	(363,006)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits	(1,591)	(2,345)
Cash from EF Resources acquisition (Note 3)	17,454	-
Additions to unproved oil and gas properties	941	(4,811)
Additions to proved oil and gas properties	(95,514)	(26,094)
Net cash used in investing activities	(78,710)	(33,250)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from convertible debentures, net of issue costs	-	1,480,726
Proceeds from loans payable	300,000	1,343,000
Repayment of loans payable	-	(283,000)
Repayment of long-term debt	-	(1,200,000)
Net cash provided by financing activities	300,000	1,340,726
Effect of changes in foreign exchange rates on cash held in foreign currencies	127,932	142,770
Net increase (decrease) in cash and cash equivalents for the period	(11,323)	1,087,240
Cash and cash equivalents, beginning of the period	235,263	40,786
<b>Cash and cash equivalents, end of the period</b>	<b>223,940</b>	<b>1,128,026</b>

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

**Paleo Resources, Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
*(Unaudited, expressed in US Dollars)*  
For the six months ended June 30, 2020 and 2019

	2020 \$	2019 \$
<b>Supplemental cash flow disclosures</b>		
Interest paid	74,569	18,674
Income taxes paid	-	-
<b>Non-cash transactions</b>		
Asset retirement obligation asset revision	-	24,395
<b>Non-cash investing activities</b>		
Change in unproved properties in accounts payable	941	34,914
Change in proved properties in accounts receivable and accounts payable	<b>(81,173)</b>	26,483
Common stock issued for EFR	<b>638,352</b>	
Assets acquired and liabilities assumed through EFR Merger		
Cash	17,454	
Account receivable, net	14,878	
Intangible, net	30,729	
Proved properties, net	147,341	
Goodwill	1,085,067	
Accounts Payable and accrued liabilities	288,516	
Deferred management revenue	57,500	
Deferred rent liability	4,966	
Asset retirement obligations	9,337	
Note payable, related parties	62,500	
Note payable, third parties	74,103	
Non-controlling interest	160,195	

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

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
*(Unaudited, expressed in US Dollars)*

	Number of Shares #	Share Capital \$	Additional Paid In Capital \$	Accumulated Other Comprehensive Income (Loss) \$	Equity portion of CDS \$	Deficit \$	Noncontrolling Interest \$	Total Shareholders' Equity (Deficit) \$
<b>Balance, December 31, 2018</b>	235,286,816	31,729,775	3,155,152	(601,813)		(32,472,917)		1,810,197
Foreign currency translation	-	-	-	(95,717)		-		(95,717)
Share-based payments	-	-	5,957	-		-		5,957
Net loss for the period	-	-	-	-		(581,434)		(581,434)
<b>Balance, March 31, 2019</b>	235,286,816	31,729,775	3,161,109	(697,530)		(33,054,351)		1,139,003
Foreign currency translation	-	-	-	(16,243)		-		(16,243)
Equity portion of June 2019 debentures					49,923			49,923
Share-based payments	-	-	-	-		-		-
Net loss for the period	-	-	-	-		2,789,832		2,789,832
<b>Balance, June 30, 2019</b>	<b>235,286,816</b>	<b>31,729,775</b>	<b>3,161,109</b>	<b>(713,773)</b>	<b>49,923</b>	<b>(30,246,519)</b>		<b>3,962,515</b>
Balance, December 31, 2019	235,286,816	31,729,775	3,161,109	(747,330)		(30,993,356)		3,150,198
Foreign currency translation	-	-	-	177,577		-		177,577
Share-based payments	-	-	-	-		-		-
Net loss for the period	-	-	-	-		(312,597)		(312,597)
<b>Balance, March 31, 2020</b>	<b>235,286,816</b>	<b>31,729,775</b>	<b>3,161,109</b>	<b>(569,753)</b>		<b>(31,305,953)</b>		<b>3,015,178</b>
Common stock issued for acquisition of EF Resources	86,547,774	638,352	-	-		-		638,352
Noncontrolling interest from acquisition of EF Resources							160,195	160,195
Foreign currency translation	-	-	-	(26,095)		-		(26,095)
Net loss for the period	-	-	-	-		(312,716)		(312,716)
<b>Balance, June 30, 2020</b>	<b>321,834,590</b>	<b>32,368,127</b>	<b>3,161,109</b>	<b>(595,848)</b>		<b>(31,618,669)</b>	<b>160,195</b>	<b>3,474,914</b>

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

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
*(Unaudited, expressed in US Dollars unless otherwise stated)*

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**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. to Paleo Resources, Inc. ("Paleo" or the "Company"). In addition, the Company's subsidiary, Tanager Energy (USA) Inc. changed its name to Paleo Resources (USA), Inc.

Paleo Resources is an exploration company, engaged in the acquisition, exploration and development of precious and base metal properties in Ontario, Canada and oil and gas in Alberta, Canada and Texas, USA.

On June 16, 2020, the Company completed the merger transaction contemplated by the Agreement and Plan of Merger ("Merger Agreement") dated as of 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, Merger Sub merged with and into EFR, with EFR continuing as the surviving corporation and becoming a wholly-owned subsidiary of Paleo. EF Resources, Inc. 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 June 30, 2020 (Note 2).

The Company's common shares are listed on the TSX Venture Exchange under the symbol PRE 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*

These unaudited condensed interim consolidated financial statements, including comparatives, 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 from August 31, 2020. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As at June 30, 2020, the Company had a working capital deficiency of \$5,537,541 (December 31, 2019 - \$4,687,811) and an accumulated deficit of \$31,618,669 (December 31, 2019 - \$30,993,356). The Company will need additional funding in order to continue operations. 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 conditions raise substantial doubt on the Company's ability to continue as a going concern.

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. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate.

**2. Basis of presentation and significant accounting policies**

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
*(Unaudited, expressed in US Dollars unless otherwise stated)*

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*Interim financial statements*

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with US GAAP for interim financial information and with the appropriate rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to such rules and regulations. All adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the interim periods presented have been included. The unaudited interim financial information and notes hereto should be read in conjunction with the Company's consolidated financial statements as of and for the years ended December 31, 2019 and 2018. The results of operations for interim periods are not necessarily indicative of results to be expected for a full fiscal year. These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments and share-based payment transactions that have been measured at fair value. They were prepared on a going concern basis 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.

*Basis of consolidation*

These unaudited condensed interim 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 EF Resources, Inc. ("EFR") and all affiliated entities in which the EFR has a controlling financial interest. To determine if the 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 the EFR holds a controlling financial interest. EFR reevaluates 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.

As of June 16, 2020, Company's consolidated subsidiaries includes EF Resources, Inc.; EnergyFunders, LLC; EF Advisor, LLC; EF Funding Portal, LLC; EF GP, LLC; EF MGMT HLD, LLC; EF VC2, LLC and EF VC6, LLC.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these unaudited consolidated financial statements.

**2. Basis of presentation and significant accounting policies (continued)**

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
*(Unaudited, expressed in US Dollars unless otherwise stated)*

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*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, 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.

*Recently issued accounting standards*

The Corporation, 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.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement,” the purpose of which is to improve the effectiveness of fair value measurement disclosures. The amendments in this ASU are the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, which the FASB finalized on August 28, 2018. The FASB used the guidance in the Concepts Statement to improve the effectiveness of ASC 820’s disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of this ASU. The Company is currently assessing the impact of the new standards on these consolidated financial statements.

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, 2020. The Company elects to defer adoption of this ASU until January 1, 2021 as allowed for an emerging growth company. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented in the financial statements using a modified retrospective approach.

**3. Acquisition of EF Resources, Inc.**

On June 16, 2020, the Company completed its acquisition of EFR with the issuance of 86,544,774 shares of common stock in exchange for all outstanding shares of EFR. The results of EFR operations since the closing date of the acquisition are included in its consolidated statement of operations through June 30, 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 \$57,008 to date included in the acquisition expense.

Allocation of Purchase Price – 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.

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

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
*(Unaudited, expressed in US Dollars unless otherwise stated)*

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

	<b>Preliminary Purchase Price Allocation</b>	
<b>Consideration:</b>		
Fair value of the Company's common stock issued	\$	<b>638,352</b>
 <b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	288,516
Deferred management revenue		57,500
Deferred rent liability		4,966
Asset retirement obligations		9,337
Note payable, related parties		62,500
Note payable, third parties		74,103
<b>Total liabilities assumed</b>	\$	<b>496,922</b>
 <b>Equity</b>		
<b>Non-controlling interest</b>	\$	<b>160,195</b>
 <b>Assets</b>		
Cash		17,454
Account receivable		14,878
Intangible		30,729
Proved properties		147,341
Goodwill		1,085,067
<b>Total assets acquired</b>		<b>1,295,469</b>

The results of operations attributable to EFR are included in the Company's consolidated statement of operations beginning on June 16, 2020. Revenues of \$4,000 and net loss of \$17,501 from EFR were generated from June 16, 2020 to June 30, 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, 2019. 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, including the Company's common stock issued to convert ERF outstanding share of common stock and equity awards as of the closing date of the acquisition.

Additionally, unaudited pro forma earnings were adjusted to excluded acquisition-related costs incurred by EFR of \$90,500 and Paleo of \$57,008 for the three and six months ended June 30, 2020. 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.

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, 2019; furthermore, the financial information is not intended to be a projection of future results.

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

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
*(Unaudited, expressed in US Dollars unless otherwise stated)*

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	73,136	336,891	201,929	489,654
Net income (loss) attributable to shareholders	(290,076)	2,730,626	(641,899)	1,886,801
Net income (loss) per common share basis and diluted	(\$0.00)	\$0.01	(\$0.00)	\$0.01
Weighted average share outstanding:				
Basic and diluted	321,834,590	338,804,798	321,834,590	338,804,798

**4. Deposit**

The deposit 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%.

**5. Goodwill**

The Company’s goodwill is from 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 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.

**6. Intangible assets**

The Company’s intangible assets consisted of the online platform software. 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.

**7. Oil and gas properties, successful efforts method**

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
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	June 30, 2020	December 31, 2019
<b>Oil and gas properties</b>	<b>\$</b>	<b>\$</b>
Proved properties	6,432,576	6,318,074
Accumulated depletion, depreciation, and impairment	(5,076,803)	(4,992,214)
Proved properties, net	1,355,773	1,325,860
Unproved properties	8,620,615	8,620,615
Total oil and gas properties, net	9,976,388	9,946,475

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

	June 30, 2020	December 31, 2019
<b>Proved properties</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
Balance, beginning of period	6,318,074	5,388,095
Additions	161,682	812,706
Transfer from unproved properties	-	-
Asset retirement obligation adjustments	-	88,111
Gain (loss) on foreign exchange translation	(47,180)	29,162
Balance, end of period	6,432,576	6,318,074
<b>Accumulated depletion, depreciation, and impairment</b>		
Balance, beginning of period	4,992,214	4,394,819
Depletion and depreciation	104,592	579,369
Gain (loss) on foreign exchange translation	(20,003)	18,026
Balance, end of period	5,076,803	4,992,214
<b>Net book value</b>	<b>1,355,773</b>	<b>1,325,860</b>

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

	June 30, 2020	December 31, 2019
<b>Unproved properties</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of period	8,620,615	8,780,218
Additions	32,267	116,191
Properties adjustment	-	(151,069)
Disposition	-	(12,278)
Impairment	(32,267)	(112,917)
Transfer to proved properties	-	-
Asset retirement obligation adjustment (Note 8)	-	470
Balance, end of period	8,620,615	8,620,615

**7. Oil and gas properties, successful efforts method (continued)**

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*Property Impairment*

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.

The Company conducted an impairment test of the carrying value on June 30, 2020 and December 31, 2019 and concluded there was no impairment.

**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, 2019. At December 31, 2019, for its Yegua formation assets in the US, the Company determined that there were indicators of impairment and tested the unproved properties for impairment. The indicators observed include that certain individual Yegua formation area leases with undeveloped acreage that have expired or are not expected to be renewed or drilled upon in the future. As at June 30, 2020, the Company has measured an impairment of \$nil (December 31, 2019 - \$21,430) based upon the carrying value of those individual area leases. In the fourth quarter of 2019, the Company's Dorn Prospect well in the Yegua formation was drilled and testing operations were concluded. The Dorn Prospect well produced non-commercial quantities of gas and water from multiple prospective sandstone sections, and the Company has decided to plug and abandon the well as a dry hole. Impairment expense for the three and six months ended June 30, 2020 included \$nil and \$32,297, respectively, (year ended December 31, 2019 - \$91,487) of costs from the Dorn Prospect well.

**8. Loans payable**

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	Jun 30, 2020	December 31, 2019
	\$	\$
Promissory note from US JV Partner	1,462,591	1,462,591
Loan from US JV Partner	62,500	-
Loan from subsidiary of US JV Partner	1,831,000	1,531,000
Total loans payable from related parties	3,356,091	2,993,591
Loan from third-party lender	300,000	300,000
Paycheck protection program loan	74,103	-
	<b>3,730,194</b>	<b>3,293,591</b>

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 extending 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 from a wholly owned subsidiary of the US JV Partner for a total available amount of \$1,250,000. Effective March 31, 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 extending the maturity date of the loans to June 30, 2021, and all monthly payments of principal and interest are deferred until the maturity date

The loan from the third-party joint venture partner was entered into on October 1, 2018. (See Note 19)

On April 21, 2020, the Company's subsidiary, EnergyFundrs, 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.

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**9. Convertible debentures**

	June 30, 2020 \$	December 31, 2020 \$
Convertible debentures issued to related parties	470,745	470,463
Convertible debentures issued to third parties	1,477,273	1,562,137
	<b>1,948,018</b>	<b>2,032,600</b>

**2019 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

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, controlled by Christopher J. Pettit, a director of the Company, as trustee of a Trust.

The following table summarizes the movement of Company’s 2019 convertible debentures:

	June 30, 2020 \$	December 31, 2019 \$
Balance, beginning of period	2,032,600	-
Convertible debentures issued, net of issuance cost	-	1,955,813
Amortization of issuance cost	10,857	12,435
Foreign exchange	(95,439)	64,352
Balance, end of period	<b>1,948,018</b>	<b>2,032,600</b>

**10. 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:

	June 30, 2020 \$	December 31, 2019 \$
<b>Balance, beginning of period</b>	316,595	204,767
Accretion	9,955	15,719
Additions	9,337	31,581
Change in estimate	-	57,000
Foreign exchange	(10,213)	7,528
<b>Balance, end of period</b>	<b>325,674</b>	<b>316,595</b>

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**11. 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 \$
<b>Balance, March 31, 2020 and December 31, 2019</b>	<b>235,286,816</b>	<b>31,729,775</b>
Issued for EF Resources acquisition	86,547,744	638,352
<b>Balance, June 30, 2020</b>	<b>321,834,590</b>	<b>32,368,127</b>

**12. Stock options**

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, as to 50%, on the grant date, as to 25%, on each of the first and second anniversaries of the grant date. As of December 31, 2019, all of these stock options have vested and remain outstanding.

For the three and six months ended June 30, 2020 and 2019, the Company recorded share-based compensation expense of \$nil for 2020, \$nil and \$5,957, respectively for 2019.

**13. Interest expense**

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest expense <sup>(1)</sup>	69,172	70,354	147,682	182,075
Debt discount amortization (Note 9)	5,348	-	10,857	-
	<b>74,520</b>	70,354	<b>158,539</b>	182,075

(1) Interest expense for the three months ended June 30, 2020 includes \$36,213 (2019 – \$7,819) of interest on convertible debentures, and \$32,959 (2019 - \$62,535) of interest accrued on the Credit Facility, Note Payable and Loans Payable. Interest expense for the six months ended June 30, 2020 includes \$73,513 (2019 – \$7,819) of interest on convertible debentures, and \$74,169 (2019 - \$174,256) of interest accrued on the Credit Facility, Note Payable and Loans Payable.

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**14. Net income (loss) per common share**

The calculation of basic income (loss) per share for the three and six months ended June 30, 2020 was based on the net income (loss) attributable to common shareholders of (\$312,716) and (\$625,313) (2019 – net income of \$2,759,832 and \$2,208,398) and the weighted average number of diluted common shares outstanding of 249,522,438 and 242,419,627, respectively, (2019 – 252,257,024).

In computing weighted average diluted loss per share for the three and six month periods ended June 30, 2020, 2,000,000 common share options and 22,356,658 common shares issuable on conversion of convertible debentures were excluded from the diluted loss per share calculations because they were anti-dilutive.

In computing weighted average diluted income per share for the three and six month periods ended June 30, 2019, 2,000,000 common share options and 21,000,000 warrants were excluded from the denominator as a consequence of applying the treasury stock method and a total of 16,970,208 common shares issuable on conversion of convertible debentures were added to the denominator as they were dilutive, resulting in diluted weighted average common shares of 252,257,024. As a consequence, a total of \$17,173 for interest accretion expense were added to the numerator.

**15. 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 six months ended June 30, 2020 and 2019:

Related Party	Transactions	2020 \$	2019 \$
Director and Trust <sup>(1)</sup>	Convertible debentures - interest expense incurred	17,617	-
US JV Partner and sub <sup>(2)</sup>	Promissory note and loan interest expense incurred	65,163	100,855
US JV Partner	US operation expense and revenue, net	(50,415)	42,467

(1) Total accrued interest payable to the director and the Trust as of June 30, 2020 was \$227,979 (December 31, 2019 – \$229,254) and is included in accounts payable and other liabilities.

(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 June 30, 2020 is \$771,617 (December 31, 2019 - \$756,869) owing to the US JV Partner and its subsidiary.

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 June 30, 2020, deferred management fees totaled \$55,000. For the three months and six months ended June 30, 2020, management fee revenue was \$2,500 and \$nil for 2019.

The Company received reimbursement revenue for soft costs incurred from related parties totaling \$1,500 for the three months and six months ended June 30, 2020 and \$nil for 2019.

On June 16, 2020, the Company authorized the issuance common shares of Paleo to the former shareholders of EFR. Charles Minshew, CEO of EF Resources, is entitled to receive up to 14,978,269 common shares, being 13,480,442 "Closing Shares" due upon exchange and tender of outstanding EF Resources shares and 1,497,827 "Holdback Shares" in the event that no claims diminish the available Holdback Shares per the terms of the Agreement.

**16. Revenue**

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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 revenue disaggregated by revenue source for the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Crude oil	-	24,665	-	51,833
Natural gas liquids	-	848	-	2,868
Natural gas	<b>37,409</b>	108,677	<b>91,139</b>	272,205
Petroleum and natural gas sales	<b>37,409</b>	134,190	<b>91,139</b>	326,906
Other income <sup>(1)</sup>	-	260	-	552
<b>Total revenue</b>	<b>37,409</b>	134,450	<b>91,139</b>	327,458

(1) Other income primarily consists of gathering fee income and sulfur sales.

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 will be recognized when the services have been provided to the respective investee companies. For the three months and six months ended June 30, 2020, management fee revenue was \$2,500 and \$nil for 2019.

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 Company received reimbursement revenue for soft costs incurred from related parties totaling \$1,500 for the three months and six months ended June 30, 2020 and \$nil for 2019.

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The Company's reportable segments are determined based on its geographic locations and types. The Canada 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 Texas, USA. As of June 30, 2020, 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 six months ended June 30, 2020**

	Canada	U.S.	Fintech platform	Corporate	Consolidated
	\$	\$	\$	\$	\$
<b>Revenue, net of royalties</b>	-	91,139	4,000	-	<b>95,139</b>
<b>Operating costs and expenses</b>					
Lease operating expenses	17,369	33,816	-	-	<b>51,185</b>
Production taxes	-	14,101	-	-	<b>14,101</b>
General and administrative					
Share-based payments	-	-	-	-	-
Other general and administrative expenses	-	-	21,501	204,378	<b>225,879</b>
Transaction expense	-	-	-	57,008	<b>57,008</b>
Depletion, depreciation and accretion	6,605	107,942	-	-	<b>114,547</b>
Impairment	-	32,297	-	-	<b>32,297</b>
Mining royalty and staking	22,681	-	-	-	<b>22,681</b>
<b>Total operating costs and expenses</b>	<b>46,656</b>	<b>188,156</b>	<b>21,501</b>	<b>261,386</b>	<b>517,698</b>
<b>Loss from operations</b>	<b>(46,656)</b>	<b>(97,017)</b>	<b>(17,501)</b>	<b>(261,386)</b>	<b>(422,559)</b>
<b>Other income and (expense)</b>					
Interest expense	-	-	(31)	(158,508)	<b>(158,539)</b>
Foreign exchange gain	-	-	-	(57,979)	<b>(57,979)</b>
Gain on forgiveness of debt	-	-	-	-	-
Gain on disposition of unproved properties	-	-	-	-	-
Other income	-	-	-	13,764	<b>13,764</b>
Other income and (expense), net	-	-	(31)	(202,724)	<b>(202,755)</b>
<b>Net loss attributable to shareholders</b>	<b>(46,656)</b>	<b>(97,017)</b>	<b>(17,470)</b>	<b>(58,663)</b>	<b>(625,314)</b>
<b>Unproved oil and gas properties expenditures</b>					
Additions	-	32,297	-	-	<b>32,297</b>
Properties adjustment	-	-	-	-	-
Disposition	-	(32,297)	-	-	<b>(32,297)</b>
Asset retirement adjustments	-	-	-	-	-
	-	-	-	-	-
<b>Proved oil and gas properties expenditures</b>					
Additions	11,522	2,819	-	-	<b>14,341</b>
Asset retirement adjustments	-	-	-	-	-
Foreign currency translation	(47,181)	-	-	-	<b>(47,181)</b>
	<b>(35,658)</b>	<b>2,819</b>	-	-	<b>(32,839)</b>
<b>As at June 30, 2020</b>					
Canadian assets	990,304	-	-	-	<b>990,304</b>
U.S. oil and gas operation assets	-	9,309,976	-	-	<b>9,309,976</b>
U.S. Fintech platform operation assets	-	-	1,337,560	-	<b>1,337,560</b>
	<b>990,304</b>	<b>9,309,976</b>	<b>1,337,560</b>	-	<b>11,637,840</b>

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**17. Segmented financial information (continued)**

**For the six months ended June 30, 2019**

	Canada	U.S.	Corporate	Consolidated
	\$	\$	\$	\$
<b>Revenue, net of royalties</b>	59,962	98,252	-	<b>158,214</b>
<b>Operating costs and expenses</b>				
Lease operating expenses	78,380	123,296	-	<b>201,676</b>
Production taxes	-	11,079	-	<b>11,079</b>
General and administrative				
Share-based payments	-	-	5,957	<b>5,957</b>
Other general and administrative expenses	-	-	438,220	<b>438,220</b>
Depletion, depreciation and accretion	42,463	422,104	-	<b>464,567</b>
Impairment	-	-	-	-
Mining royalty and staking	56,463	-	-	<b>56,463</b>
Total operating costs and expenses	177,306	556,479	444,177	<b>1,177,962</b>
<b>Loss from operations</b>	<b>(117,344)</b>	<b>(458,227)</b>	<b>(444,177)</b>	<b>(1,019,748)</b>
<b>Other income and (expense)</b>				
Interest expense	-	-	(198,164)	<b>(198,164)</b>
Foreign exchange gain	-	-	72,320	<b>72,320</b>
Gain on forgiveness of debt	-	-	3,110,629	<b>3,110,629</b>
Gain on disposition of unproved properties	-	-	-	-
Gain on disposition of share	-	-	243,361	<b>243,361</b>
Other income and (expense), net	-	-	3,228,146	<b>3,228,146</b>
<b>Net loss attributable to shareholders</b>	<b>(117,344)</b>	<b>(458,227)</b>	<b>(3,672,323)</b>	<b>2,208,398</b>
<b>Unproved oil and gas properties expenditures</b>				
Additions	-	39,725	-	<b>39,725</b>
Properties adjustment	-	-	-	-
Disposition	-	-	-	-
Asset retirement adjustments	-	(177)	-	<b>(177)</b>
	-	39,548	-	<b>39,548</b>
<b>Proved oil and gas properties expenditures</b>				
Additions	48,129	4,448	-	<b>52,577</b>
Asset retirement adjustments	(23,522)	(696)	-	<b>(24,218)</b>
Foreign currency translation	2,073	-	-	<b>2,073</b>
	26,680	3,752	-	<b>30,432</b>
<b>As at June 30, 2019</b>				
Canadian assets	1,466,965	-	-	<b>1,466,965</b>
U.S. assets	-	9,355,361	-	<b>9,355,361</b>
Corporate assets	-	-	-	-
	1,466,965	9,355,361	-	<b>10,822,326</b>

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**18. Commitments**

- (a) The Company has the following debt obligation principal repayments over the next five years (Note 8 and 9):

Year	\$
2020	337,052
2021	5,423,048
2022	-
2023	-
2024	-

- (b) The Company currently holds a 100% interest in the Burchell Lake Gold Property.

The Company must perform a required level of evaluation activity, to maintain its mining property in good standing. The failure of the Company to meet these requirements would lead to the forfeiture of the Company's rights to the claims comprising this property or parts thereof. The Company is required to incur the following minimum expenditures for the next five years to maintain its claims in good standing:

Year	CDN \$
2020	65,000
2021	62,800
2022	91,600
2023	91,600
2024	91,600

The Burchell Lake Gold Property is subject to a 3% Net Smelter Return Royalty ("NSR") and is subject to advance royalty payments of CDN \$40,000 per annum, payable to the original optionors of the properties, subject to certain criteria. These funds are to be recouped out of future production.

- (c) Pursuant to an exploration agreement with the US JV Partner, the Company committed to pay for 100% of the costs of the first joint venture well drilled in the Yegua formation and will earn a 50% working interest in the net revenue from that well. Further, the Company shall pay an aggregate maximum of \$3,500,000 (the "Carry Funding Amount") for 100% of the costs of all subsequent Yegua wells which allows the Company to earn a 75% working interest in the net revenue from these wells until the Carry Funding Amount has reached payout. After payout of the Carry Funding Amount, the Company's working interest in these and future wells shall reduce to 50%. In 2017, the Company drilled six joint venture wells in the Yegua formation and has calculated that it has incurred costs up to the \$3,500,000 Carrying Fund Amount in 2018.

In addition, pursuant to the exploration agreement, the Company has agreed to pay 100% of the costs associated with recompletion of the Cain-Carter #1 well and earns a 50% working interest in the net revenue from that well. The Cain-Carter #1 well has not been recompleted as of June 30, 2020.

- (d) 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 41<sup>st</sup> full month provided six 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.

**Paleo Resources, Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
*As at and for the three and six months ended June 30, 2020*  
*(Unaudited, expressed in US Dollars unless otherwise stated)*

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**18. Commitments (continued)**

The lease contains the following provisions, six 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.

Future minimum rental commitments under the operating lease are as follows as of June 30, 2020:

<b>Year</b>	<b>USD \$</b>
2020	22,770
2021	46,607
2022	47,545
2023	40,560

**19. Subsequent events**

On July 17, 2020, Jim Durham (the "Plaintiff"), the third party lender, filed a claim against the Company for Breach of Contract/Guaranty. The Plaintiff demands the repayment of loan plus interest and attorney's fees.