Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

Three months ended March 31, 2022 and 2021

Unaudited

DECKLAR RESOURCES INC.

Contents

Three months ended March 31, 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.

DECKLAR RESOURCES INC.

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

As at:	Notes		**March 31, 2022**		December 31, 2021
Assets					
Current assets:					
Cash and cash equivalents		**$**	**391,125**	$	99,136
Accounts receivable	8		**160,493**		145,090
Prepaid expenses			**-**		20,253
Deposits	7		**8,763,875**		8,891,517
Total current assets			**9,315,493**		9,155,996
Non-current assets:					
Risk service assets	6		**40,591,689**		36,741,199
Resource properties	14		**-**		-
Total assets		**$**	**49,907,182**	$	45,897,195
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term loans	9	**$**	**151,414**	$	301,574
Refundable deposit	10		**-**		1,076,936
Trade payables and accrued liabilities	11		**13,592,227**		14,329,033
			13,743,641		15,707,543
Loan notes	10		**7,127,513**		-
Total liabilities			**20,871,154**		15,707,543
Shareholders' equity:					
Share capital	12	**$**	**166,288,252**	$	166,288,252
Contributed surplus			**2,625,971**		2,455,827
Contingent consideration			**1,601,229**		1,601,229
Accumulated other comprehensive loss			**(228,574)**		(35,008)
Deficit			**(141,210,190)**		(140,120,648)
Equity attributable to equity holders of the company			**29,076,688**		30,189,652
Non-controlling interests	10,20		**(40,660)**		-
Total shareholders' equity			**29,036,028**		30,189,652
Total liabilities and shareholders' equity		**$**	**49,907,182**	$	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)

	Notes		**Three months ended March 31, 2022**		Three months ended March 31, 2021
Operating costs:					
General and administrative expenses	13	**$**	**(1,102,151)**	$	(396,391)
Operating loss			**(1,102,151)**		(396,391)
Other income (expenses):					
Finance income			**172**		135
Finance expense			**-**		(743)
Foreign exchange gain (loss)			**(28,223)**		(86,421)
Total other income (expenses)			**(28,051)**		(87,029)
Net loss			**(1,130,202)**		(483,420)
Other comprehensive loss:					
Unrealized foreign exchange loss on translation			**(193,566)**		(71,914)
Comprehensive loss		**$**	**(1,323,768)**	$	(555,334)
Net loss attributable to:					
Equity holders of the Company		**$**	**(1,089,542)**	$	(483,420)
Non-controlling interests	10,20	**$**	**(40,660)**	$	-
Basic and diluted net loss per share	12	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding:					
Basic and diluted	12		**95,992,152**		69,816,170

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

DECKLAR 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 12)	17,295,714	4,695,948	-	-	-	-	4,695,948	-	4,695,948
Share based compensation (note 12)	-	-	152,147	-	-	-	152,147	-	152,147
Currency translation	-	-	-	(71,914)	-	-	(71,914)	-	(71,914)
Net loss for the period	-	-	-	-	-	(483,420)	(483,420)	-	(483,420)
As at March 31, 2021	71,575,487	$ 143,376,400	$ 1,269,429	$ (325,470)	$ 1,601,229	$(137,612,998)	$ 8,308,590	$ -	$ 8,308,590
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
Share-based compensation (note 12)	-	-	170,144	-	-	-	170,144	-	170,144
Currency translation	-	-	-	(193,566)	-	-	(193,566)	-	(193,566)
Net loss for the period	-	-	-	-	-	(1,089,542)	(1,089,542)	(40,660)	(1,130,202)
As at March 31, 2022	**95,992,152**	**$ 166,288,252**	**$ 2,625,971**	**$ (228,574)**	**$ 1,601,229**	**$(141,210,190)**	**$ 29,076,688**	**$ (40,660)**	**$ 29,036,028**

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	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash provided by (used in):			
Operating activities:			
Net loss		$ **(1,130,202)**	$ (483,420)
Items not involving cash:			
Share-based payments	12	**170,144**	152,147
Interest on loans and deposits		**-**	2,927
Foreign exchange loss		**92,664**	-
Changes in non-cash operating working capital:			
Accounts receivable		**(15,403)**	(7,272)
Prepaid expenses		**20,253**	-
Deposits		**127,642**	
Trade payables and accrued liabilities		**(572,517)**	170,497
Cash flow used in operating activities		**(1,307,419)**	(165,121)
Financing activities:			
Loan notes	10	**6,011,600**	-
Private placement - March 2021	12	**-**	4,690,402
Short-term loans repaid	9	**(147,216)**	(52,976)
Cash flow provided by financing activities		**5,864,384**	4,637,426
Investing activities:			
Risk service asset expenditures	6	**(4,232,857)**	(864,091)
Change in trade payables and accrued liabilities due to investing		**(32,119)**	-
Holt option	14	**-**	(100,000)
Cash flow used in investing activities		**(4,264,976)**	(964,091)
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions		**-**	14,220
Net increase in cash and cash equivalents		**291,989**	3,508,214
Cash and cash equivalents, beginning of period		**99,136**	123,236
Cash and cash equivalents, end of period		$ **391,125**	$ 3,645,670

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 March 31, 2022, the Company had an accumulated deficit of $141,210,190, with cash and cash equivalents of $391,125, and negative working capital of $4.4 million. During the three months ended March 31, 2022, the Company incurred a net loss of $1,130,202 and used cash in operations of $1,307,419. The Company currently has no source of operating cash flow and no assurance that additional funding will be available. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Additional equity and/or debt financing will be needed to allow the Company 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 and, if realized, such financing might not be favourable to the Company and might involve dilution to existing shareholders. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required.

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 issue by the Board of Directors on May 27, 2022.

3. Basis of consolidation:

The Interim Financial Statements include the accounts of the Company and its subsidiaries, Decklar Petroleum Limited ("Decklar Petroleum") and Purion Energy Limited ("Purion"). 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 three months ended March 31, 2022, energy prices strengthened to multi-year highs due to elevated uncertainty in global energy markets after Russia's invasion of Ukraine. Despite the strength in energy markets, there is uncertainty related to COVID-19 and geopolitical events that have been considered in our estimates as at and for the period ended March 31, 2022.

6. Risk service assets:

		March 31, 2022		December 31, 2021
Risk service asset - Oza Oil Field	**$**	**32,716,145**	$	29,054,010
Risk service asset - Asaramatoru Oil Field		**7,875,544**		7,687,189
	$	**40,591,689**	$	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		4,038,549
Foreign exchange		(376,414)
Balance, March 31, 2022	**$**	**32,716,145**

(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		194,308
Foreign exchange		(5,953)
Balance, March 31, 2022	**$**	**7,875,544**

At March 31, 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

(Expressed in Canadian dollars, unless otherwise stated)

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.

7. Deposits:

Deposits reflect the initial US$7 million cash consideration paid by Decklar to Westfield Exploration and Production Limited ("Westfield") under a letter of intent dated September 30, 2021, whereby Decklar would acquire of all of the issued and outstanding shares of Westfield. As announced on October 6, 2021, Westfield has a Risk Service Agreement ("RSA") for a 60% participating interest in the Emohua Oil Field held by Erebiina Energy Resources Limited. The transaction terms include a cash payment of US$7 million and the issuance of up to 6,000,000 common shares of Decklar. At March 31, 2022, the outstanding balance of the deposit was $8,763,875 (December 31, 2021: $8,891,517). The deposit is refundable if the transaction does not close.

8. Accounts receivable:

		March 31, 2022		December 31, 2021
GST refundable	**$**	**160,493**	$	145,090

9. Short-term loans:

		March 31, 2022		December 31, 2021
	$	**151,414**	$	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.

10. 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 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 1,764,706 ordinary shares of Decklar Petroleum, representing 15 percent of the share capital of Decklar Petroleum. Cash consideration included in the original agreement totalled US$7,500,000 and N1,764,706, respectively. In addition, Decklar Petroleum and San Leon had the right to enter into an option agreement that would have entitled San Leon to subscribe for an additional US$7,500,000 of loan notes and 2,521,008 Decklar Petroleum shares (resulting in an additional 15 percent of the share capital of Decklar Petroleum accruing to San Leon). San Leon has now agreed to terminate the right to enter into the option agreement.

The Subscription Agreement also provided for certain conditions precedent to be confirmed prior to finalizing and issuing of the loan notes and Decklar Petroleum shares. These conditions precedent included entering into an agreed form of shareholders' agreement in respect of Decklar Petroleum, and the restructuring of certain historical indebtedness by the owner/operator of the Oza Oil Field. San Leon advanced US$750,000 as an initial refundable deposit on the total US$7,500,000 in September 2020. 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 terms of the new funding agreement were as follows:

(Expressed in Canadian dollars, unless otherwise stated)

- San Leon would subscribe for a 15 percent equity investment in Decklar Petroleum.
- Of the US$6,750,000 of funds held in escrow, US$4,750,000 were advanced to Decklar and the remaining US$2,000,000 were returned to San Leon. San Leon was obligated to either advance a further US$2,000,000 to Decklar by April 30, 2022 or, alternatively, accept a pro rata reduction in its shareholdings of Decklar Petroleum. See note 20.
- Decklar Petroleum has agreed that San Leon will be fully involved in the planning and determining the location 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 March 31, 2022, the outstanding balance of the loan notes, including accrued interest, was $7,127,513 (December 31, 2021 - $1.076,936). Interest expense for the three months ended March 31, 2022 was $132,170 (March 31, 2021 - $23,419), which has been capitalized in risk service assets.

11. Trade payables and accrued liabilities:

		March 31, 2022		December 31, 2021
Trade and other payables	**$**	**13,294,772**	$	13,994,957
Due to related parties (note 15)		**297,455**		334,076
	$	**13,592,227**	$	14,329,033

12. Share capital:

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares		**Amount**
Balance, December 31, 2020	**54,279,773**		**138,680,452**
Issued in private placement	17,295,714		4,695,948
Issued to Island Time to settle promissory note (note 14)	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**	**$**	**166,288,252**
Balance, March 31, 2022	**95,992,152**	**$**	**166,288,252**

(Expressed in Canadian dollars, unless otherwise stated)

(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 months ended March 31, 2022, Decklar recorded share-based compensation expense of $170,144 (March 31, 2021 - $152,147).

The continuity of outstanding stock options for the three months ended March 31, 2022, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Forfeited	Balance March 31, 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	-	-	-	6,523,332
Weighted average exercise price		$ 1.18	-	-	-	$ 1.18
Weighted average remaining life (years)		4.07	-	-	-	3.82

The continuity of outstanding stock options for the year ended March 31, 2021, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Expired/ cancelled/ forfeited	Balance March 31, 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	-	-	-	5,175,000
		5,400,000	-	-	-	5,400,000
Weighted average exercise price		$ 0.89	-	-	-	$ 0.89
Weighted average remaining life (years)		4.53	-	-	-	4.28

As at March 31, 2022, 5,343,333 stock options were exercisable (December 31, 2021: 4,163,333 options). The weighted average exercise price of the options outstanding at March 31, 2022, is $1.18 per share (March 31, 2021: $0.89 per share).

(d) Warrants:

The continuity of outstanding warrants for the three months ended March 31, 2022, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Forfeited	Balance March 31, 2022
May 25, 2022(1)	$1.50	5,629,499	-	-	-	5,629,499
August 27, 2022(1)	$1.50	2,500,000	-	-	-	2,500,000
		8,129,499	-	-	-	8,129,499

(Expressed in Canadian dollars, unless otherwise stated)

(1) On May 2, 2022, the Company announced that it intended to apply to the TSX Venture Exchange to have the expiry dates for these tranches of warrants issued to subscribers extended by one year. See note 20.

The continuity of outstanding warrants for the three months ended March 31, 2021, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Expired/ cancelled/ forfeited	Balance March 31, 2021
September 2, 2021	$0.10	3,133,330	-	-	-	3,133,330
		3,133,330	-	-	-	3,133,330

(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 months ended March 31, 2022 and 2021.

13. General and administrative expenses:

		March 31, 2022		March 31, 2021
Business development	**$**	**42,698**	$	12,487
Consulting		**551,150**		45,782
Office and administration		**193,838**		43,887
Professional and regulatory		**144,321**		142,088
Share-based compensation (Note 12(c))		**170,144**		152,147
	$	**1,102,151**	$	396,391

14. Holt Option:

The Holt option resulted from an option agreement with Island Time for the exclusive right to acquire up to 75% interest in four mineral titles totaling 3,687 hectares situated east of Duncan, British Columbia in the Victoria Mining Division. In consideration for a fee of $100,000, payable by way of a promissory note, the exercise of the Holt option, was conditional upon: i) issuing 175,000 shares to Island Time in payment of the principal and interest outstanding on the Island Time promissory note (such shares being issued on April 7, 2021) (note 12), and ii) incurring $300,000 of expenditures on the Holt claims by way of cash advances to Island Time, with $100,000 to be advanced within 5 business days following a Decklar private placement (such funds were advanced in March 2021) and $200,000 to be advanced on or before September 30, 2021. Given the Company's focus on its RSAs in Nigeria, it elected not to advance the $200,000 in additional funds to Island Time by the September 30, 2021 deadline. Instead, it allowed its rights to lapse, and an impairment loss of $200,000 was recorded. The parties have since formally agreed to terminate the option agreement.

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:

		March 31, 2022		December 31, 2021
Due to officers and directors of the Company and Decklar Petroleum	**$**	**297,455**	$	334,076

(Expressed in Canadian dollars, unless otherwise stated)

(b) Issue of stock options:

On August 13, 2021 the Company granted 1,225,000 stock options to certain officers and directors of the Company (see note 12(c)).

(c) Key management personnel:

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

		March 31, 2022		March 31, 2021
Consulting fees	**$**	**68,608**	$	82,774
Share-based compensation		**58,878**		46,305
	$	**127,486**	$	129,079

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 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:

March 31, 2022		**Canada**		**Nigeria**		**Total**
Finance income	$	172	$	-	$	172
Net loss		(454,248)		(675,954)		(1,130,202)
Risk service assets		-		40,591,689		40,591,689
Total assets		535,293		49,371,889		49,907,182

March 31, 2021		**Canada**		**Nigeria**		**Total**
Finance income	$	135	$	-	$	135
Net loss		(421,643)		(61,777)		(483,420)
Risk service assets		200,000		6,456,260		6,656,260
Total assets		1,270,619		9,097,513		10,368,132

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 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. The Company manages 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 March 31, 2022, the Company had funded $24.3 million towards its risk service assets in cash (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.

As at March 31, 2022, the Company had cash and cash equivalents of $391,125 (December 31, 2021 - $99,136) and had accounts payable, accrued liabilities and other current liabilities of $13,743,641 (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 have a negligible impact on net loss. A 1% increase or decrease in the naira to US dollar rate would also have a negligible impact on net loss. At March 31, 2022, the Company had no hedging agreements in place with respect to this risk.

(ii) Commodity price risk:

As there is currently no oil production from either the Oza Oil Field or the Asaramatoru Oil Field, the Company's cashflows 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 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, refundable deposit 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 manages its capital structure, and makes adjustment to it, 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 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.

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, an out of court settlement was negotiated between the claimant and Prime. The terms of the settlement are currently confidential. Consequently, there is insufficient information regarding how, or if, the terms of the RSA will be impacted, or which parties to the RSA will be affected.

20. Subsequent events:

As discussed in note 10, San Leon had until April 30, 2022 to advance an additional US$2 million to acquire an equivalent amount of additional loan notes of Decklar Petroleum. San Leon elected not to advance the US$2 million. Consequently its pro rata ownership share of Decklar Petroleum is 11% instead of the 15% as contemplated in the funding agreement.

On May 2, 2022, the Company announced that it intended to apply to the TSX Venture Exchange to have the expiry date of the warrants issued to subscribers of its May 2021 and August 2021 unit offerings extended by one year from their previous expiry date. On May 25, 2022, the TSX Venture Exchange approved this extension.

On May 9, 2022, Decklar and its co-venturer Millenium announced that trucking of crude oil had commenced at the Oza Oil Field. The first delivery of crude oil from storage tanks at the Oza Oil Field to crude handling facilities for export was announced on May 26, 2022.