

Consolidated Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

(formerly Asian Mineral Resources Limited)

Years ended December 31, 2020 and 2019

DECKLAR RESOURCES INC.

Contents

Years ended December 31, 2020 and 2019

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To the Shareholders of Decklar Resources Inc. (formerly Asian Mineral Resources Limited):

Opinion

We have audited the consolidated financial statements of Decklar Resources Inc. (formerly Asian Mineral Resources Limited) and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred a net loss for the year ended December 31, 2020 and, as of that date, had an accumulated deficit and negative working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2020.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta
April 27, 2021

MNP LLP
Chartered Professional Accountants

DECKLAR RESOURCES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at December 31, 2020 and 2019

	Notes	2020	2019
Assets			
Current assets:			
Cash and cash equivalents		\$ 123,236	\$ 493,045
Accounts receivable and prepaid expenses	7	58,930	26,966
Total current assets		182,166	520,011
Non-current assets:			
Resource properties	9	5,778,471	100,000
Total assets		\$ 5,960,637	\$ 620,011
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term loans	10	\$ 305,529	\$ 56,925
Refundable deposit	11	985,866	-
Trade payables and accrued liabilities	12	653,413	94,643
Total liabilities		1,944,808	151,568
Shareholders' equity:			
Share capital	13	\$ 138,680,452	\$ 132,256,259
Share-based payments reserve		1,117,282	484,924
Contingent consideration	8	1,601,229	-
Accumulated other comprehensive loss		(253,556)	-
Deficit		(137,129,578)	(132,272,740)
Total shareholders' equity		4,015,829	468,443
Total liabilities and shareholders' equity		\$ 5,960,637	\$ 620,011

Going concern (note 1)

Subsequent events (note 22)

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

Approved by the Board of Directors:

Signed "Christopher Castle"

Christopher Castle

Signed "Duncan Blount"

Duncan Blount

DECKLAR RESOURCES INC.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

Years ended December 31, 2020 and 2019

	Notes	2020	2019
Operating costs			
General and administrative expenses	14	\$ (1,294,744)	\$ (205,323)
Due diligence and other costs		-	(113,280)
Impairment of resource properties	15	(3,346,978)	-
Operating loss		(4,641,722)	(318,603)
Other income (expenses)			
Finance income		4,938	4,654
Finance expense		(2,926)	(4,727)
Foreign exchange expense		(217,128)	-
Total other expenses		(215,116)	(73)
Net loss for the year		(4,856,838)	(318,676)
Other comprehensive loss:			
Unrealized foreign exchange loss on translation		(253,556)	-
Comprehensive loss for the year		\$ (5,110,394)	\$ (318,676)
Basic and diluted loss per share		\$ (0.13)	\$ (0.02)
Weighted average number of common shares outstanding	13(e)		
Basic and diluted		37,943,790	13,080,318

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

DECKLAR RESOURCES INC.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except common share amounts)
Years ended December 31, 2020 and 2019

	Number of common shares	Share capital	Share- based payments reserve	Accumulated other comprehensive loss	Contingent consideration	Deficit	Shareholders' equity
Balance, December 31, 2018	8,746,437	\$ 131,256,259	\$ 506,142	\$ -	\$ -	\$(131,975,282)	\$ (212,881)
Issue of shares	13,333,333	1,000,000	-	-	-	-	1,000,000
Expiry of options	-	-	(21,218)	-	-	21,218	-
Net loss for the year	-	-	-	-	-	(318,676)	(318,676)
Balance, December 31, 2019	22,079,770	132,256,259	484,924	-	-	(132,272,740)	468,443
Issue of shares	32,200,003	6,424,193	-	-	-	-	6,424,193
Share-based payments	-	-	632,358	-	-	-	632,358
Currency translation	-	-	-	(253,556)	-	-	(253,556)
Contingent consideration	-	-	-	-	1,601,229	-	1,601,229
Net loss for the year	-	-	-	-	-	(4,856,838)	(4,856,838)
Balance, December 31, 2020	54,279,773	\$ 138,680,452	\$ 1,117,282	\$ (253,556)	\$ 1,601,229	\$(137,129,578)	\$ 4,015,829

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

DECKLAR RESOURCES INC.

Condensed Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended December 31, 2020 and 2019

	Notes	2020	2019
Cash provided by (used in):			
Operating activities:			
Net loss for the year		\$ (4,856,838)	\$ (318,676)
Items not involving cash:			
Share-based payments	13(c)(ii)	632,358	-
Interest on short-term loan		2,927	4,609
Impairment of resource assets	15	3,346,978	-
Changes in non-cash operating working capital:			
Accounts receivable and prepaid expenses		(31,964)	49,387
Trade payables and accrued liabilities		595,051	41,188
Cash flow provided used in operating activities		(341,488)	(223,492)
Financing activities:			
Warrants exercised	13	1,019,999	-
Private placement	13	-	640,000
Refundable deposit	11	985,404	-
Short-term loans repaid	10	(132,555)	(50,000)
Investment advance		-	500
Cash flow provided by financing activities		1,872,848	590,500
Investing activities:			
Resource property expenditures	9	(1,831,152)	-
Decklar acquisition costs	8	(100,031)	-
Cash acquired on acquisition	8	45	-
Cash flow used in investing activities		(1,931,138)	-
Net increase (decrease) in cash and cash equivalents		(399,778)	367,008
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions		29,969	-
Cash and cash equivalents, beginning of year		493,045	126,037
Cash and cash equivalents, end of year		\$ 123,236	\$ 493,045

Supplemental cash flow information (note 19)

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

DECKLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

1. Nature of business and going concern:

Decklar Resources Inc. (“Decklar” or the “Company”), formerly Asian Mineral Resources Limited, was incorporated under the laws of the Province of British Columbia by a certificate of continuance on December 31, 2004, having previously been incorporated and registered under the New Zealand Companies Act 1993. On April 19, 2004, the Company was listed on the TSX Venture Exchange. The Company’s principal business activities are the exploration and development of oil and gas properties in Nigeria and exploration and development of mineral properties in Canada. The Company’s registered corporate office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

On July 16, 2020 the Company completed an agreement to acquire all the issued and outstanding shares of Nigerian-based Decklar Petroleum Limited (“DPL”), whose sole asset is a Risk Service Agreement (“RSA” or “Resource Property”) with Millenium Oil and Gas Company Limited (“Millenium”), the owner of the Oza Oil Field located onshore in the northern part of Oil Mining License 11 in the Eastern Niger Delta of Nigeria (see Note 8). The Company is now focused on providing technical and financial support to develop the Oza Oil Field with Millenium.

These consolidated annual financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. For the year ended December 31, 2020, the Company has incurred a net loss of \$4,856,838 (2019 - \$318,676), and as at that date, had an accumulated deficit of \$137.1 million (2019 - \$132.3 million) and negative working capital of \$1.76 million (2019 – positive of \$368,443). Additional equity and/or debt financing will be needed to develop the Company’s strategic assets, including the investment in Nigeria, and to pay general and administrative costs. The Company currently has no source of operating cash flow and no assurance that additional funding will be available. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

There can be no assurance that the Company will be able to obtain requisite financing in the future and, if realized, such financing might not be favourable to the Company and might involve dilution to existing shareholders. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required.

In March 2021, the Company completed a non-brokered private placement of 16,865,714 common shares at a price \$0.28 per unit, for aggregate gross proceeds of \$4,722,400. All securities issued pursuant to the private placement were subject to a four-month hold period. Finder’s fees on the placement included cash payment of \$8,400 and issuance of 430,000 common shares of the Company.

The outbreak of the novel coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization on March 11, 2020. Global financial markets experienced significant volatility and weakness as a consequence of the pandemic and governments worldwide enacted emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, temporary business closures, self-imposed quarantine periods, social distancing and restrictions on public gatherings, have caused material disruption to businesses globally resulting in an economic slowdown. Crude oil prices declined dramatically in 2020 due to the actual and anticipated impacts of COVID-19 on global commerce and energy demand, as well as disagreements between major oil producing nations of Saudi Arabia and Russia with respect to production quotas. Second and third waves of the outbreak are underway in several countries and new restrictions are being imposed as COVID-19 case counts rise. The duration and full extent of the impact of COVID-19 is uncertain as information surrounding the pandemic continues to evolve. New variants of the virus have emerged globally adding to this uncertainty.

DECKLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the interpretation of the International Financial Reporting Interpretations Committee ("IFRIC") that are in effect as of January 1, 2020.

(b) Approval of the financial statements:

The consolidated financial statements of the Company for the years ended December 31, 2020 and 2019, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 27, 2021.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

(a) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, utilizing the accrual method of accounting unless otherwise described in the following notes.

(b) Revenue recognition:

Revenue from sales of minerals is recognized at the time of shipment, at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price as per the London Metals Exchange. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue and receivables. Changes in the estimate of mineral content resulting from the final independent analysis are recognized at the point at which such analysis is agreed upon between the Company and its customers.

Revenue from the sale of oil and gas is recognized based on volumes delivered to purchasers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, transportation, and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded. Decklar's share of revenues will be determined by the terms of the RSA it has with its Nigerian co-venturers. Under the terms of the RSA in effect for the Oza field, Decklar will receive a maximum of 80 % of revenues until Decklar has recovered its investment in the Oza field, and then move to a sliding scale that decreases from 80% to 40% depending on the barrels of RSA production.

(c) Currency translation:

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of its subsidiary, DPL, is the United States dollar. Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of the monetary assets and liabilities are translated into their Canadian dollar equivalents at the exchange rates in effect on the reporting date. Gains and losses on translation or settlement are included in net income (loss) for the current year.

DECKLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

3. Significant accounting policies (continued):

(c) Currency translation (continued):

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive loss.

(d) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Decklar Petroleum Limited. All intercompany transactions and balances are eliminated on consolidation. The Company determines whether it shall consolidate a subsidiary by assessing whether it has control over the subsidiary. Factors considered in such an assessment include whether the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its control over the subsidiary.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less when acquired.

(f) Prepayments:

Prepayments to suppliers and contractors are based on the contract progress, with payments made at specified stages of the contract. These payments are recognized in the consolidated statements of financial position as prepaid expenses.

(g) Joint activities:

The Company does not directly hold title to the Oza Oil Field license (the "License"). The Company expects to carry on its operations in Nigeria under the terms of the RSA executed between DPL and Millenium, considered joint operations for accounting purposes. All of the Company's exploration, development and production activities will be conducted under the terms of the RSA with Millenium, and not through the establishment of a separate entity. Accordingly, the consolidated financial statements include the Company's share of the relevant revenues and related costs classified according to their nature.

(h) Mineral property interest:

Exploration expenses incurred prior to determination of the technical feasibility and commercial viability of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of technical feasibility and commercial viability of mining operations and issuance of a mining license are deferred, less accumulated amortization and accumulated impairment losses, if any, until the property to which they relate commences commercial production, is sold, allowed to lapse or is abandoned. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors.

DECKLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

3. Significant accounting policies (continued):

(h) Mineral property interest (continued):

When commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis using proven and probable reserves (as defined by National Instrument 43-101). Changes in factors such as estimates of proven and probable reserves that affect units-of-production calculations are accounted for on a prospective basis.

(i) Intangible assets:

Identifiable intangible assets acquired through an asset acquisition are initially recorded at fair value and are carried at cost less accumulated amortization and any accumulated impairment losses.

Expenditures on developed resource properties such as drilling or re-entry of development wells, tangible costs of facilities, and infrastructure construction are capitalized to the RSA, if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and,
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Identifiable intangible assets with finite useful lives are amortized over their estimated useful lives. The RSA is amortized using the unit-of-production method over the total underlying assets reserve life, unless the useful life of the asset is less than the reserve life, in which case the asset is depleted over its estimated useful life using the straight-line method. Future development expenditures are added to petroleum property interest and the total is used to calculate depletion. Reserves and estimated future development expenditures are determined by qualified independent reserve engineers. Changes in the estimates for reserves and future development expenditures that affect unit-of-production calculations are accounted for on a prospective basis.

(j) Impairment of long-lived assets:

At the end of each year or at each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

DECKLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

3. Significant accounting policies (continued):

(j) Impairment of long-lived assets (continued):

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in income and loss in the period the impairment indicator is identified.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset or CGU is increased to its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately in income and loss.

(k) Business combinations:

Business combinations are accounted for using the acquisition method under IFRS 3 Business Combinations. Management's determination of whether a transaction constitutes a business combination, or an asset acquisition is determined based on the criteria in IFRS 3. The identifiable assets acquired, and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The decommissioning obligations associated with the acquired property, if applicable, is subsequently re-measured at the end of the reporting period using a risk-free discount rate, with any changes recognized in the decommissioning liabilities and resource properties on the consolidated statement of financial position. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, a gain on business combination is recognized immediately in net income or loss. Any deferred tax asset or liability arising from the business combination is recognized at the acquisition date. Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the consolidated Financial Statements from the closing date of acquisition. An entity can apply a 'concentration test' that, if met, eliminates the need for further assessment whether a transaction constitutes a business combination. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis.

(l) Share capital:

Common shares are classified as equity. The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued or a price determined using an appropriate formula to represent market value and agreed upon by the governing public stock exchange.

(m) Warrants:

From time to time, warrants are issued as part of a unit which is made up of a common share and a full or partial warrant. The warrant allows the holder to acquire common shares of the Company. The Company uses the residual value in assigning the value to the warrant.

DECKLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

3. Significant accounting policies (continued):

(n) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset is credited to share-based payment reserve.

Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit. Contingent share-based payments are recorded as contingent shares until issued to share capital or forfeited through contributed surplus.

(o) Interest expense:

Interest is recognized using the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity.

(p) Taxes:

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of operations and comprehensive loss except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable income or loss.

Deferred tax is measured at the tax rates that are expected to be in effect when temporary differences reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

DECLAR RESOURCES INC.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the year ended December 31, 2020 and 2019

3. Significant accounting policies (continued):

(q) Financial assets:

Financial assets are measured at:

- (i) Amortized cost;
- (ii) Fair Value in Other Comprehensive Income ("FVOCI") – debt investment;
- (iii) FVOCI – equity investment; and,
- (iv) Fair Value Through Profit or Loss ("FVTPL").

The classification depends on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, Financial Instruments, are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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3. Significant accounting policies (continued):

(q) Financial assets (continued):

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets

Financial assets measured at amortized cost, contract assets, and debt investments in FVOCI, but not investments in equity instruments, are assessed for credit impairment under the expected credit loss (“ECL”) model of impairment. This impairment model applies to lease receivables, loan commitments, and financial guarantee contracts; the Company has no such items. The financial assets at amortized cost consist of accounts receivables and cash and cash equivalents.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts and other receivables are presented separately in the statement of profit or loss and OCI. Impairment losses on other financial assets are presented under “finance costs”, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

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3. Significant accounting policies (continued):

(r) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in income or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity dates. The Company has classified trade payables and accrued liabilities, refundable deposit, and short-term loan as liabilities at amortized cost.

De-recognition of financial liabilities

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

(s) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented, income (loss) available to common shareholders equals the reported income (loss) attributable to the shareholders of the Company.

Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year.

4. Changes in accounting standards:

Business Combinations – Effective January 1, 2020, the Company has adopted amendments defining a business from IFRS 3 – Business Combinations. The amendments are intended to provide additional guidance to determine if a transaction should be recorded as a business combination or an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are can replace any missing elements, add guidance to help entities assess if an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The optional concentration test permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply or not apply, the test. An entity may make such an election separately for each transaction or other event.

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5. Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Business combinations:

Management uses judgment when determining whether a transaction constitutes a business combination or an asset acquisition based on the criteria in IFRS 3, "Business Combinations".

(b) Cash-generating units:

The Company's assets are aggregated into a single cash-generating unit ("CGU") for the purpose of calculating impairment. CGUs are based on an assessment of a unit's ability to generate independent cash inflows. The determination of the Company's CGU was based on management's judgment in regards to shared infrastructure, geographical proximity, exposure to market risk and materiality. Management has determined that the Company has 2 CGU's.

(c) Impairment indicators for resource property:

Management uses several criteria in its assessment of impairment indicators for its resource property including geological, geophysical and engineering information together with reports, presentations and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets, independent reserve reports, conclusions and recommendations in technical reports, license and permit status, and assessment of exploration and development plans.

(d) Impairment indicators for mineral property:

Management uses several criteria in its assessment of impairment indicators for mineral property including geologic and metallurgic information, conclusions and recommendations in technical reports, existing permits, and intentions to continue with exploration or to abandon.

(e) Going concern:

The assessment of the Company's ability to continue as a going concern involves judgment regarding its future funding. Judgments must also be made regarding events or conditions, which might give rise to significant uncertainty.

6. Key sources of estimation uncertainty:

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements.

a) Mineral and oil reserve estimates:

The Company estimates its oil reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects*. Reserves are used when performing impairment assessments on the Company's resource property, for forecasting the timing of payment of reclamation and rehabilitation costs, and in determining the depletion of resource properties.

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6. Key sources of estimation uncertainty (continued):

a) Mineral and oil reserve estimates (continued):

There are numerous uncertainties inherent in estimating reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs, or recovery rates may change the economic status of reserves and may, ultimately, result in changes to reserve estimates. Any adjustments are accounted for prospectively.

To estimate and evaluate oil and gas reserves, the Company employs independent reserves evaluators who periodically assess the Company's level of proved, probable and contingent reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentations and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets.

Proved, probable and contingent reserves are estimated annually by independent reserve engineers and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

B) Recoverability of resource properties:

The recoverability of the resource properties carrying value is assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein. The key estimates used in the determination of cash flows from oil reserves and future contractual cashflows include the following:

- i. Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
- ii. Crude oil prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
- iii. Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.
- iv. Distributable cash flows as set out in the RSA – The future distributable cash flows are based on the Company's current contractual obligations and management's best estimate of future contractual arrangements anticipated to be entered into under the RSA. Changes in these arrangements could result in a significant change in the amount and timing of future cash flows.

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6. Key sources of estimation uncertainty (continued):

c) Impairment of mineral properties:

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties are impaired. External sources of information the Company considers include changes in the market, economic, and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources include the manner in which mineral properties are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions to the amount of recoverable reserves, resources and exploration potential, and/or adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties.

d) Share-based payments:

The Company includes an estimate of forfeitures, share price volatility, expected life of awards, and risk-free interest rates in the calculation of the expense related to certain long-term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share-based payments reserve.

7. Accounts receivable and prepaid expenses:

	December 31, 2020	December 31, 2019
GST refundable	\$ 44,842	\$ 25,858
Prepaid insurance and other receivables	14,088	1,108
	<u>\$ 58,930</u>	<u>\$ 26,966</u>

8. Acquisition of Decklar Petroleum Limited:

On July 16, 2020, the Company acquired all the issued and outstanding shares of Nigeria-based Decklar Petroleum Limited, an unrelated party, for consideration comprised of 22,000,000 common shares of the Company issued on the closing date (the "Issued Shares") plus contingent consideration of 8,000,000 common shares (the "Contingent Shares") issuable upon achievement of a future event. DPL's sole asset is a Risk Service Agreement ("RSA") with Millenium. The RSA entitles DPL to cost recovery and a share of distributable funds from the Oza Oil Field in exchange for technical and financial support to develop the Oza Oil Field.

The Issued Shares were allocated 14,000,000 common shares to the shareholders of DPL and 8,000,000 common shares to DPL's arm's-length third-party debt holders. The Contingent Shares are issuable if the Oza Oil Field achieves production net to Millenium of 1,000 barrels of oil per day for a period of ten consecutive days in any thirty-day period within twelve months of the date of closing.

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8. Acquisition of Decklar Petroleum Limited (continued):

The acquisition of DPL did not qualify as a business combination under IFRS 3 - *Business Combinations* and has been accounted for under IFRS 2 – *Share-based payment*. The equity settled share transaction was measured using the fair value of DPL's net assets on July 16, 2020, and a corresponding increase to share capital for the Issued and Contingent Shares.

The fair value of the DPL assets and liabilities at the July 16, 2020 acquisition date were:

Cash	\$	45
Risk service agreement		7,499,498
Current liabilities		(394,089)
	\$	7,105,454

The fair value of DPL assets and liabilities has been allocated to the Issued and Contingent Shares on the following basis:

Issued Shares	\$	5,404,194
Contingent Shares		1,601,229
Transaction costs		100,031
	\$	7,105,454

The fair value of the risk services agreement acquired was estimated based on the fair value less cost of disposal ("FVLCD") methodology, calculated using the present value of the expected future cash flows discounted at 20% - 23% derived from proved and probable reserves and USD \$0.70 - \$0.75 per boe as the implied value/boe on 2C contingent reserves. The expected cash flows used in the FVLCD calculation were derived from a report of the OZA Oil Field oil and gas reserves which were prepared by an independent qualified reserve evaluator as of July 16, 2020.

9. Resource properties:

	December 31, 2020	December 31, 2019
Risk service agreement (a)	\$ 5,678,471	\$ -
Holt option (b)	100,000	100,000
	\$ 5,778,471	\$ 100,000

(a) Risk service agreement – Oza Oil Field

The following details the Oza Oil field RSA at December 31, 2020:

	Total
Acquired July 16, 2020	\$ 7,499,498
Additions during the year	1,846,062
Impairment (note 15)	(3,346,978)
Foreign exchange	(320,111)
	\$ 5,678,471

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9. Resource properties (continued):

(b) Holt option

During the quarter ended September 30, 2018, the Company entered into an option agreement with Island Time Exploration Limited ("Island Time") for the exclusive right to acquire up to 75% interest in four mineral titles totalling 3,687 hectares situated east of Duncan, British Columbia in the Victoria Mining Division (the "Holt Option" Agreement), in consideration for a fee of \$100,000, payable by way of a promissory note (note 10). The exercise of the Holt option, which has been subsequently amended, is conditional upon: i) issuing 175,000 common shares for payment of principal and interest outstanding on the Island Time promissory note (note 10), and ii) incurring \$300,000 of expenditures on the Holt claims by way of cash advance to Island Time with \$100,000 to be advanced within 5 business days following a Decklar private placement (such funds were advanced in March 2020) and \$200,000 to be advanced on or before September 30, 2021. The claims are subject to a 2% net smelter return royalty.

10. Short-term loans:

	December 31, 2020	December 31, 2019
Promissory note payable to Island Time	\$ 59,852	\$ 56,925
Other short-term loans	245,677	-
	<u>\$ 305,529</u>	<u>\$ 56,925</u>

At December 31, 2020, the remaining balance of the promissory note payable to Island Time was \$50,000 plus accrued interest. The note bears interest at 5% per annum. Subsequent to year end, the Company issued 175,000 common shares to extinguish the balance of the note payable and accrued interest, to meet the terms under the Holt Option (note 9).

Other short-term loans comprise advances made directly to DPL and payments made on behalf of DPL by an external party to fund day-to-day and early field operations during the start-up and early stages of DPL's operations. The loans do not bear interest and are due on demand.

11. Refundable deposit:

On September 3, 2020, DPL received a deposit of \$985,866 as part of the San Leon Subscription Agreement ("Subscription Agreement"). The deposit is repayable should a number of conditions in the Subscription Agreement not be attained including the need to complete additional specific financing by April 30, 2021. Interest is payable on the deposit at a rate of 10% per annum. Interest expense has been accrued in the amount of \$31,132, which has been capitalized in resource properties.

12. Trade payables and accrued liabilities:

	December 31, 2020	December 31, 2019
Trade and other payables	\$ 447,265	\$ 72,993
Due to related party (note 16)	206,148	21,650
	<u>\$ 653,413</u>	<u>\$ 94,643</u>

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13. Share capital:

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2018	8,746,437	\$ 131,256,259
Issued by private placement (note 13(c)(i))	8,533,333	640,000
Issued for investment advances (note 13(c)(i))	4,800,000	360,000
Balance, December 31, 2019	22,079,770	132,256,259
Issued to on acquisition of DPL (note 8)	22,000,000	5,404,194
Issued on exercise of warrants (note 13 (d))	10,200,003	1,019,999
Balance, December 31, 2020	54,279,773	\$ 138,680,452

(c) Share issuances and share-based payments:

(i) Common shares:

In September 2019, the Company completed a non-brokered private placement of 8,533,333 units at a price \$0.075 per unit, for aggregate gross proceeds of \$640,000 and issued 4,800,000 units at a price of \$0.075 to settle \$360,000 of investment advances. Each unit consisted of one common share of the Company, and one common share purchase warrant entitling the holder to acquire one common share at a price of \$0.10 per common share for 24 months. All securities issued pursuant to the private placement were subject to a four-month hold period. No finder's fees were paid in connection with the placement.

(ii) Common share options:

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person, and termination of eligible person status. The purpose of the share purchase options is to retain and motivate management, staff, consultants, and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

During the year ended December 31, 2020, the Company recorded share-based payment expense in the amount of \$632,358 (2019 – \$nil). 2020 options granted are exercisable at an average \$0.28 per option and expire 5 years after their respective grant date. One third of the stock options vest immediately and the remaining stock options granted vest one third on each of the six month and year anniversary of the grant date. The forfeiture rates are based on historical data and managements estimates. The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

	As at December 31, 2020	
Risk-free interest rate	\$	0.43%
Expected life		5 years
Expected volatility		95%
Fair value per option		\$0.28
Forfeiture rate		15%
Dividend yield		-

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13. Share capital (continued):

(c) Share issuances and share-based payments (continued):

(ii) Common share options (continued):

The continuity of outstanding share purchase options for the year ended December 31, 2020.

Expiry dates	Exercise prices	Balance December 31, 2019	Granted	Exercised	Expired/cancelled/forfeited	Balance December 31, 2020
April 5, 2022	\$10.00	75,000	-	-	-	75,000
April 5, 2022	\$15.00	75,000	-	-	-	75,000
April 5, 2022	\$20.00	75,000	-	-	-	75,000
September 4, 2025	\$0.28	-	5,175,000	-	-	5,175,000
		225,000	5,175,000	-	-	5,400,000
Weighted average exercise price		\$ 15.00	-	-	-	\$ 0.89
Weighted average remaining life (years)		2.25	-	-	-	4.53

The continuity of outstanding share purchase options for the year ended December 31, 2019, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2018	Granted	Exercised	Expired/cancelled/forfeited	Balance December 31, 2019
November 5, 2019	\$10.00	3,704	-	-	(3,704)	-
April 5, 2022	\$10.00	75,000	-	-	-	75,000
April 5, 2022	\$15.00	75,000	-	-	-	75,000
April 5, 2022	\$20.00	75,000	-	-	-	75,000
		228,704	-	-	(3,704)	225,000
Weighted average exercise price		\$ 14.92	-	-	-	\$ 15.00
Weighted average remaining life (years)		3.22	-	-	-	2.25

As at December 31, 2020, 1,950,000 share purchase options were exercisable (2019 - 225,000). These options have a weighted average exercise price of \$1.98 per share (2019 - \$15.00 per share).

(d) Common share purchase warrants

In September 2019, the Company issued 13,333,333 common share purchase warrants entitling the holder to acquire one common share at a price of \$0.10 per common share for 24 months (note 13(c)(i)). The warrants were valued at \$nil using the residual value method. During 2020, 10,200,003 warrants were exercised for total proceeds of \$1,020,000.

(e) Loss per share

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the outstanding warrants and options as the effect is anti-dilutive for the years ended December 31, 2020 and 2019.

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14. General and administrative expenses:

	2020	2019
Consulting	\$ 211,215	\$ 83,817
Professional and regulatory	120,966	71,632
Office and administrative	302,299	49,874
Business development	27,907	-
Share-based payments	632,357	-
	\$ 1,294,744	\$ 205,323

15. Impairment of risk services asset:

During the latter part of 2020, the Company identified indicators of impairment in relation to its Oza Oilfield CGU such as a decline in forward commodity prices and performed an impairment test at December 31, 2020. Management estimated the recoverable amount of its Oza Oilfield CGU based on its FVLCD.

At December 31, 2020, the estimated recoverable amount of the CGU was determined to be \$3,346,978 lower than the December 31, 2020 carrying amount. This was based on 20% - 23% discounted after-tax cash flows expected to be derived from the Oza Oilfield CGU's proved plus probable reserves and USD \$0.70 - \$0.75 per boe as the implied value on 2C contingent reserves. The reserve values were obtained from the externally prepared December 31, 2020 reserve report and distributable cash flows to the Company as set out in the RSA.

The December 31, 2020 impairment test used the following commodity prices:

	Brent Crude Oil Price	Crude Oil Discount	Crude Oil Export Price
Year	US\$/bbl	US\$/bbl	US\$/bbl
2021	49.50	5.96	43.54
2022	53.55	6.08	47.47
2023	54.62	6.20	48.42
2024	55.71	6.32	49.39
2025	56.83	6.45	50.38
2026	57.96	6.58	51.38
2027	59.12	6.71	52.41
2028	60.31	6.85	53.46
2029	61.51	6.98	54.53
2030	62.74	7.12	55.62
2031	64.00	7.27	56.73
2032	65.28	7.41	57.87
2033	66.58	7.56	59.02
2034	53.55	6.08	47.47
2035	54.62	6.20	48.42
Thereafter	+2%/yr	+2%/yr	+2%/yr

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16. Related party transactions:

(a) Balances payable:

The amounts due to a related party and included in trade payables and accrued liabilities are non-interest bearing, unsecured, and due on demand, and comprise the following:

	December 31, 2020	December 31, 2019
Due to officers and directors	\$ 206,148	\$ 21,650

(b) Issue of common share options:

On September 4, 2020, the Company granted 1,575,000 common share options under the Employee Share Option Plan to certain officers and directors of the Company and its subsidiary DPL.

(c) Key management personnel:

Key management personnel amounts include the salaries and consulting fees paid and/or accrued to the Company's senior officers and directors as follows:

	2020	2019
Consulting fees	\$ 273,523	\$ 83,817
Share-based payments	226,169	-
	\$ 499,692	\$ 83,817

Transaction with related parties are in the normal course of operations and initially recorded at fair value.

17. Segment information:

The Company conducts its business as a single reportable operating segment, being the development of oil fields in Nigeria. Geographical information is as follows:

December 31, 2020	Canada	Nigeria	Total
Interest income	\$ 4,938	\$ -	\$ 4,938
Loss for the year	(1,259,853)	(3,596,985)	(4,856,838)
Non-current assets	100,000	5,678,471	5,778,471
Total assets	274,980	5,685,657	5,960,637

December 31, 2019	Canada	Nigeria	Total
Interest income	\$ 4,654	\$ -	\$ 4,654
Loss for the year	(318,676)	-	(318,676)
Non-current assets	100,000	-	100,000
Total assets	\$ 620,011	-	620,011

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18. Income tax:

The Company's income tax recovery differs from the amounts computed by applying the Canadian statutory rate of 23.99% (2019 - 26.5%) as follows:

	2020		2019	
Net loss for the year	\$	(4,856,838)	\$	(318,676)
Expected tax recovery	\$	1,165,155	\$	84,449
Non-deductible share-based compensation		(151,155)		-
Different in tax rates between jurisdictions		(371,961)		-
Adjustment in respect of prior year's estimates		(352,233)		-
Change in unrecognized deferred tax assets		(289,259)		(84,449)
Deferred income tax recovery	\$	-	\$	-

Details of the unrecognized deductible temporary differences are as follows:

	2020		2019	
	Nigeria	Canada	Nigeria	Canada
Non-capital losses	66,633	19120,032	-	19,777,441
Capital losses	-	113,833,006	-	113,833,006
Risk service agreement	-	3,346,978	-	-
Total	66,633	136,300,016	-	133,610,447

As at December 31, 2020, the Company's tax losses will expire between 2021 and 2041 if not utilized. The Company has not recognized a deferred tax asset for its deductible temporary differences because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

19. Supplemental cash flow information:

	2020		2019	
Supplemental information:				
Interest received	\$	4,938	\$	4,654
Non-cash operating, financing and investing transactions:				
Shares issued in settlement of investment advance (Note 13(c)(i))		-		360,000
Movement from share-based payments reserve to deficit for forfeited options		-		21,218

20. Financial risk management:

(a) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term guaranteed investment certificates and accounts receivable. The majority of the Company's cash balances are held with major Canadian banks and in the view of the Board are considered creditworthy. The Company only deals with reputable financial institutions and regularly assesses international exposure and market risk. The Company has a small investment in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. As at December 31, 2020, the Company had GST refundable and other prepaid and receivables, in the amount of \$44,842 (2019 - \$25,859), that were not considered past due.

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20. Financial risk management (continued):

(a) Credit risk (continued):

Given that Decklar will be financing virtually all expenditures of its co-venturer, the Company is exposed to credit risk that arises from the credit quality of the co-venturer. Fluctuations in crude oil prices can impact the cash flows of Decklar and its co-venturer.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including its capital development and exploration expenditures. As at December 31, 2020, the Company had cash and cash equivalents of \$123,236 (2019 - \$493,045) and trade payable and accrued liabilities and other current liabilities of \$1,944,808 (2019 - \$151,568).

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At December 31, 2020 and 2019 the Company had no hedging agreements in place with respect to commodity prices or exchange rates.

(c) Market risk:

(i) Currency risk:

The reporting currency of the Company is Canadian dollars. The Company also enters into transactions denominated in United States dollars and Nigerian naira for which the related expenses and accounts payable balances are subject to exchange rate fluctuations.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present historically low; however, the Company's conservative investment strategy mitigates the risk of deterioration to capital invested. A change of 100 basis points in the interest rate would not be material to the consolidated financial statements.

(iii) Commodity price risk:

The Company currently has no sale of commodities, as it does not have a producing asset. Metal and oil prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities, and certain other factors. The Company has not engaged in any hedging activities to reduce its exposure to commodity price risk.

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20. Financial risk management (continued):

(d) Financial assets and liabilities:

As at December 31, 2020, the carrying and fair values of the Company's financial instruments by category are as follows:

	Amortized cost	Fair value	Less than 1 year	1 to 3 years
<u>Financial assets</u>				
Cash and cash equivalents	\$ 123,236	\$ 123,236	\$ 123,236	\$ -
Accounts receivable and prepaid expenses	58,930	58,930	58,930	-
Total financial assets	\$ 182,166	\$ 182,166	\$ 182,166	\$ -
<u>Financial liabilities</u>				
Short-term loans	\$ 305,529	\$ 305,529	\$ 305,529	\$ -
Refundable deposit	985,866	985,866	985,866	-
Trade payables and accrued liabilities	653,413	653,413	653,413	-
Total financial liabilities	\$ 1,944,808	\$ 1,944,808	\$ 1,944,808	\$ -

(e) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.
- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and trade payables and accruals and other current liabilities approximate their respective fair values due to the short-term nature of these instruments.

The Company has no financial assets or liabilities, recorded at fair value, included in Level 1, 2 or 3 of the fair value hierarchy.

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21. Capital management:

The Company manages its capital structure and makes adjustment to it, in order to have the funds available to support its exploration, development, and other activities. The adequacy of the capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company's strategy, the commodity markets, the resource industry, economic conditions, and the associated risks. The Company's capital management approach is reviewed on an ongoing basis. The Company is not subject to externally imposed capital requirements.

22. Subsequent events

- i) In March 2021, the Company completed a private placement, issuing 16,865,714 common shares at a price of \$0.28 per share for total proceeds of \$4,722,400. All common shares issued pursuant to the placement were subject to a four-month hold. Brokers fees included cash of \$8,400 and 430,000 common shares.
- ii) On April 13, 2021 Decklar announced a non-brokered financing to raise gross proceeds of up to \$15,000,000 by way of a unit offering (the "Offering") at a price of \$1.00 per unit (a "Unit"), with each Unit consisting of one common share of Decklar (a "Common Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Common Share at an exercise price of \$1.50 per Common Share for a period of 12 months from the closing date of the Offering. Decklar has engaged Echelon Wealth Partners Inc. as strategic financial advisor in connection with the Offering. Funds raised by this planned Offering will be used to pursue new oil and gas development opportunities in Nigeria and for general corporate purposes.