# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE MONTHS ENDED MARCH 31, 2021

The following discussion of the operating results and financial position of Decklar Resources Inc. (the "Company" or "Decklar"), formerly Asian Mineral Resources Limited should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes for the three months ended March 31, 2021 and 2020, which were prepared in accordance with International Financial Reporting Standards (IFRS) by management and are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. All amounts are in Canadian dollars (CAD) unless otherwise stated. References to the "Company", "Decklar", "we", "our" and "us" means Decklar Resources Inc., its predecessors and consolidated subsidiaries, or any one or more of them as the context requires.

This management's discussion and analysis ("**MD&A**") has been prepared as of May 30, 2021, with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

### Forward-Looking Information

This MD&A contains "forward-looking information," which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its projects, future metals and oil prices, the estimation of mineral reserves and mineral resources, estimates of oil reserves and future net revenues, the realization of mineral reserve and resource estimates, supply and demand for petroleum, the timing and amount of estimated future production, revenues, margins, costs of production, estimates of initial capital, sustaining capital, operating, and exploration expenditures, costs and timing of the development of deposits, projections of market prices and costs, costs and timing of future exploration, requirements for additional capital, foreign exchange risks, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes, or claims, limitations of insurance coverage and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and a variety of material factors, many of which are beyond the Company's control which may cause the actual results, performance or achievements of Decklar, its subsidiaries and affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. There can be no assurance that the Company will obtain licenses or other approvals when needed, or at all, or that further exploration of the Oza Oil Field will lead to additional commercial discoveries or, if there are commercial discoveries, that the Company will be able to realize such resources as intended. Readers are cautioned that forward-looking statements may not be appropriate for other purposes than outlined in this document. Such factors include, among others, future metals and oil prices; general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar (USD) and Canadian dollar relative to the local currencies in the jurisdictions of the Company's key projects; changes in project parameters as plans continue to be refined; possible variations of ore grade or projected recovery rates; accidents, labour disputes or slow-downs and other risks of the mining industry; climatic conditions; political instability; labour force availability and turnover; delays in obtaining financing or governmental approvals or in the completion of exploration and development activities; as well as those factors referred to in the section entitled "Risks and Uncertainties" section of the MD&A. The reader is also cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the Company's forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this document and, except as required by applicable law, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

In addition, please note that statements relating to "reserves" or "resources" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that, the resources and reserves described can be profitably mined or produced in the future.

**Business**

The Company was originally incorporated pursuant to the *New Zealand Companies Act* 1993. Effective December 31, 2004, it was continued as a British Columbia corporation under the *British Columbia Business Corporations Act* (BCBCA).

In July 2020, the Company closed its acquisition of Nigerian-based Decklar Petroleum Limited ("DPL"), which has a Risk Service Agreement ("RSA") with Millenium Oil and Gas Company Limited ("Millenium") on the Oza Oil Field. The Oza Oil Field is located onshore in the northern part of Oil Mining License 11 ("OML 11") in the Eastern Niger Delta of Nigeria. The concession covers a 20 square kilometre area carved out of OML 11 in 2003 as part of the Nigerian Government's Marginal Field Development Program and is surrounded by other producing fields. Significant investment has been made in the Oza Oil Field by Millenium, including acquisition and installation of production and transport infrastructure, pipelines, a metering system, and a production facility. Additional critical infrastructure is in place, including export pipeline access tied into the Trans Niger Pipeline, which flows from the southern part of OML 11 to the Bonny Export Terminal, the largest terminal on the African continent. In exchange for technical and financial support, Decklar will be entitled to an 80% economic interest (pre-cost recovery) in the Oza Oil Field, which reduces on a sliding scale after cost recovery to 40% once cumulative production exceeds 10 million barrels of oil. Decklar and Millenium have plans in place for near-term well re-entries and additional development drilling at the Oza Oil Field.

## Q1 2021 Highlights

### Oza-1 development

Progress is continuing on the Oza-1 well re-entry with the camp and all associated infrastructure fully installed and operational. The major components of the drilling rig equipment are being transported to the field and it is anticipated the rig will be completely moved, installed and rigged-up shortly. Once this is accomplished, Decklar will commence the Oza-1 well re-entry operational activities including the initial work of pulling out the existing tubing, running a cement bond log and cased hole reservoir logs. The re-entry activities will include the testing of three oil bearing zones (L2.2, L2.4 and L2.6) independently, after which it is anticipated that a final dual-tubing string completion will be installed and the L2.2 and L2.6 zones placed into production upon successful testing. Based upon a successful result from the Oza-1 re-entry the drilling rig is then expected to be skidded on the same drill pad as Oza-1 to a new drilling slot and a horizontal development well will be drilled in the L2.4 zone and placed on production.

The Oza-1 well and new horizontal development well are anticipated to generate production levels and cash flow in an abbreviated time frame due to the existing infrastructure in place. The Oza field development is then expected to continue with one or two more re-entries on existing wells and a development drill program with the potential for additional wells being drilled for full field development. Early production and central processing facilities will be added as required to accommodate production levels from field development activities.

The Oza Oil Field has export and production capacity through processing facilities and infrastructure already in place and operational, which will allow for the immediate export and sale of crude oil from the Oza-1 well.

### Private Placement

On March 8, 2021, the Company announced that it had completed a private placement, issuing 16,865,714 common shares at a price of $0.28 per share for total gross 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.

## Subsequent Events

### Unit Offering

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. The first tranche of this placement, for gross proceeds of $10,075,000 closed May 25, 2021.

**Decklar Petroleum Limited**

During the year the Company acquired DPL as a wholly owned subsidiary, whose sole asset is an RSA with Millenium, a JV partner and operator of the Oza Oil Field. 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.

The aggregate purchase price was $7,105,454, payable through the issuance of 30,000,000 common shares of the Company ("Shares") based on the fair value of the net assets acquired. Of the aggregate purchase price, 22,000,000 Shares were paid on closing of the acquisition with the balance of 8,000,000 Shares being payable if the Oza Oil Field achieves production net to Millenium of 1,000 barrels of oil per day (bopd) for a period of ten consecutive days in any thirty day period within twelve months of the date of closing.

The 22,000,000 Shares paid were allocated (i) 14,000,000 Shares to the shareholders of DPL; and (ii) 8,000,000 Shares to extinguish outstanding debt owed by DPL to certain arm's length third parties. None of the DPL shareholders nor third party debt providers are related to the Company and the acquisition is not a Non-Arm's Length transaction within the meaning of the policies of the TSX-V.

The Oza Oil Field was formerly operated by Shell Petroleum Development Company of Nigeria Ltd. ("Shell"). The field has three wells and one side track drilled by Shell between 1959 and 1974. During the period when Shell was the operator, there were two periods of extended production testing from the Oza-1, -2 & -4 wells. The field was not tied into an export facility and was not fully developed by Shell nor put into commercial production.

In 2003, the Oza Oil Field was awarded to Millenium during the Marginal Fields Licensing Round. Since Millennium and the other joint venture partners acquired the Oza Oil Field, approximately US$50 million has been spent in production facilities infrastructure in support of a restart of production including an export pipeline to tie the field into the Shell Trans Niger Pipeline to the Bonny Export Terminal, a lease automatic custody transfer unit fiscal metering system, infield flowlines, manifolds, and a rental Early Production Facility. The RSA with Millenium provides DPL the majority share of production and associated cash flow from the Oza Oil Field in exchange for funding and technical assistance to restart commercial production and full field development. The RSA terms also include a preferential return of DPL's costs plus a share of cash flow thereafter. Until full cost recovery is achieved, DPL is entitled to priority recovery of its capital from 80% of distributable funds. After achieving cost recovery, DPL's profit share is based on a sliding scale starting at 80% and ultimately declining to 40% once cumulative production exceeds 10 million bbls.

Upon final drawdown of the Loan Notes and Development Debt (each as defined below), Decklar intends to fast-track the initial development on the Oza Oil Field including a re-entry of the existing Oza-1 well, with anticipated testing of three identified oil-bearing zones and plans to place the well into production from two of the three zones tested. The drilling rig is expected to then be skidded on the same location as Oza-1 to a new drilling slot, and a development well will be drilled horizontally into the 3rd zone tested in the Oza-1 well re-entry. The Oza-1 well and new horizontal development well are anticipated to generate significant production levels and cash flow in a short time frame. The Oza Oil Field development is anticipated to then continue with one or two more re-entries of existing wells and additional development drilling with a potential of eight to ten wells being drilled for full field development. Additional early production and central processing facility capacity will be added as required to accommodate increased production levels from field development activities.

**<u>Decklar and Millenium Funding</u>**

**Subscription Agreement**

DPL has entered into a subscription agreement (the "Subscription Agreement") with San Leon Energy Plc ("San Leon"), an AIM-listed public company focused on Nigerian production and development assets, which is arm's length to the Company (within the meaning of the policies of the TSX-V). The Subscription Agreement entitles San Leon to purchase US$7,500,000 of 10% unsecured subordinated loan notes of DPL (the "Loan Notes") and 1,764,706 ordinary shares ("DPL Shares") of DPL (representing 15% of the share capital of DPL) for a cash consideration of US$7,500,000 and ₦1,764,706, respectively. In addition, DPL and San Leon have entered into an option agreement (the "Option Agreement") that entitles San Leon to purchase an additional US$7,500,000 of Loan Notes (the "Option Loan Notes") and 2,521,008 DPL Shares (increasing their interest to 30% of the share capital of DPL) for cash consideration of US$7,500,000 and ₦2,521,008, respectively, at any time until the date that is forty-five (45) days after the well test results of the first development well on the Oza Oil Field have been delivered to San Leon.

The Subscription Agreement provides for certain conditions precedent to be confirmed prior to finalizing and issuing of the Loan Notes and DPL Shares, including entering into an agreed form of shareholders' agreement in respect of DPL and the restructuring of certain historical indebtedness by the owner/operator of the Oza Oil Field, Millenium, to the satisfaction of San Leon at its sole discretion. Concurrently with entering into the Subscription Agreement, San Leon advanced US$750,000 as an initial deposit (the "Deposit") with the release of the balance of the US$7,500,000 being subject to the satisfaction (or waiver) of the conditions precedent contained in the Subscription Agreement. In the event the transactions contemplated by the Subscription Agreement are not completed on or prior to June 30, 2021, DPL will be required to repay the Deposit to San Leon within three months of that date.

In addition, Millenium has entered a non-binding term sheet with a local Nigerian bank and the trading subsidiary of a large multinational oil company active in Nigeria for up to US$33,000,000 in a five-year term loan that provides a use-of-proceeds of US$22,000,000 to refinance existing debt of Millenium and US$11,000,000 for development activities on the Oza Oil Field, based on entering a crude sales and purchase contract. DPL is expected to provide a corporate guarantee as part of this US$33,000,000 term debt facility ("Development Debt").

**Loan Notes**

The terms of the Loan Notes provide for an interest rate of 10% per annum, which accrues on a quarterly basis and will have a maturity date that is five years from the date of issuance. No payments (whether on account of interest or principal) are required under the Loan Notes unless there are available funds from operations (after considering any required debt servicing payments, general and administrative expenses, approved joint venture capital and operating costs required to be funded by DPL under the RSA with Millenium, taxes and other statutory payments) (the "Available Funds"). All Available Funds shall be applied to the payment of interest and principal in respect of the Loan Notes until they are repaid in full. Upon repayment of the Loan Notes, 50% of the Available Funds will be applied to payment of interest and principal in respect of the Option Loan Notes until they are repaid in full, with the remaining 50% of such Available Funds being retained by DPL. The Loan Notes are unsecured, subordinated and contain customary events of default. The Loan Notes do not contain any financial or other maintenance covenants.

## Financial Summary

### Selected Annual Information

| | Three months ended March 31, 2021 | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|---|
| Financial income | $135 | $2,454 | $307 |
| Net income (loss) | ($483,420) | ($269,339) | ($29,853) |
| Net income (loss) per common share (basic and diluted) | ($0.01) | ($0.02) | ($0.00) |
| Total assets | $10,368,132 | $265,152 | $1,431,476 |
| Total liabilities | $2,065,088 | $165,396 | $507,885 |

### Additional Disclosure for Venture Issuers without Significant Revenue (all figures for 2020 relate to the Oza-1 Oil Field and all figures for 2019 and 2108 relate to the Ban Phuc Property in Vietnam)

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Expensed exploration costs | $Nil | $850 | ($37,645) |
| Holt property option | $200,000 | $100,000 | $100,000 |
| Risk Service Agreement | $6,456,260 | $Nil | $Nil |

### Results of Operations for the Quarter Ended March 31, 2021

For the years ended March 31, 2021and 2020, Decklar incurred net loss of $483,420 or $0.01 per share and net loss of $269,339 or $0.00 per share, respectively. Following the DPL acquisition on July 16, 2020, the operating expenses include consulting, business development and foreign exchange losses at the subsidiary in Nigeria.

The detailed operating results for the three months ended March 31, 2021 and 2020 follow:

| | 2021 | 2020 |
|---|---|---|
| General administrative expenses | | |
| Consulting | $ (45,782) | $ (18,650) |
| Professional and regulatory | (142,088) | - |
| Office and administrative | (43,887) | (29,431) |
| Business development | (12,487) | - |
| Share-based compensation | (152,147) | - |
| Due diligence and other costs | - | (250,000) |
| Finance income | 135 | 2,454 |
| Finance expenses | (743) | (712) |
| Foreign exchange expense | (86,421) | - |
| Loss for the period | (483,420) | (296,339) |
| Other comprehensive loss – foreign exchange on translation | (71,914) | - |
| Comprehensive loss for the period | $ (555,334) | $ (296,339) |

**General and administrative expenses**

- Consulting costs of $45,782 in 2021 (2020: $18,650) reflect payments to employees of the Company and DPL.
- Professional and regulatory fees in 2021 increased to $142,088 from $Nil in 2020, given legal fees incurred due to increased corporate activities, and greater than anticipated audit fees incurred in review of the Decklar transaction.
- Office and administrative expenses increased to $43,887 in the Q1 2021 quarter from $29,431 in the Q1 2020 quarter. The higher 2021 balance is primarily related to services retained from a number of investor relations firms to heighten market and brand awareness and broaden the Company's profile in the investment community.
- Business development expenses incurred during 2021 totalled $12,487 (2020: $Nil) and represent costs associated with meetings to negotiate agreements and to seek potential funding for the Company's current and potential future oil and gas assets.
- Share-based compensation of $152,147 (2020: $Nil) reflect the vested share options issued in September 2020 to directors, employees and consultants of the Company and its subsidiary DPL.

**Finance expense**

Finance expenses of $743 (2020: $712) primarily represent interest on the Island Time promissory note, which was repaid in full in April 2021 by the issue of 175,000 common shares of the Company.

**Foreign exchange expense**

Foreign exchange expense of $86,421 in 2021 (2020: $Nil) is the accumulated total of actual exchange rate differences for amounts converted from USD to Nigerian Naira and CAD to USD during the year.

Other comprehensive loss – foreign exchange in the amount of $71,914 represents foreign exchange related to the translation of the Company's subsidiary DPL, whose functional currency is USD.

## Liquidity and Capital Resources

In March 2021, the company completed a private placement raising net proceeds of $4,690,402 on the issue of 16,865,714 common shares at $0.28 per share. Of this $3.5 million is budgeted for the development of Oza-1 oil well in Nigeria, with the remainder available for general and administrative expenditures.

On April 13, 2021, Decklar announced a 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. The first tranche of the private placement in the amount of $10,075,000 closed on May 25, 2021.

On March 31, 2021, the Company had cash on hand and cash equivalents of $3,645,670 (2020: $455,100) and had a working capital of $1,646,784 (2020: $322,102). Additional financing will be required to further develop the oil wells in Nigeria. The Company is currently finalizing development funding. The ability to raise capital is not guaranteed and may not be realized when needed or, if available, the terms of such financing might not be favourable to the Company.

The Company had the following contractual obligations at March 31, 2021:

| | **Payment due by period** | | |
|---|---|---|---|
| | **Total** | **Less than 1 year** | **1 – 3 years** |
| Promissory note - Island Time | $ 60,595 | $ 60,595 | - |
| Other short-term loans | 190,042 | 190,042 | - |
| Refundable deposit | 997,128 | 997,128 | - |
| Due to related parties (1) | 139,021 | 139,021 | - |
| Total | $ 1,386,786 | $ 1,386,786 | - |

(1) Represents consulting fees payable to directors and officers of the Company and its subsidiary.

The promissory note to Island Time bears interest at 5% per annum. In April 2021 the Company issued 175,000 common shares to extinguish the remaining balance of this note payable.

Other short-term loans are comprised of advances made directly to DPL and payments made on behalf of DPL by an Advisor 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 due on demand. It is expected that the loans will be repaid by June 2022.

On September 3, 2020, DPL received a deposit as part of the San Leon Subscription Agreement. At March 31, 2021 the balance of this deposit was $997,128. 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 in the event the deposit is repaid to San Leon.

**Summary of Quarterly Results**

| | Mar 31, 2021 | Dec 31, 2020 | Sept 30, 2020 | Jun 30, 2020 | Mar 31, 2020 | Dec 31, 2019 | Sept 30, 2019 | Jun 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| **Sale revenues** | - | - | - | - | - | - | - | - |
| **Finance income** | $135 | $1,465 | $377 | $642 | $2,454 | $2,464 | $1,689 | $194 |
| **General & administrative (expenses) recovery** | ($396,391) | ($506,348) | ($516,780) | ($223,536) | ($48,080) | ($57,835) | ($70,954) | ($48,493) |
| **Impairment of resource asset** | - | ($3,346,978) | - | - | - | - | - | - |
| **Exploration (expense)** | - | - | - | - | - | - | - | - |
| **Decklar transaction and due diligence costs** | - | - | - | - | - | ($112,358) | $27 | $(99) |
| **Finance expense** | ($743) | ($1,490) | - | ($723) | ($712) | ($829) | ($1,330) | ($1,299) |
| **Foreign Exchange** | ($71,914) | ($29,781) | ($186,894) | ($453) | - | - | - | - |
| **Net Income (Loss)** | ($483,420) | ($3,883,132) | ($453,297) | ($224,070) | ($296,339) | ($168,559) | ($70,568) | ($49,696) |
| **Income (Loss) per share (non-diluted)** | ($0.01) | ($0.07) | ($0.01) | ($0.01) | ($0.01) | ($0.00) | ($0.01) | ($0.01) |
| **Income (Loss) per share (diluted)** | ($0.01) | ($0.07) | ($0.01) | ($0.01) | ($0.01) | ($0.00) | ($0.01) | ($0.01) |
| **Total Assets** | $10,368,132 | $5,960,637 | $9,269,366 | $1,145,597 | $587,498 | $620,011 | $733,169 | $219,102 |

## Critical Judgements 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 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 regard to shared infrastructure, geographical proximity, exposure to market risk and materiality. Management has determined that the Company has two CGUs.

(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 (see note 1 to the Company's Consolidated Financial Statements dated March 31, 2021 and 2020) involves judgment regarding its future funding. Judgments must also be made regarding events or conditions, which might give rise to significant uncertainty.

**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 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.

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 RSA asset carrying value is assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgments. 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 and natural gas reserves 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.

(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, plant, and equipment.

(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.

## Transactions with Related Parties

### Directors

The Company recognized no directors' fees in the quarters ended March 31, 2021 or 2020. Share options were granted to the Company's directors during the 2020 third quarter.

### Key management

Consulting fees paid and accrued to key management persons during the three months ended March 31, 2021 totalled $82,774 (2020: $18,650). Share options were issued to key management persons resulting in share compensation expense of $46,305 (2020: $Nil).

## Risk Factors

Given the nature of its business, any operations of the Company are subject to a number of risks, including the following, any one or all of which could have a material adverse effect on the Company and its business:

### Additional funding requirements

The Company completed a private placement of common shares in March 2021 with proceeds of $4,722,400. These funds will be used to fund DPL's development of Oza-1 well and for the Company's general and administrative expenses. On April 13, 2021 the Company announced a a non-brokered financing to raise gross proceeds of up to $15,000,000 by way of a unit offering at a price of $1.00 per Unit, with each Unit consisting of one common share of Decklar and one-half common share purchase warrant. Each whole 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. The first tranche of this placement, for gross proceeds of $10,075,000 closed on May 25, 2021.

Additional financing will be required to fully develop its strategic oil assets in Nigeria. The Company is finalizing development funding for Decklar's Oza Oil Field (as described above under Decklar Petroleum Limited – Decklar and Millenium Funding). There can be no assurance that the Company will be able to complete this or other required funding strategies. Failure to obtain sufficient financing could result in the Company proceeding into reorganization, bankruptcy, or insolvency.

Sales of substantial amounts of the Company's common shares, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Company's securities. A decline in the market prices of the Company's securities could impair its ability to raise additional capital through the issuance of common shares should the Company desire to do so.

Decklar may incur substantial costs in pursuing options for future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as general downturns in the capital markets, and/or the loss of key management personnel.

**Potential conflicts of interest for certain directors and officers**

Certain directors and officers of Decklar are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies, including activities involving mining and mineral exploration. As a result of these and other activities, such directors and officers of Decklar may become subject to conflicts of interest. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

**Market for Decklar's securities**

There can be no assurance that an active market for Decklar's securities will continually exist. In addition, the market price of the securities of Decklar at any given point in time may not accurately reflect the long-term value of Decklar. Furthermore, the need for response to any events or circumstances resulting from the risk factors described herein could result in substantial costs and divert management's attention and resources.

**Resource industry**

The exploration for and development of mineral deposits and oil reserves involves significant risks that cannot be completely eliminated. While the discovery of a mineral deposit or oil resources may result in substantial rewards, some properties that are explored may not ultimately be developed into commercially successful operations. Substantial expenses may be incurred to locate and establish mineral or oil and gas reserves, to develop operational processes, and to construct facilities at a particular site. It is impossible to ensure that the activities currently planned by the Company will result in profitable commercial mining or oil production operations. Whether a mineral deposit or oil and gas reserve will be commercially viable depends on many factors including, but not limited to: the particular attributes of the deposit, such as size, grade, and proximity to infrastructure; metal and oil prices, which are cyclical and somewhat unpredictable; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals; and changes to environmental regulations. The effects of these factors cannot always be accurately predicted, but in combination they could result in the Company not receiving an adequate return on invested capital.

The Company's activities are subject to all the hazards and risks normally encountered in the exploration for, and development and production of minerals and oil, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

**Counterparty risk**

Counterparty risk is the risk that each party to a contract will not fulfill its contractual obligations. Decklar endeavours to manage this risk by working closely with its co-venturers on operational matters. Although DPL is not the operator of the Oza Oil Field, its responsibilities as risk service provider permit it to be actively consulted on operations. A contractual default by its co-venturers, owners of export pipelines, or the future purchasers of oil from the Oza Oil Field could have a material impact on the Company's cash flows.

**Competition in the mineral and oil industries**

The resource business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical, and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop the projects, but also in its ability to select and acquire other suitable producing properties or prospects for mineral exploration or development. There can be no assurance that the Company will be able to compete successfully with others in acquiring such properties or prospects.

**Insurance and uninsured risks**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to its mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses, and possible legal liability.

**Government regulation in the mineral and oil industries**

The Company's exploration, development and operating activities are subject to various laws governing prospecting, mining, oil and gas, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local residents, and other matters. Although the Company's planned activities will be carried out in accordance with all applicable rules and regulations, there can be no assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail such planned activities with materially adverse impacts on financial performance and profitability.

The mineral and oil rights and interests of the Company are subject to obtaining government approvals, licences and permits, land clearance being completed, and land use rights being obtained. Such approvals, licences and permits, and the completion of land clearance and obtaining of land use rights are, as a practical matter, subject to the discretion of the government or governmental officials. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licences, and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned activities.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Application of or amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures, or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mineral properties.

**Personnel**

The Company is dependent on obtaining and retaining the services of professional management and skilled personnel. Failure to obtain such services or the loss of them could have a material adverse effect on the Company's operations. There can be no assurance that the required personnel will be available on suitable terms.

**Enforceability of civil liabilities**

Certain of the Company's directors and officers reside outside Canada. Substantially all the assets of such persons are, and substantially all the assets of the Company are, located outside Canada. It may not be possible for investors to effect service of process within Canada upon such persons, and it may also not be possible to enforce against the Company and/or such person's judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

**Litigation risk**

All industries, including the resource industry, are subject to legal claims, with and without merit. The Company may be involved from time to time in various routine legal proceedings, which include labour matters such as unfair termination claims, supplier matters, and property issues incidental to its business. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Conversely, the Company may be put in a position where it must pursue legal remedies, the disposition of which are also uncertain. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material effect on financial position and results of operations.

**The market price for common shares cannot be assured**

The market price of publicly traded shares is affected by many variables, some of which are not directly related to the performance of the Company. Securities markets often experience high levels of price and volume volatility, and the market price of securities of many companies, particularly those considered to be junior companies, may experience wide fluctuations that are not necessarily related to operating performance, underlying asset values, or prospects of such companies. There can be no assurance that such fluctuations will not affect the price or liquidity of Decklar's securities in the future.

## COVID-19

In March 2020, the World Health Organization declared a pandemic related to the continuing worldwide spread of the Coronavirus (COVID-19). To limit the spread of COVID-19, governments have taken various actions including the issuance of stay-at-home orders and social distancing guidelines, causing some businesses to suspend operations and a reduction in demand for many products. Such actions have resulted in a swift and unprecedented reduction in international and U.S. economic activity which, in turn, has adversely affected the demand for oil and gas and caused significant volatility and disruption of the financial markets.

## Financial Instruments

At March 31, 2021, the Company's financial instruments consist of cash and cash equivalents, trade payables and accrued liabilities, refundable deposit, and short-term loans. The fair values of these financial instruments are not materially different from their carrying values.

In respect of credit risk on its bank accounts and investments, credit risk on bank accounts and short-term investments is limited through maintaining the Company's balances with established and secure financial institutions.

To help to manage liquidity risk, 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 capital development and exploration expenditures. Discussions about the Company's ongoing ability to operate as a going concern are included in Note 1, Nature of operations and going concern, in the condensed consolidated interim financial statements.

## Disclosure Controls

In connection with Exemption Orders issued in November 2007, and revised in December 2008, by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed consolidated interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument (NI) 52-109 *Certification of disclosure in an Issuer's Annual and Interim Filings*, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

## Additional Information

Additional information relating to the Company, including the December 31, 2020 NI 51-101 reports for the Oza Oil Field and the NI 43-101 Technical Report on the Holt Property dated February 11, 2019, are available on SEDAR at www.sedar.com.

## Share Capital

As at May 30, 2021 the Company had 85,342,152 common shares outstanding, and share purchase options outstanding to purchase an aggregate of 5,016,665 common shares expiring between April 5, 2022 and September 4, 2025 exercisable at various prices between $0.28 and $20.00 per share, and 5,317,500 share purchase warrants expiring May 25, 2022 and exercisable at $1.50. As part of the July 17, 2020 acquisition of Decklar, 8,000,000 common shares are issuable only if the Oza Oil Field reaches production net to Millenium of 1,000 bopd for a period of ten consecutive days in any thirty day period within twelve months of the date of closing of the agreement. As such on a fully diluted basis, the Company has 103,676,317 common shares outstanding.