Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

June 30, 2021 and 2020

Unaudited

DECKLAR RESOURCES INC.

Contents

As at June 30, 2021 and for the three and six month periods ended June 30, 2021 and 2020

(Unaudited)

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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.

DECKLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position
(In Canadian dollars)
As at June 30, 2021 and December 31, 2020
(Unaudited)

	Notes		**June 30, 2021**		December 31, 2020
Assets					
Current assets:					
Cash and cash equivalents		**$**	**10,029,782**	$	123,236
Accounts receivable and prepaid expenses	4		**122,060**		58,930
Total current assets			**10,151,842**		182,166
Non-current assets:					
Resource properties	5		**9,413,399**		5,778,471
Total assets		**$**	**19,565,241**	$	5,960,637
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term loans	6	**$**	**13,674**	$	305,529
Refundable deposit	7		**1,005,952**		985,866
Trade payables and accrued liabilities	8		**1,657,025**		653,413
Total liabilities			**2,676,651**		1,944,808
Shareholders' equity:					
Share capital	9		**153,268,596**	$	138,680,452
Share-based payments reserve			**1,478,621**		1,117,282
Contingent consideration	5		**1,601,229**		1,601,229
Accumulated other comprehensive loss			**(520,363)**		(253,556)
Deficit			**(138,939,493)**		(137,129,578)
Total shareholders' equity			**16,888,590**		4,015,829
Total liabilities and shareholders' equity		**$**	**19,565,241**	$	5,960,637

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

Going concern (note 1)
Subsequent events (note 16)

DECKLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(In Canadian dollars, except common share amounts)
For the three and six month periods ended June 30, 2021 and 2020
(Unaudited)

	Notes	Three months ended June 30		Six months ended June 30	
		2021	2020	**2021**	2020
Operating costs					
General and administrative expenses	10	**$ (997,107)**	$ (223,536)	**$ (1,393,498)**	$ (271,616)
Transaction costs		**-**	-	**-**	(250,000)
Operating loss		**(997,107)**	(223,536)	**(1,393,498)**	(521,616)
Other income (expenses)					
Finance income		**482**	189	**617**	2,644
Finance expense		**(53,514)**	(723)	**(54,257)**	(1,437)
Foreign exchange gain (loss)		**(276,356)**	-	**(362,777)**	-
Total other income (expenses)		**(329,388)**	(534)	**(416,417)**	1,207
Net loss for the period		**(1,326,495)**	(224,070)	**(1,809,915)**	(520,409)
Other comprehensive loss:					
Unrealized foreign exchange loss on translation		**(194,893)**	-	**(266,807)**	-
Comprehensive loss for the period		**$ (1,521,388)**	(224,070)	**$ (2,076,722)**	(520,409)
Basic and diluted loss per share		**$ (0.02)**	(0.01)	**$ (0.03)**	(0.02)
Weighted average number of common shares outstanding					
Basic and diluted		**77,929,084**	24,940,942	**68,854,849**	23,867,133

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

DECKLAR RESOURCES INC.

Condensed Consolidated Interim Statement of Changes in Equity
(In Canadian dollars, except common share amounts)
For the six month periods ended June 30, 2021 and 2020
(Unaudited)

	Number of common shares	Share capital	Share-based payments reserve	Accumulated other comprehensive loss	Contingent consideration	Deficit	Shareholders' equity
Balance, December 31, 2019	22,079,770	$ 132,256,259	$ 484,924	$ -	$ -	$(132,272,740)	$ 468,443
Issue of shares	3,466,666	346,667	-	-	-	-	346,667
Net loss for the period	-	-	-	-	-	(520,409)	(520,409)
Balance, June 30, 2020	25,546,436	132,602,926	484,924	-	-	(132,793,149)	294,701
Issue of shares	28,733,337	6,077,526	-	-	-	-	6,077,526
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 period	-	-	-	-	-	(4,336,429)	(4,336,429)
Balance, December 31, 2020	54,279,773	138,680,452	1,117,282	(253,556)	1,601,229	(137,129,578)	4,015,829
Issue of shares	31,062,379	15,323,066	-	-	-	-	15,323,066
Share issuance costs	-	(734,922)	-	-	-	-	(734,922)
Share-based payments	-	-	361,339	-	-	-	361,339
Currency translation	-	-	-	(266,807)	-	-	(266,807)
Net loss for the period	-	-	-	-	-	(1,809,915)	(1,809,915)
Balance, June 30, 2021	85,342,152	153,268,596	1,478,621	(520,363)	1,601,229	(138,939,493)	16,888,590

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

DECLAR RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows
(In Canadian dollars)
For the six month periods ended June 30, 2021 and 2020
(Unaudited)

	Notes		Six months ended June 30, 2021		Six months ended June 30, 2020
Cash provided by (used in):					
Operating activities:					
Net loss for the period		$	**(1,809,915)**	$	(520,409)
Items not involving cash:					
Share-based payments	9(c)(ii)		**361,339**		-
Interest on loans and deposits			**2,927**		1,437
Changes in non-cash operating working capital:					
Accounts receivable and prepaid expenses			**(63,130)**		(10,019)
Trade payables and accrued liabilities			**986,602**		155,406
Cash flow provided used in operating activities			**(522,177)**		(373,585)
Financing activities:					
Warrants exercised	9		**313,333**		346,667
Share options exercised	9		**107,334**		-
Private placement	9		**14,062,477**		-
Refundable deposit			**8,824**		-
Short-term loans repaid	6		**(289,939)**		-
Investment advance			**-**		542,485
Cash flow provided by financing activities			**14,202,029**		889,152
Investing activities:					
Resource property expenditures			**(3,721,230)**		-
Cash flow used in investing activities			**(3,721,230)**		-
Net increase (decrease) in cash and cash equivalents			**9,958,622**		515,567
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions			**(52,076)**		-
Cash and cash equivalents, beginning of year			**123,236**		493,045
Cash and cash equivalents, end of period		**$**	**10,029,782**	$	1,008,612

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

Supplemental cash flow information (note 13)

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 Nigeria-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 condensed consolidated 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. For the six months ended June 30, 2021, the Company has incurred net losses of $1,809,915 (six months ended June 30, 2020 - $520,409), and as at that date, has an accumulated deficit of $138.9 million (December 31, 2020 - $137.1 million) and working capital of $7.48 million (December 31, 2020 - $1.76 million deficit) 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. Future financing, if available, might not be available at terms favourable to the Company and might involve dilution to existing shareholders. These factors indicate the existence of uncertainty 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.

On May 25, 2021 Decklar announced the closing of a non-brokered financing raising gross proceeds of $10,075,000. On August 18, 2021, Decklar announced its intention to raise up to an additional $5 million 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. The most recent placement for total gross proceeds of approximately $5,00,000 closed August 27, 2021.

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. Third and fourth 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.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). These condensed consolidated 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, 2020. The critical accounting judgements and significant estimates used in the preparation of the of the December 31, 2020, consolidated financial statements have been applied in preparation of these condensed consolidated interim financial statements.

(b) Approval of the financial statements:

The condensed consolidated interim financial statements of the Company for the six months ended June 30, 2021 and 2020, were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on August 30, 2021.

3. Significant accounting policies:

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

(a) Basis of measurement:

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

(b) 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 exchanges 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.

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 at the reporting date. Differences arising on translation are recognized as other comprehensive loss.

(c) Basis of consolidation:

These condensed consolidated interim 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.

3. Significant accounting policies (continued):

(d) 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.

(e) 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 condensed consolidated interim financial statements include the Company's share of the relevant revenues and related costs classified according to their nature.

(f) 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 will be 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.

(g) 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-

3. Significant accounting policies (continued):

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

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.

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 or 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 or loss.

(h) 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.

(i) 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.

(j) 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.

(In Canadian dollars, unless otherwise stated)

3. Significant accounting policies (continued):

(k) 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.

(l) 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. Accounts receivable and prepaid expenses:

	June 30, 2021	December 31, 2020
GST refundable	$ 64,204	$ 44,842
Prepaid insurance and other receivables	57,856	14,088
	$ 122,060	$ 58,930

5. Resource properties:

	June 30, 2021	December 31, 2020
Risk service agreement (a)	$ 9,213,399	$ 5,678,471
Holt option (b)	200,000	100,000
	$ 9,413,399	$ 5,778,471

At June 30, 2021, there were no indicators of impairment or impairment reversal for the Oza RSA.

(a) Risk service agreement – Oza Oil Field

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.

(In Canadian dollars, unless otherwise stated)

5. Resource properties (continued):

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 prior to March 31, 2022.

The acquisition of DPL did not qualify as a business combination under IFRS 3 - *Business Combinations* and was 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 following details the Oza Oil field RSA at June 30, 2021:

	June 30, 2021	December 31, 2020
Acquired July 16, 2020	$ -	$ 7,499,498
Balance January 1, 2021	5,678,471	-
Additions during the period	3,721,230	1,846,062
Impairment	-	(3,346,978)
Foreign exchange	(186,302)	(320,111)
	$ 9,213,399	$ 5,678,471

(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 9). 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 9), 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.

6. Short-term loans:

	June 30, 2021	December 31, 2020
Promissory note payable to Island Time	$ -	$ 59,852
Other short-term loans	13,674	245,677
	$ 13,674	$ 305,529

At June 30, 2021, the outstanding balance of the promissory note payable to Island Time, including accrued interest, had been extinguished by Decklar through the issuance of 175,000 common shares in order to meet the terms under the Holt Option (note 5).

(In Canadian dollars, unless otherwise stated)

Other short-term loans are comprised of the outstanding balance of 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.

7. Refundable deposit:

As part of the San Leon Subscription Agreement ("Subscription Agreement"), DPL received a deposit in the fall of 2020. At June 30, 2021 the outstanding balance of the deposit including accrued interest was $1,005,952 (December 31, 2020: $985,866) The deposit is repayable should a number of conditions in the Subscription Agreement not be attained including the need to complete additional specific financing. Interest is payable on the deposit at a rate of 10% per annum. Interest expense during the six months ended June 30, 2021 has been accrued in the amount of $50,685, which has been capitalized in Resource properties.

8. Trade payables and accrued liabilities:

	June 30, 2021	December 31, 2020
Trade and other payables	$ 1,491,916	$ 447,265
Due to related party (note 11)	165,109	206,148
	$ 1,657,025	$ 653,413

9. 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, 2019	22,079,770	$ 132,256,259
Issued to on acquisition of DPL (note 5)	22,000,000	5,404,194
Issued on exercise of warrants (note 9(d))	10,200,003	1,019,999
Balance, December 31, 2020	54,279,773	138,680,452
Issued in private placement (note 9(c)(i))	17,295,714	4,570,002
Issued to Island Time per contract	175,000	105,000
Issued on exercise of stock options (note 9(c)(ii))	383,334	107,334
Issued on exercise of warrants (note 9(d))	3,133,330	313,333
Issued in Unit Offering (note 9(c)(i))	10,075,000	9,492,475
Balance, June 30, 2021	85,342,152	$ 153,268,596

(c) Share issuances and share-based payments:

(i) Common shares:

In March 2021, the Company completed a private placement, issuing 16,865,714 common shares at a price of $0.28 per share for gross proceeds of $4,842,800 net proceeds of $4,570,002 after total share issuance costs of $272,798. All common shares issued pursuant to the placement were subject to a four-month hold. Brokers fees included issuance of 430,000 common shares that resulted in a share-based payment valued at $120,400.

In May 2021, the Company completed an unbrokered unit offering, issuing 10,075,000 units, with each unit consisting of one common share and one-half common share purchase warrant, at a price of $1.00 per unit for gross proceeds of $10,075,000 and net proceeds of $9,492,475 after total share issuance

(In Canadian dollars, unless otherwise stated)

9. Share capital (continued):

costs of $582,525. Each whole warrant entitling the holder to acquire one common share at a price of $1.50 per common share for 12 months (see note 9(d)). All common shares issued pursuant to the offering were subject to a four-month hold. Finders' fees included cash of $559,200 and 280,000 common share purchase warrants entitling the holder to acquire one common share at a price of $1.50 per common share for 12 months.

(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 three and six month period ended June 30, 2021, the Company recorded share-based compensation expense in the amount of $88,792 and $240,939 respectively (2020 – $nil).

Options granted in September 2020 are exercisable at $0.28 per option and expire 5 years after the grant date. One third of the stock options vested September 4, 2020, one-third vested March 4, 2021 and the remaining one-third vest on the one year anniversary of the grant date. The forfeiture rates are based on historical data and management's estimates. The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

Risk-free interest rate	$	0.43%
Expected life		5 years
Expected volatility		95%
Fair value per option		$0.28
Forfeiture rate		15%
Dividend yield		-

The continuity of outstanding share purchase options for the period ended June 30, 2021 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Expired/ cancelled/ forfeited	Balance June 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	-	383,334	-	4,791,666
		5,400,000	-	-	-	5,016,666
Weighted average exercise price		$ 0.89	-	-	-	$ 0.94
Weighted average remaining life (years)		4.53	-	-	-	4.03

(In Canadian dollars, unless otherwise stated)

9. Share capital (continued):

(ii) Common share options (continued):

As at June 30, 2021, 3,291,000 share purchase options were exercisable (2020 - 225,000). These options have a weighted average exercise price of $1.22 per share (2020 - $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. The warrants were valued at $nil using the residual value method. During 2020, 10,200,003 warrants were exercised for total proceeds of $1,019,999, and in the first half of 2021 the remaining 3,133,330 warrants were exercised for total proceeds of $313,333.

In May 2021, the Company issued 10,075,000 one-half common share purchase warrants, with each whole warrant entitling the holder to acquire one common share at a price of $1.50 per common share for 12 months. In the event all of the one-half common share purchase warrants are exercised, a total of 5,037,500 common shares will be issued. An additional 280,000 common share purchase warrants were issued as a finders' fee, entitling the holder to acquire one common share at a price of $1.50 per common share for 12 months. The warrants were valued at $nil using the residual value method.

(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 six month periods ended June 30, 2021 and 2020, as the Company incurred net losses in each period.

10. General and administrative expenses:

	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
Consulting	$ 293,168	$ 21,350	$ 338,950	$ 40,000
Professional and regulatory	80,291	184,929	222,379	194,363
Office and administrative	384,641	17,257	428,528	37,253
Business development	150,215	-	162,702	-
Share-based payments	88,792	-	240,939	-
	$ 997,107	$ 223,536	$ 1,393,498	$ 271,616

11. 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:

	June 30, 2021	December 31, 2020
Due to officers and directors	$ 165,109	$ 206,148

(In Canadian dollars, unless otherwise stated)

(b) 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:

	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
Salary and consulting fees	$ 187,908	$ 21,350	$ 270,682	$ 40,000
Share-based payments, directors and senior officers	46,305	-	92,610	-
	$ 234,213	$ 21,350	$ 363,292	$ 40,000

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

12. 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:

Six months ended June 30, 2021	Canada	Nigeria	Total
Interest income	$ 617	$ -	$ 617
Loss for the period	(1,720,283)	(89,632)	(1,809,915)
Non-current assets	200,000	9,213,399	9,413,399
Total assets	563,429	19,001,812	19,565,241

Six months ended June 30, 2020	Canada	Nigeria	Total
Interest income	$ 2,644	$ -	$ 2,644
Loss for the period	(520,409)	-	(520,409)
Non-current assets	100,000	-	100,000
Total assets	1,145,597	-	1,145,597

13. Supplemental cash flow information:

	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
Supplemental information:				
Interest received	$ 482	$ 642	$ 617	$ 3,096

14. 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 June 30, 2021, the Company had GST refundable and other prepaid and receivables, in the amount of $122,060 (December 31, 2020 - $58,930), that were not considered past due.

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.

(a) 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 June 30, 2021, the Company had cash and cash equivalents of $10,029,782 (December 31, 2020 - $123,236) and trade payable and accrued liabilities and other current liabilities of $1,657,025 (December 31, 2020 - $653,413).

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At June 30, 2021 and 2020 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 sales 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,

(In Canadian dollars, unless otherwise stated)

14. Financial risk management (continued):

(*iii*) Commodity price risk (continued):

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.

(d) Financial assets and liabilities:

As at June 30, 2021 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
Financial assets				
Cash and cash equivalents	$ 10,029,782	$ 10,029,782	$ 10,029,782	$ -
Accounts receivable and prepaid expenses	122,060	122,060	122,060	-
Total financial assets	$ 10,151,842	$ 10,151,842	$ 10,151,842	$ -
Financial liabilities				
Short-term loans	$ 13,674	$ 13,674	$ 13,674	$ -
Refundable deposit	1,005,952	1,005,952	1,005,952	-
Trade payables and accrued liabilities	1,657,025	1,657,025	1,657,025	-
Total financial liabilities	$ 2,676,651	$ 2,676,651	$ 2,676,651	$ -

(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.

15. 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.

16. Subsequent events:

Agreement to Participate in Continued Development of the Asaramatoru Field

On July 14, 2021, Decklar announced the completion of a Share Purchase Agreement to purchase all of the issued and outstanding ordinary shares of Purion Energy Limited ("Purion"), a Nigerian entity that has entered into a Risk Finance and Technical Services Agreement ("RFTSA") with Prime Exploration and Production Limited ("Prime") with respect to the 51% equity interest that was awarded to Prime in the Asaramatoru Oil Field. Further, Decklar is aware that Purion is also seeking to enter into a RFTSA with Suffolk Petroleum ("Suffolk") in respect of Suffolk's 49% interest in the Asaramatoru Oil Field. Prime is the Operator of the Asaramatoru Oil Field, and Decklar will participate in the continued development of the oil resources in the field. The Asaramatoru Oil Field is located in OML 11, the same block where Decklar is also currently developing the Oza Oil Field.

The Asaramatoru Field was formerly operated by Shell Petroleum Development Company of Nigeria Limited ("SPDC"). SPDC discovered the oil field in 1973 with the drilling of the AST-1 well, which discovered 10 hydrocarbon bearing reservoirs. The AST-2 well was drilled by SPDC in 1989 and discovered additional oil reservoirs in a separate fault block. SPDC never placed the two wells on production and suspended both wells after the drilling and completion activities. Data available includes the wireline well logs, additional test data, and a 3D seismic survey conducted in 1996.

Unit Offering

On July 30, 2021 Decklar announced a non-brokered financing to raise gross proceeds of up to $1,000,000 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. On August 18, 2021 Decklar announced that the Offering had been increased to raise gross proceeds of up to $5,000,000 under the same terms. 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 Offering, for total gross proceeds of approximately $5,000,000, closed on August 27, 2021.

16. Subsequent events (continued):

Oza-1 Well Re-Entry

As of August 11, 2021, re-entry operations at the Oza-1 well site continued to progress with completion of critical initial work activities including pulling the existing tubing and the 5 ½ inch casing that was inside the 9 ⅝ inch casing. The 9 ⅝ inch casing was scrapped and circulated clean and over to brine completion fluid and a cement bond log was run to confirm the integrity of the wellbore and cement behind the casing. Cased hole reservoir logs have been completed and analyzed and confirm the expected characteristics of the zones targeted for testing. Surface testing facilities and equipment were installed, and testing of the L2.6 zone will commenced in mid-August. Perforation operations began with a testing tubing string run with straddle packers to enable testing of the three isolated individual zones that will be tested. Production testing operations are planned for the three known oil-bearing zones (L2.2, L2.4 and L2.6), and each targeted zone will be production flow tested independently. All test volumes produced will be exported and sold through the existing production facilities and pipelines. Once testing of all three zones is completed, it is anticipated that a final dual-tubing string completion will be installed, and two of the three zones tested will be placed into production based upon successful testing. All necessary approvals and permits are in place for the well re-entry, testing and completion.

Board of Directors Changes

Decklar also announced on August 11, 2021 that Mr. Alan LeBis had resigned his position as a Director of the Company. Mr. LeBis was instrumental to the early development of Decklar, and the Company thanks him for his valuable input and advice during his tenure as a member of the Board.

On the same date, the Company also announced the appointment of Mr. Bill Foose to the Decklar Board of Directors. Mr. Foose has over 35 years of experience working in the international oil and gas production and processing equipment sector. He held various positions with Barton Instruments before starting OilPro Production Equipment in 1997. OilPro was heavily involved in providing production equipment for domestic and international projects throughout Africa, the Middle East and other oil producing countries. Many of OilPro’s African projects were centered around Nigeria. Mr. Foose previously served on the board of Sunocean Energy.

Grant of Share Purchase Options

On August 13, 2021, Decklar announced that it granted, effective August 13, 2021, an aggregate of 3,540,000 share purchase options (each an "Option") to certain directors, officers, and consultants of the Company and its wholly owned subsidiary Decklar Petroleum Limited (“Decklar”) in accordance with the Company's current stock option plan. A total of 1,650,000 of the Options are being issued to directors and officers of the Company and Decklar. Each Option is exercisable into one common share (a "Share") of the Company at a price of $1.00 per Share for a period of five years expiring August 13, 2026. The options vest as to one-third immediately, one-third on January 13, 2022, and one-third on August 13, 2022.

16. Subsequent events (continued):

Update to Funding Transaction, Extension to Terms of Share Purchase Agreement

On August 16, Decklar announced that further to its press releases dated August 31, September 30, 2020, November 2, 2020, November 23, 2020, and December 15, 2020 regarding the Subscription Agreement entered into with a subsidiary of San Leon Energy Plc, the parties had agreed to continue to work to finalize certain conditions precedent in the Subscription Agreement.

Closing of this transaction has continued to take longer than expected due to various travel and logistical restrictions in place as a response to Covid-19. Despite these delays, progress has continued. All other material terms of the transaction remain unchanged.

The Company also announced that the deadline to achieve the production milestone referenced in the Share Purchase Agreement (“SPA”) with the vendors of Decklar Petroleum Limited has been extended to March 31, 2022. The SPA provides that in the event the Oza field achieves production net to Millenium Oil and Gas Company Limited of 1,000 bbls/d for a period of 10 consecutive days in any 30 day period within 12 months of the closing date of the SPA, Decklar Resources, Inc. will issue 8,000,000 common shares to be allocated as set forth in the SPA.