DECKLAR
RESOURCES

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

Three and nine month periods ended September 30, 2022 and 2021

Unaudited

DECLAR RESOURCES INC.

Contents

Three and nine month periods ended September 30, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Decklar Resources Inc. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditors.

DECLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

As at:	Notes		**September 30, 2022**		December 31, 2021
Assets					
Current assets:					
Cash and cash equivalents		**$**	**81,329**	$	99,136
Accounts receivable	9		**197,700**		145,090
Prepaid expenses			**-**		20,253
Deposits	8		**-**		8,891,517
Total current assets			**279,029**		9,155,996
Non-current assets:					
Risk service assets	6,7		**73,005,926**		36,741,199
Total assets		**$**	**73,284,955**	$	45,897,195
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term loans	10	**$**	**1,475,376**	$	301,574
Refundable deposit	11		**-**		1,076,936
Trade payables and accrued liabilities	12		**20,088,862**		14,329,033
			21,564,238		15,707,543
Loan notes	11		**8,196,223**		-
Total liabilities			**29,760,461**		15,707,543
Shareholders' equity:					
Share capital	13	**$**	**180,967,990**	$	166,288,252
Contributed surplus			**2,833,329**		2,455,827
Contingent consideration			**1,601,229**		1,601,229
Accumulated other comprehensive loss			**1,352,903**		(35,008)
Deficit			**(143,049,795)**		(140,120,648)
Equity attributable to equity holders of the company			**43,705,656**		30,189,652
Non-controlling interests			**(181,162)**		-
Total shareholders' equity			**43,524,494**		30,189,652
Total liabilities and shareholders' equity		**$**	**73,284,955**	$	45,897,195

Going concern (note 1)
Contingencies (note 19)
Subsequent events (note 20)

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

DECLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars, except common share amounts)
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2022**	2021	**2022**	2021
Operating costs:					
General and administrative expenses	14	**$ (1,161,995)**	$ (3,571,664)	**$ (3,087,704)**	$ (4,965,162)
Impairment of resource properties		**-**	(200,000)	**-**	(200,000)
Operating loss		**(1,161,995)**	(3,771,664)	**(3,087,704)**	(5,165,162)
Other income (expenses):					
Finance income		**2**	491	**554**	1,108
Finance expense		**-**	9,024	**-**	(45,233)
Foreign exchange gain (loss)		**1,794**	432,152	**(23,159)**	69,375
Total other income (expenses)		**1,796**	441,667	**(22,605)**	25,250
Net loss		**(1,160,199)**	(3,329,997)	**(3,110,309)**	(5,139,912)
Other comprehensive loss:					
Unrealized foreign exchange gain (loss) on translation		**1,047,850**	525,931	**1,387,911**	259,124
Comprehensive loss		**$ (112,349)**	$ (2,804,066)	**$ (1,722,398)**	$ (4,880,788)
Net loss attributable to:					
Equity holders of the Company		**$ (1,077,656)**	$ (3,329,997)	**$ (2,929,147)**	$ (5,139,912)
Non-controlling interests		**$ (82,543)**	$ -	**$ (181,162)**	$ -
Basic and diluted net loss per share	13	**$ (0.01)**	$ (0.04)	**$ (0.03)**	$ (0.07)
Weighted average number of common shares outstanding:					
Basic and diluted	13	**99,893,791**	87,190,521	**98,607,537**	75,033,903

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

DECLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars, except common share amounts)
(Unaudited)

	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Contingent consideration	Deficit	Total equity attributable to equity holders	Non-controlling interests	Total equity
As at December 31, 2020	54,279,773	$ 138,680,452	$ 1,117,282	$ (253,556)	$ 1,601,229	$(137,129,578)	$ 4,015,829	$ -	$ 4,015,829
Issue of shares (note 13)	36,962,379	20,776,018	-	-	-	-	20,776,018	-	20,776,018
Share issuance costs	-	(827,672)					(827,672)	-	(827,672)
Share based compensation (note 13)	-	-	1,804,309	-	-	-	1,804,309	-	1,804,309
Currency translation	-	-	-	259,124	-	-	259,124	-	259,124
Net loss for the period	-	-	-	-	-	(5,139,911)	(5,139,911)	-	(5,139,911)
As at September 30, 2021	91,242,152	$ 158,628,798	$ 2,921,591	$ 5,568	$ 1,601,229	$(142,269,489)	$ 20,887,697	$ -	$ 20,887,697
As at December 31, 2021	95,992,152	$ 166,288,252	$ 2,455,827	$ (35,008)	$ 1,601,229	$(140,120,648)	$ 30,189,652	$ -	$ 30,189,652
Issue of shares (notes 6 &13)	6,000,000	14,679,738	-	-	-	-	14,679,738	-	14,679,738
Share-based compensation (note 13)	-	-	377,502	-	-	-	377,502	-	377,502
Currency translation	-	-	-	1,387,911	-	-	1,387,911	-	1,387,911
Net loss for the period	-	-	-	-	-	(2,929,147)	(2,929,147)	(181,162)	(3,110,309)
As at September 30, 2022	**101,992,152**	**$ 180,967,990**	**$ 2,833,329**	**$ 1,352,903**	**$ 1,601,229**	**$(143,049,795)**	**$ 43,705,656**	**$ (181,162)**	**$ 43,524,494**

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

DECLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Notes	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
Cash provided by (used in):			
Operating activities:			
Net loss		**$ (3,110,309)**	$ (5,139,912)
Items not involving cash:			
Share-based payments	13	**377,502**	1,804,309
Interest on loans and deposits		**-**	2,927
Foreign exchange gain		**(408,219)**	-
Finance expense		**-**	(5,594)
Impairment of resource properties		**-**	200,000
Changes in non-cash operating working capital:			
Accounts receivable		**(57,189)**	(65,334)
Prepaid expenses		**20,253**	-
Trade payables and accrued liabilities		**1,549,762**	6,426,037
Cash flow (used in) provided by operating activities		**(1,628,200)**	3,222,433
Financing activities:			
Loan notes	11	**6,532,654**	-
Short-term loans advanced	10	**1,078,378**	260,929
Private placements	13	**-**	19,189,504
Warrants exercised	13	**-**	313,333
Options exercised	13	**-**	359,334
Cash flow provided by financing activities		**7,611,032**	20,123,100
Investing activities:			
Risk service asset expenditures	7	**(19,060,123)**	(13,722,303)
Change in working capital due to investing	8	**13,101,584**	-
Acquisition costs	6	**(42,100)**	-
Deposits	8	**-**	(8,935,701)
Holt option		**-**	(100,000)
Cash flow used in investing activities		**(6,000,639)**	(22,758,004)
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions		**-**	121,947
Net (decrease) increase in cash and cash equivalents		**(17,807)**	587,529
Cash and cash equivalents, beginning of period		**99,136**	123,236
Cash and cash equivalents, end of period		**$ 81,329**	$ 832,712

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

1. Nature of business and going concern:

Decklar Resources Inc. ("Decklar" or the "Company") was incorporated under the laws of the Province of Alberta by a certificate of continuance on December 31, 2021. The Company had previously been incorporated and registered under the laws of the Province of British Columbia by a certificate of continuance dated December 31, 2004, and prior to that, 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 providing funding and technical advisory services to companies involved in the exploration and development of oil and gas properties in Nigeria. The Company's registered corporate office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

These condensed consolidated interim financial statements (the "Interim 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. As at September 30, 2022, the Company had an accumulated deficit of $143,049,795, cash and cash equivalents of $81,329, and negative working capital of $21,285,209. During the nine months ended September 30, 2022, the Company incurred a net loss of $3,110,309. Cash flow used in operating activities was $1,628,200. Certain Decklar subsidiaries are also currently in arrears on their obligations to their co-venturers. This exposes them to the possibility of being terminated as the risk service provider for their respective oil fields. The Company currently has no source of operating cash flow. While the Company recently closed a US$20 million debt facility (note 20), the conditions precedent will make it challenging for Decklar to access these funds in a timely manner. In the meantime, additional equity and/or debt financing will be needed to allow the Company to leverage the full benefit of its new debt facility, to fulfill its obligations with respect to its strategic investments in Nigeria, and to pay general and administrative costs.

There can be no assurance that the Company will be able to obtain the requisite financing in the future. If realized, such financing might not be favourable to the Company and might involve dilution to existing shareholders. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. 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.

2. Basis of preparation:

These Interim Financial Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). These Interim Financial Statements do not include all the necessary annual disclosures as prescribed by IFRS and should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2021.

The Interim Financial Statements of the Company were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on November 28, 2022.

3. Basis of consolidation:

The Interim Financial Statements include the accounts of the Company and its subsidiaries, Decklar Petroleum Limited ("Decklar Petroleum"), Purion Energy Limited ("Purion") and Decklar Emohua Resources Limited ("Emohua"), formerly Westfield Exploration and Production Limited. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Intercompany transactions are eliminated in preparation of the Interim Financial Statements.

(Expressed in Canadian dollars, unless otherwise stated)

4. Material accounting policies:

The accounting policies, critical accounting judgments and significant estimates used in preparation of the 2021 annual financial statements have been applied in the preparation of these Interim Financial Statements.

5. Significant accounting judgments and key sources of estimation uncertainty:

Management makes judgements and assumptions about the future in deriving estimates used in preparation of these Interim Financial Statements in accordance with IFRS. Sources of estimation uncertainty include estimates used to determine the recoverable amount of risk service assets and cash generating units.

During the nine months ended September 30, 2022, the recent strength in energy markets was tempered by multiple factors, including demand destruction brought on by higher energy prices, fears of a recession and China's zero COVID policy. These issues, coupled with increasingly restrictive central bank monetary policy, have been considered in our estimates as at and for the nine month period ended September 30, 2022.

6. Asset acquisitions:

Emohua:

On May 6, 2022, Decklar closed the Share Purchase Agreement ("SPA") to purchase all the issued and outstanding shares of Emohua. Emohua has a Risk Service Agreement ("RSA") for a 60.13% participating interest in the Emohua Oil Field held by Erebiina Energy Resources Limited ("Erebiina"). The Emohua Oil Field was awarded to Erebiina in the 2020/2021 Marginal Field Bid Round. The RSA allows Emohua to participate in the continued development of the oil resources in the field. The Emohua Oil Field is situated approximately 6 km west of the city of Port Harcourt in Rivers State and approximately 30 km west of the Oza Oil Field.

Decklar issued 6,000,000 common shares of the Company to Emohua shareholders, as consideration for the acquisition. It also contributed US$7 million in cash to allow Emohua to fund Erebiina's signature bonus for the Emohua Oil Field. Per the Emohua RSA the signature bonus is a recoverable expenditure. Consequently, it is eligible for recovery by Emohua through the risk service fees. The US$7 million was initially advanced in Q3 2021 and was recorded as a deposit. In the event Emohua enters an RSA, in respect of the remaining 39.87% interest in the Emohua Oil Field, an additional 2,500,000 Decklar shares will be issued to the shareholders of Emohua.

The Company concluded that substantially all the fair value of Emohua's assets is concentrated in a single identifiable asset, the Emohua Oil Field RSA. Consequently, the acquisition of Emohua was accounted for as an asset acquisition in accordance with the concentration test permitted under IFRS 3 Business Combinations. The share consideration was measured based on the fair value of net assets acquired, with a corresponding increase to share capital for the issued shares. The table below summarizes the estimated fair value of the identifiable assets acquired and liabilities assumed on the closing date:

		May 6, 2022
6,000,000 shares issued		14,679,738
Transaction costs		42,100
Total consideration	**$**	**14,721,838**

(Expressed in Canadian dollars, unless otherwise stated)

Risk service assets		14,726,417
Current assets		892
Current liabilities		(5,471)
Fair value of net assets acquired	**$**	**14,721,838**

The fair value of the risk service assets acquired was estimated using the present value of the expected future cash flows derived from contingent resources discounted at 25%. The expected cash flows used in the fair value calculation were derived from a report of the Emohua Oil Field oil and gas reserves which was prepared by an independent qualified reserve evaluator as of December 31, 2021.

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the valuation at December 31, 2021:

	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Brent crude oil (US$/bbl)	75.00	69.87	67.63	68.98	70.36	71.77	73.20	74.66	76.16

7. Risk service assets:

		September 30, 2022		December 31, 2021
Risk service asset - Oza Oil Field	**$**	**40,314,936**	$	29,054,010
Risk service asset - Asaramatoru Oil Field		**8,349,104**		7,687,189
Risk service asset - Emohua Oil Field		**24,341,886**		-
	$	**73,005,926**	$	36,741,199

(a) Risk service asset - Oza Oil Field

Oza Oil Field		
Balance, December 31, 2020	**$**	**5,678,471**
Additions during the period		20,069,105
Impairment reversal		3,346,978
Foreign exchange		(40,544)
Balance, December 31, 2021	**$**	**29,054,010**
Additions during the period		8,857,404
Foreign exchange		2,403,522
Balance, September 30, 2022	**$**	**40,314,936**

(b) Risk service asset - Asaramatoru Oil Field

Asaramatoru Oil Field		
Balance, December 31, 2020	**$**	**-**
Acquired November 1, 2021		7,546,024
Additions during the period		141,165
Balance, December 31, 2021	**$**	**7,687,189**
Additions during the period		589,530
Foreign exchange		72,385
Balance, September 30, 2022	**$**	**8,349,104**

(Expressed in Canadian dollars, unless otherwise stated)

(c) Risk service asset - Emohua Oil Field

Emohua Oil Field		
Balance, December 31, 2021	**$**	**-**
Acquired May 6, 2022		14,726,417
Additions during the period (notes 6 and 8)		9,613,189
Foreign exchange		2,280
Balance, September 30, 2022	**$**	**24,341,886**

As at September 30, 2022, there were no indicators of impairment or impairment reversal for risk service assets in any of the Company's CGUs.

2021 impairment reversal:

At December 31, 2021, the Company identified indicators of impairment reversal for the risk service assets in the Oza Oil Field CGU due to the increase in forecasted commodity prices. The recoverable amount for the Oza Oil Field CGU exceeded its carrying amount which resulted in an impairment reversal of $3,346,978 being recorded at December 31, 2021. The recoverable amount of the risk service assets for the Oza Oil Field as at December 31, 2021, was calculated as fair value less cost to sell (“FVLCS”), which was determined using a discounted cash flow approach based on the year-end 2021 proved plus probable reserves as evaluated by the Company’s independent reserve evaluators. The recoverable amount incorporated a risk adjusted after tax discount rate of 20% - 23%. The risk adjusted discount rate contemplated multiple market participant assessments specific to the Company and its risk service assets. The FVLCS is classified as a Level 3 fair value measurement as certain key assumptions are not based on observable market data.

8. Deposits:

Deposits represent the US$7 million advanced by Decklar to Emohua under a letter of intent dated September 30, 2021. Under the terms of the letter of intent, Decklar would acquire of all the issued and outstanding shares of Emohua. Per the terms of the Erebiina RSA, Emohua would use the US$7 million to fund the signature bonus of Erebiina in order for Erebiina to secure its 60.13% participating interest in the Emohua Oil Field.

9. Accounts receivable:

		September 30, 2022		December 31, 2021
GST refundable	**$**	**197,700**	$	145,090

10. Short-term loans:

		September 30, 2022		December 31, 2021
	$	**1,475,376**	$	301,574

Other short-term loans are comprised of the outstanding balance of advances made directly to Decklar Petroleum, and payments made on behalf of Decklar Petroleum, by external parties. These advances have been used to fund Decklar Petroleum’s operations. The loans do not bear interest and are due on demand.

11. Loan notes:

In January 2022, the Company announced the closing of a funding agreement with San Leon Energy Plc (“San Leon”). The funding agreement supersedes a previously announced subscription agreement (the “Subscription Agreement”) with San Leon and formalizes the relationship between Decklar and San Leon going forward. The

(Expressed in Canadian dollars, unless otherwise stated)

Subscription Agreement entitled San Leon to subscribe for US$7,500,000 of 10 percent unsecured subordinated loan notes of Decklar Petroleum (the “loan notes”) and 15 percent of the share capital of Decklar Petroleum.

The Subscription Agreement also provided for certain conditions precedent to be confirmed prior to finalizing and issuing the loan notes and Decklar Petroleum shares. These conditions precedent included entering into a shareholders’ agreement in respect of Decklar Petroleum, and the restructuring of certain historical indebtedness by the owner/operator of the Oza Oil Field. In September 2020, San Leon advanced US$750,000 as an initial refundable deposit on the total US$7,500,000. However, the balance of the US$7,500,000 was subject to the satisfaction (or waiver) of the conditions precedent contained in the Subscription Agreement. All of the conditions precedent have now been satisfied or have been waived by San Leon. Consequently, the principal outcomes of the new funding agreement are as follows:

- Of the US$6,750,000 of funds held in escrow, US$4,750,000 were advanced to Decklar Petroleum and the remaining US$2,000,000 was returned to San Leon.
- San Leon acquired an 11% equity interest in Decklar Petroleum.
- San Leon elected not to advance a further US$2,000,000 to Decklar by April 30, 2022, as contemplated in the new funding agreement. San Leon also chose not to subscribe for any additional shares of Decklar Petroleum. Consequently, their equity interest in Decklar Petroleum remains at 11%.
- Decklar Petroleum has agreed that San Leon will be fully involved in the planning of the first new well to be drilled on the Oza Oil Field.

The terms of the loan notes provide for an interest rate of 10 percent 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 of the Oza Oil Field. The loan notes are unsecured, subordinated and contain customary events of default. The loan notes do not contain any financial or other maintenance covenants. At September 30, 2022, the outstanding balance of the loan notes, including accrued interest, was as follows:

		September 30, 2022		December 31, 2021
Deposits	**$**	**-**	$	1,076,936
Loan notes		**8,196,223**		-

Interest expense for the three and nine months ended September 30, 2022 was $190,020 and $521,054, respectively (September 30, 2021 - $20,787 and $71,472), which has been capitalized in risk service assets for the Oza Oil Field.

12. Trade payables and accrued liabilities:

		September 30, 2022		December 31, 2021
Trade and other payables	**$**	**19,396,575**	$	13,994,957
Due to related parties (note 15)		**692,287**		334,076
	$	**20,088,862**	$	14,329,033

13. Share capital:

(a) Authorized:

Unlimited number of common shares without par value.

(Expressed in Canadian dollars, unless otherwise stated)

(b) Issued and outstanding:

	Number of shares		Amount
Balance, December 31, 2020	**54,279,773**		**138,680,452**
Issued in private placements	17,295,714		4,695,948
Issued to Island Time to settle promissory note	175,000		105,000
Issued on exercise of stock options	2,283,335		1,277,754
Issued on exercise of warrants	3,133,330		313,333
Issued in Unit Offering	10,075,000		9,102,969
Issued in Unit Offering	5,000,000		4,858,748
Issued on acquisition of Purion	3,750,000		7,254,048
Balance, December 31, 2021	**95,992,152**	**$**	**166,288,252**
Issued on acquisition of Emohua (note 6)	6,000,000		14,679,738
Balance, September 30, 2022	**101,992,152**	**$**	**180,967,990**

(c) Share-based compensation:

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board of Directors has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. All stock options have a maximum term of five years and the vesting period for each grant is determined at the discretion of the Board of Directors.

For the three and nine months ended September 30, 2022, Decklar recorded share-based compensation expense of $82,943 and $377,502, respectively (September 30, 2021 - $1,563,370 and $1,804,309, respectively).

The continuity of outstanding stock options for the nine months ended September 30, 2022, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Forfeited	Balance September 30, 2022
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	2,758,332	-	-	-	2,758,332
August 13, 2026	$1.00	3,540,000	-	-	-	3,540,000
		6,523,332	-	-	(225,000)	6,298,332
Weighted average exercise price		$ 1.18	-	-	-	$ 0.68
Weighted average remaining life (years)		4.07	-	-	-	3.46

The continuity of outstanding stock options for the nine months ended September 30, 2021, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance September 30, 2021
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	-	(1,283,335)	-	3,891,665
August 13, 2026	$1.00	-	3,540,000	-	-	3,540,000
		5,400,000	3,540,000	(1,283,335)	-	7,656,665
Weighted average exercise price		$ 0.89	-	-	-	$1.05
Weighted average remaining life (years)		4.53	-	-	-	4.26

(Expressed in Canadian dollars, unless otherwise stated)

As at September 30, 2022, 6,298,332 stock options were exercisable (December 31, 2021: 4,163,333 options). The weighted average exercise price of the options outstanding at September 30, 2022, is $0.68 per share (September 30, 2021: $1.05 per share).

(d) Warrants:

The continuity of outstanding warrants for the nine months ended September 30, 2022, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Forfeited	Balance September 30, 2022
May 25, 2023	$1.50	5,629,499	-	-	(592,000)	5,037,499
August 27, 2023	$1.50	2,500,000	-	-	-	2,500,000
		8,129,499	-	-	(592,000)	7,537,499

In Q2 2022, the Company applied to the TSX Venture Exchange to have the expiry dates for the warrants issued to subscribers in 2021 extended by one year. The warrants were originally scheduled to expire on May 25, 2022 and August 27, 2022, respectively. The TSX Venture Exchange granted a one year extension for both tranches on May 25, 2022.

The continuity of outstanding warrants for the nine months ended September 30, 2021, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance September 30, 2021
September 2, 2021	$0.10	3,133,330	-	(3,133,330)	-	-
May 25, 2022	$1.50	-	5,629,499	-	-	5,629,499
August 27, 2022	$1.50	-	2,500,00	-	-	2,500,000
		3,133,330	8,129,499	(3,133,330)	-	8,129,499

(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 three and nine month periods ended September 30, 2022 and 2021.

14. General and administrative expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Consulting	**$ 544,545**	$ 359,059	**$ 1,506,610**	$ 698,008
Professional and regulatory	**168,586**	789,524	**301,750**	1,011,903
Office and administration	**190,806**	685,293	**582,477**	1,113,820
Business development	**175,115**	174,418	**319,365**	337,122
Share-based compensation (Note 13(c))	**82,943**	1,563,370	**377,502**	1,804,309
	$ 1,161,995	$ 3,571,664	**$ 3,087,704**	$ 4,965,162

15. Related party transactions:

(a) Balances receivable and payable:

The amounts due to related parties, and included in trade payables and accrued liabilities, are non-interest bearing, unsecured, and comprised of the following:

(Expressed in Canadian dollars, unless otherwise stated)

		September 30, 2022		December 31, 2021
Due to officers and directors of the Company	**$**	**692,287**	$	334,076

(b) Issue of stock options:

On August 13, 2021 the Company granted 1,525,000 stock options to certain officers and directors of the Company (see note 13(c)).

(c) Key management personnel:

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

	Three months ended September 30,				Nine months ended September 30,			
		2022		2021		**2022**		2021
Consulting fees	**$**	**76,060**	$	152,884	**$**	**261,207**	$	423,566
Share-based compensation (Note 13(c))		**35,731**		534,653		**137,662**		627,263
	$	**111,791**	$	687,537	**$**	**398,869**	$	1,050,829

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

16. Segment information:

The Company conducts its business as a single reportable operating segment, being facilitating the development of oil fields in Nigeria, as this is how the information is reviewed by the chief decision maker of the Company.

Geographical information is as follows:

September 30, 2022		**Canada**		**Nigeria**		**Total**
Finance income	$	554	$	-	$	554
Net loss		(1,290,179)		(1,820,130)		(3,110,309)
Risk service assets		-		73,005,926		73,005,926
Total assets		238,376		73,046,580		73,284,955

September 30, 2021		**Canada**		**Nigeria**		**Total**
Finance income	$	1,108	$	-	$	1,108
Net loss		(4,435,636)		(704,276)		(5,139,912)
Risk service assets		-		19,648,552		19,648,552
Total assets		754,648		28,786,581		29,541,229

17. Financial risk management:

(a) Operational risk:

Given that Decklar will be financing virtually all of the expenditures of its co-venturers and recovering those expenditures under the cost recovery terms of the RSAs, the Company is exposed to the risk that those recoveries will not materialize or will not materialize to the degree contemplated in the RSAs. Consequently, Decklar is exposed to the credit quality of the co-venturers, the ability of those co-venturers to execute field development programs, and to successfully operate those projects going forward. Fluctuations in crude oil prices, access to pipelines and oil bunkering will also impact this risk. These challenges have all played out in 2022 and continue to defer commencement of the cost recovery process. The Company attempts to manage these risks by actively participating with co-venturers in the day-to-day decision making associated with their projects, negotiating material contracts jointly with the co-venturers and providing technical expertise for oil field operations.

As at September 30, 2022, the Company had funded $39.2 million towards its risk service assets (December 31, 2021 - $20.1 million).

(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 a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including the expected capital requirements under its RSAs. The Company's subsidiaries are currently in arrears on some of these obligations.

As at September 30, 2022, the Company had cash and cash equivalents of $81,329 (December 31, 2021 - $99,136) and had trade payables and accrued liabilities, and other current liabilities, of $21,564,238 (December 31, 2021 - $15,707,543) (see note 1).

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. Market risk is comprised of foreign currency risk, interest rate risk and commodity price risk. The Company's primary market risks are currently foreign currency risk and commodity price risk.

(i) Foreign currency risk:

The reporting currency of the Company is Canadian dollars. However, the Company also enters into a significant number of transactions denominated in US dollars and Nigerian naira. Unless and until the Company has revenues denominated in US dollars, it will be fully exposed to exchange rate fluctuations between these currencies. A 1% increase or decrease in the Canadian dollar/US dollar foreign exchange rate on the revaluation of outstanding US dollar denominated assets and liabilities, would impact the net loss by roughly $175,000. A 1% increase or decrease in the naira to US dollar rate would also have a negligible impact on net loss. At September 30, 2022, the Company had no hedging agreements in place with respect to this risk.

(ii) Commodity price risk:

As there is currently no sustained oil production from the Oza Oil Field, the Asaramatoru Oil Field, or the Emohua Oil Field, the Company's cash flows are not directly exposed to commodity price risk. However, crude oil prices do impact the value of the oil reserves attributed to its risk service assets. Fluctuations in crude prices will affect their actual and projected returns. This will affect Decklar's eventual returns associated with its RSAs, once cost recovery begins. Crude prices will also affect the fair value of these assets and ultimately whether or not indicators of impairment, or impairment reversal, exist. The Company has not engaged in any hedging activities to reduce its exposure to commodity price risk.

(iii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not currently have any variable interest rate debt. Consequently, there is no significant exposure to interest rate risk. A change of 100 basis points in the interest rate would not be material to the Interim Financial Statements.

(d) 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 are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 - Values are 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 are 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, short-term loans and trade payables and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments. They are all carried at amortized cost. The Company has no financial assets or liabilities, recorded at fair value, included in Level 1, 2 or 3 of the fair value hierarchy.

18. Capital management:

The Company strives to actively manage its capital structure in order to have the funds available to support its co-venturer's exploration, development, and other activities. The adequacy of the capital structure is assessed on an ongoing basis. This assessment considers the Company's strategy, its commitments, the commodity markets, the resource industry, economic conditions, and the associated risks. Adjustments to our capital structure are undertaken as markets and conditions permit. At September 30, 2022, Decklar's capital structure was comprised of share capital, cash and cash equivalents, accounts receivable, short-term loans, trade payables and accrued liabilities and loan notes.

In order to manage its capital structure and liquidity, Decklar may from time to time issue equity or debt securities, enter business transactions including the sale of equity interests in its subsidiaries, or adjust capital spending to manage current and projected fiscal demands. However, there is no certainty that Decklar will be able to access any of these additional sources of capital, if and when required.

19. Contingencies:

In Q3 2021, a claim was filed in a Nigerian court by a former partner of Prime Exploration and Production Limited ("Prime"), against Prime and Purion, disputing the validity and terms of the RSA between Purion and Prime for the Asaramatoru Oil Field. In Q1 2022, the parties advised the court that there were ongoing settlement discussions between them and requested an adjournment of the court proceedings to allow the settlement efforts to continue. A second adjournment was requested in May. The parties returned to court in July. They confirmed that they were at an advance stage of settlement and should file terms of settlement before the next adjourned date. The parties are scheduled to return to court on December 12, 2022, in order to advise the court on status of these discussions. Consequently, there is still insufficient information regarding how, or if, the terms of the RSA will be impacted, or which parties to the RSA will be affected. However, no amendments to the Asaramatoru RSA have been requested or proposed by Prime.

20. Subsequent events:

On October 5, 2022, Decklar signed a US$20 million debt finance facility with Shell Western Supply and Trading Limited (“Shell”), a subsidiary of Shell plc. These funds are earmarked specifically for the continued development of the Oza Oil Field. As such, they are subject to specific conditions precedent, milestones and other outcomes. The Company will be required to fulfill these various obligations in order to access these funds. The facility agreement contemplates the funds being advanced in three separate tranches as the respective milestones are achieved. Millenium’s debt has been restructured under this same debt facility.

Decklar also executed a facility agreement and an offtake agreement with Shell. The facility agreement includes a hedging program in order to mitigate pricing risk on crude oil sales from the Oza Oil Field.