Consolidated Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

Years ended December 31, 2021 and 2020

DECKLAR RESOURCES INC.
Contents
Years ended December 31, 2021 and 2020

Management's Responsibility

To the Shareholders of Decklar Resources Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements**,** including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, independent auditors, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to the Audit Committee and management to discuss their audit findings.

May 2, 2022

"signed" (Duncan T. Blount))
Duncan T. Blount
CEO & Executive Director

"signed" (David J. Halpin)
David J. Halpin
CFO

Independent Auditor's Report

To the Shareholders of Decklar Resources Inc.:

Opinion

We have audited the consolidated financial statements of Decklar Resources Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had a net loss and negative cash from operations during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit and negative working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calgary, Alberta

MNP LLP

May 2, 2022

Chartered Professional Accountants

MNP

DECKLAR RESOURCES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at:	Notes		**December 31, 2021**		December 31, 2020
Assets					
Current assets:					
Cash and cash equivalents		**$**	**99,136**	$	123,236
Accounts receivable	10		**145,090**		44,842
Prepaid expenses			**20,253**		14,088
Deposits	9		**8,891,517**		-
Total current assets			**9,155,996**		182,166
Non-current assets:					
Risk service assets	8		**36,741,199**		5,678,471
Resource properties	16		**-**		100,000
Total assets		**$**	**45,897,195**	$	5,960,637
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term loans	11	**$**	**301,574**	$	305,529
Refundable deposit	12		**1,076,936**		985,866
Trade payables and accrued liabilities	13		**14,329,033**		653,413
Total liabilities			**15,707,543**		1,944,808
Shareholders' equity:					
Share capital	14	**$**	**166,288,252**	$	138,680,452
Contributed surplus			**2,455,827**		1,117,282
Contingent consideration	7		**1,601,229**		1,601,229
Accumulated other comprehensive loss			**(35,008)**		(253,556)
Deficit			**(140,120,648)**		(137,129,578)
Total shareholders' equity			**30,189,652**		4,015,829
Total liabilities and shareholders' equity		**$**	**45,897,195**	$	5,960,637

Going concern (note 1)
Contingencies (note 22)
Subsequent events (note 23)

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

Approved by the Board of Directors:

Signed "Christopher Castle"
Christopher Castle, Director

Signed "Duncan Blount"
Duncan Blount, CEO and Director

DECLAR RESOURCES INC.

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

	Notes		**Year ended December 31, 2021**		Year ended December 31, 2020
Operating costs:					
General and administrative expenses	15	**$**	**(6,124,867)**	$	(1,294,744)
Net reversal of impairment (impairment) of risk service assets	8,16		**3,146,978**		(3,346,978)
Operating loss			**(2,977,889)**		(4,641,722)
Other income (expenses):					
Finance income			**1,414**		4,938
Finance expense	11		**(45,233)**		(2,926)
Foreign exchange gain (loss)			**30,638**		(217,128)
Total other income (expenses)			**(13,181)**		(215,116)
Net loss			**(2,991,070)**		(4,856,838)
Other comprehensive loss:					
Unrealized foreign exchange gain (loss) on translation			**218,548**		(253,556)
Comprehensive loss		**$**	**(2,772,522)**	$	(5,110,394)
Basic and diluted net loss per share	14	**$**	**(0.04)**	$	(0.13)
Weighted average number of common shares outstanding:					
Basic and diluted	14		**79,745,983**		37,943,790

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

DECLAR RESOURCES INC.

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

	Number of common shares	Share capital	Contributed surplus	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 (note 14)	32,200,003	6,424,193	-	-	-	-	6,424,193
Share-based payments (note 14)	-	-	632,358	-	-	-	632,358
Currency translation	-	-	-	(253,556)	-	-	(253,556)
Contingent consideration (note 7)	-	-	-	-	1,601,229	-	1,601,229
Net loss	-	-	-	-	-	(4,856,838)	(4,856,838)
Balance, December 31, 2020	54,279,773	138,680,452	1,117,282	(253,556)	1,601,229	(137,129,578)	4,015,829
Issue of shares (note 14)	41,712,379	28,826,938	(275,628)	-	-	-	28,551,310
Share issuance costs (note 14)	-	(1,219,138)	-	-	-	-	(1,219,138)
Share-based payments (note 14)	-	-	1,614,173	-	-	-	1,614,173
Currency translation	-	-	-	218,548	-	-	218,548
Net loss	-	-	-	-	-	(2,991,070)	(2,991,070)
Balance, December 31, 2021	**95,992,152**	**$ 166,288,252**	**$ 2,455,827**	**$ (35,008)**	**$ 1,601,229**	**$(140,120,648)**	**$ 30,189,652**

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

DECKLAR RESOURCES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes		Year ended December 31, 2021		Year ended December 31, 2020
Cash provided by (used in):					
Operating activities:					
Net loss		$	**(2,991,070)**	$	(4,856,838)
Items not involving cash:					
Share-based payments	14		**1,614,173**		632,358
Interest on loans and deposits			**-**		2,927
Net (reversal of impairment) impairment of risk service assets	8,16		**(3,146,978)**		3,346,978
Loss on extinguishment of promissory note	11		**44,405**		-
Foreign exchange (gain) loss			**(159,569)**		-
Changes in non-cash operating working capital:					
Accounts receivable			**(86,160)**		(31,964)
Prepaid expenses			**(20,253)**		-
Trade payables and accrued liabilities			**1,946,173**		595,051
Cash flow used in operating activities			**(2,480,141)**		(341,488)
Financing activities:					
Warrants exercised	14		**313,333**		1,019,999
Share options exercised	14		**359,335**		-
Private placement – March 2021	14		**4,816,348**		-
Private placement – May 2021	14		**9,345,359**		-
Private placement – August 2021	14		**4,858,748**		-
Refundable deposit	12		**-**		985,404
Short-term loans advanced (repaid)	11		**195,602**		(132,555)
Cash flow provided by financing activities			**19,888,725**		1,872,848
Investing activities:					
Risk service asset expenditures	8		**(20,119,367)**		(1,831,152)
Deposits	9		**(8,891,517)**		-
Acquisition costs	7		**(18,336)**		(100,031)
Change in trade payables and accrued liabilities due to investing			**11,696,536**		-
Holt option	16		**(100,000)**		-
Cash acquired on acquisition			**-**		45
Cash flow used in investing activities			**(17,432,684)**		(1,931,138)
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions			**-**		29,969
Net decrease in cash and cash equivalents			**(24,100)**		(399,778)
Cash and cash equivalents, beginning of year			**123,236**		493,045
Cash and cash equivalents, end of year		$	**99,136**	$	123,236

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

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 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 consolidated financial statements (the "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 December 31, 2021, the Company had an accumulated deficit of $140,120,648, with cash and cash equivalents of $99,136, and negative working capital of $6.6 million. During the year ended December 31, 2021, the Company incurred a net loss of $2,991,070 and used cash in operations of $2,480,141. 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 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") that were in effect at January 1, 2021. The Financial Statements have been prepared on a historical cost basis except for financial instruments, which are measured at fair value, as explained in the following accounting policies.

The Financial Statements of the Company were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 2, 2022.

The Company revised the presentation of its risk service assets on the consolidated statements of financial position. The comparative figures in the consolidated statement of financial position have been restated to conform to this presentation.

3. Basis of consolidation:

The Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. 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 Financial Statements.

4. Material accounting policies:

The Company has reviewed the accounting policies disclosed in accordance with the amendments to IAS 1 to disclose the material accounting policy information rather than significant accounting policies. The definition of material that management has used to judgmentally determine disclosure, is that information is material if, when considered together with other information included in the Financial Statements, omitting it or misstating it could influence the decisions users make on the basis of those financial statements. The accounting policies set out below have been applied consistently for all periods presented in these Financial Statements.

(a) Foreign currency translation:

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of its subsidiaries, Decklar Petroleum Limited ("Decklar Petroleum") and Purion Energy Limited ("Purion"), is the US dollar.

Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates in effect at the reporting date. Foreign exchange gains or losses are recorded in the consolidated statements of operations and comprehensive loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate in effect when the fair value was determined. Foreign currency differences are generally recognized in net income. Non-monetary items that are measured based on historical cost in a foreign currency are translated to the functional currency using the exchange rate in effect at the date of the transaction giving rise to the item.

Translation to presentation currency:

The assets and liabilities of the Company are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of the Company are translated to the presentation currency at average exchange rates for the reporting period. Foreign currency translation reporting differences are recognized in other comprehensive income (loss).

(b) Joint activities:

The Company does not directly hold title to the either the Oza Oil Field license or the Asaramatoru Oil Field license. The Company expects to carry on its operations in Nigeria under the terms of the Risk Service Agreements ("RSA") executed between Decklar Petroleum and Millenium Oil and Gas Company ("Millenium"), and between Purion and Prime Exploration and Production Limited ("Prime"). These operations are considered joint operations for accounting purposes. All of the Company's exploration, development and production activities will be conducted under the terms of the RSAs and not through the establishment of a separate entity.

(c) Intangible assets:

Intangible assets acquired through an asset acquisition are initially recorded at fair value, at the date of acquisition. Intangible assets acquired separately are recognized at cost. Expenditures on risk service assets such as drilling or re-entry of development wells, tangible costs of facilities, and infrastructure construction are capitalized to the RSA to which the intangible asset belongs, 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 expenditures attributable to the intangible asset during its development.

Subsequent to initial recognition, intangible assets continue to be measured using the cost model, and are reported at cost less accumulated amortization and impairment losses, if any. Intangible assets with finite useful lives are amortized over their estimated useful lives commencing when the related oil field begins production. The RSAs are amortized using the unit-of-production method over the total underlying asset's 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 costs are included in the totals used to calculate amortization. Reserves and estimated future development costs are determined by qualified independent reservoir engineers. Changes in the estimates for reserves and future development costs that affect unit-of-production calculations are accounted for on a prospective basis.

(d) Impairment of non-current assets:

As the Company's intangible assets are not currently generating risk service fee revenue, and are therefore not being amortized, the Company must annually test its intangible assets for impairment. Where the asset does not generate cash inflows 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 CGUs fair value less costs to sell ("FVLCS"), and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money, and the risks specific to the asset.

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 profit or loss in the period in which the impairment is identified.

At each interim reporting date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets may be impaired. If indicators of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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 profit or loss in the period in which 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 profit or loss.

(e) Asset acquisitions:

Management's determination of whether a transaction constitutes a business combination, or an asset acquisition, is determined based on the criteria in IFRS 3 'Business Combinations'. An entity can also apply a 'concentration test' that, if met, eliminates the need for further assessment of whether a transaction constitutes the acquisition of a business or the acquisition of an asset. 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.

In asset acquisitions, the acquirer identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The consideration paid is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

When determining the initial measurement of an asset acquisition, the acquirer must assess both the fair value of the consideration paid as well as the fair value of each individual asset acquired, and liability assumed. The fair value of the consideration paid determines the cost to be allocated over the group of assets acquired and liabilities assumed. The fair values of the individual assets and liabilities are used to determine the proportional amount of that cost to be allocated to the identifiable assets and liabilities that make up the transaction.

(f) Contingent consideration:

Contingent consideration formed part of the overall consideration for the acquisition of Decklar Petroleum. Contingent consideration has been classified as either a financial liability or equity consistent with the principles in IAS 32 'Financial Instruments: Presentation'.

At the date of acquisition, an estimate of the contingent consideration is determined and included as part of the cost of the acquisition. If the contingent consideration is classified as equity, it is not remeasured.

(g) Warrants:

Warrants are classified as either a financial liability or equity consistent with the principles in IAS 32 'Financial Instruments: Presentation'. The Company determined that the warrants issued as part of the units were equity classified. Equity classified warrants, issued without services provided, are measured using the residual value method, whereby one component is measured first, and the residual amount is allocated to the remaining component.

(h) Cash and cash equivalents:

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

(i) Financial instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments either as fair value through profit and loss, fair value through other comprehensive income or at amortized cost depending on the purpose for which the instruments were acquired. The Company classifies its cash and cash equivalents, accounts receivable, short-term loans, refundable deposit, and trade payables and accrued liabilities at amortized cost.

All financial assets are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. All financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized using the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity.

Financial liabilities are classified as current liabilities if payment is due within twelve months.

(j) Taxes:

Tax expense comprises current and deferred tax. Tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the tax is also recognized directly in equity or other comprehensive income (loss). Current tax is the expected tax recovery on the taxable income (loss) for the year using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

The calculations for current and deferred taxes require management’s interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management’s assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

(k) Impact of COVID-19:

The extent to which COVID-19 impacts the overall future business environment and the resulting impact on the Company's results are highly uncertain and cannot be predicted. COVID-19 may impact the measurement of fair value for certain financial statement items, however, whether an adjustment is required depends on the timing of the impact to an item's fair value. The Company tests its non-financial assets for recoverability whenever events or changes in circumstances indicate that a non-financial asset's carrying amount may not be recoverable.

5. Changes in accounting standards:

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements in which it provides guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, however, earlier application is permitted. Effective for the 2021 Financial Statements, the Company early adopted amendments to IAS 1 Presentation of Financial Statements, in advance of its mandatory effective date of Jan. 1, 2023. The Company has updated the accounting policies disclosed in note 4 based on its assessment of the amended standard.

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

The preparation of the Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. These judgments, estimates and assumptions are all based on information available to the Company at the time the Financial Statements are prepared. Actual results can vary from those estimates as the impact of future events cannot be determined with any certainty. The key areas of judgment or estimation uncertainty that have a significant risk of causing material adjustment to the reported amounts of assets, liabilities and expenses are discussed below.

(a) Asset acquisitions:

Management uses judgment when determining whether a transaction constitutes a business combination or an asset acquisition based on the criteria in IFRS 3 'Business Combinations'. Management has also conducted two asset acquisitions where the related proceeds were newly issued shares of the Company.

(b) Share-based payments in asset acquisitions:

Share-based payments in asset acquisitions require estimates and judgment to determine the fair value to be attributed these transactions. Often that fair value is determined to be the fair value of the goods or services received which can be inherently uncertain.

(c) Reserves:

The Company uses estimates of oil reserves in the determination of risk service fees that are expected to accrue to it through the RSAs it has with Millenium and Prime. Recognition of these risk service fees will also be based on the depletion of the related petroleum reserves as contemplated in the respective RSAs. Reserves will also be used in the determination of fair value estimates for the Company's risk service assets. The process to estimate reserves is complex and requires significant judgment. Estimates of reserves are evaluated annually by independent reservoir evaluators and represent the estimated recoverable quantities of oil and the related net cash flows. This evaluation of reserves is prepared in accordance with the reserves definition contained in National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and the Canadian Oil and Gas Evaluation Handbook.

Estimates of economically recoverable oil, and the future net cash flows, are based on a number of factors and assumptions. Changes to estimates and assumptions, such as forward price forecasts, production rates, ultimate reserve recovery, timing and amount of capital expenditures, production costs, marketability of oil, royalty rates, theft of oil production, and other geological, economic and technical factors could have a significant impact on reported reserves. Changes in the reserve estimates can have a significant impact on the carrying values of the Company's risk service assets, the calculation of depletion, the timing of cash flows, asset impairments or reversals and estimates of fair value determined in accounting for asset acquisitions.

(d) Cash-generating units:

The Company's assets are aggregated into CGUs for impairment purposes. CGUs represent the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The aggregation of assets in CGUs requires management judgment and considers factors such as the contractual terms of the respective RSAs, geographical proximity, shared infrastructure and similar exposure to market risk. The Company has identified two CGUs for its risk service assets: the Oza Oil Field CGU and the Asaramatoru Oil Field CGU.

(e) Impairment indicators and impairment reversal indicators for risk service assets:

Judgment is required to assess when indicators of impairment or impairment reversal exist and when a calculation of the recoverable amount is required. The CGUs comprising risk service assets are reviewed at each reporting date to assess whether there is any indication of impairment or impairment reversal. Management uses several criteria in its assessment of impairment indicators for its risk service assets including geological, geophysical and engineering information, the contractual and fiscal terms applicable to the Company's RSAs, forecasted oil prices, and the resulting cash flows detailed in independent reserve reports.

(f) Measurement of recoverable amounts:

If indicators of impairment or impairment reversal are determined to exist, the recoverable amount of an asset or CGU is calculated based on the higher of value-in-use and FVLCS. These calculations require the use of estimates and assumptions including cash flows associated with the Company's RSAs, the discount rate used to present value future cash flows, and assumptions regarding the timing and amount of capital expenditures. Any changes to these estimates and assumptions could impact the calculation of the recoverable amount and the carrying value of assets.

(g) Share-based compensation:

The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing share purchase options granted to directors, officers, and consultants. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. There is inherent uncertainty in estimations of forfeiture that can affect the fair value of the options and the share-based compensation expense recognized.

(h) Going concern:

The assessment of the Company's ability to continue as a going concern (note 1) involves judgment regarding its future operations and sources of liquidity. Judgments must also be made regarding events or conditions, which might give rise to other sources of uncertainty.

(i) Taxes:

The calculation of current and deferred income taxes requires judgment in applying tax laws and regulations, estimating the timing of temporary difference reversals, and estimating the realization of deferred tax assets.

(j) Contingent consideration:

The estimates involved in assessing the value of the contingent consideration include the expected timing of payments, the expected settlement value, the likelihood of settlement and the probability of the assessed outcomes occurring.

(k) Contingencies:

The assessment of contingencies involves significant judgment and estimates of the potential outcome of future events.

7. Asset acquisitions:

Purion:

On November 1, 2021, Decklar closed the Share Purchase Agreement ("SPA") to purchase all of the issued and outstanding shares of Purion. Purion is a Nigerian entity that has entered into an RSA with Prime, the operator of the Asaramatoru Oil Field. Prime holds a 51% participating interest in the Asaramatoru Field. The RSA allows Purion to participate in the continued development of the oil resources in the field. The Asaramatoru Oil Field is located in oil mining license ("OML") 11, the same block where Decklar Petroleum is also currently participating in the development of the Oza Oil Field.

Purion is also seeking to enter an RSA with Suffolk Petroleum ("Suffolk") in respect of Suffolk's 49% interest in the Asaramatoru Oil Field.

The SPA contemplates the issuance of up to 5,500,000 common shares of Decklar, as consideration for the acquisition of all the issued and outstanding shares of Purion. An initial issuance of 3,750,000 shares took place on November 1, 2021. In the event Purion enters an RSA, in respect of the Suffolk interest, an additional 1,750,000 Decklar shares will be issued to the shareholders of Purion.

The Company concluded that substantially all the fair value of Purion's assets were concentrated in a single identifiable asset, the RSA. Consequently, the acquisition of Purion 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:

(Expressed in Canadian dollars, unless otherwise stated)

		November 1, 2021
3,750,000 shares issued		7,254,048
Transaction costs		18,336
Total consideration	**$**	**7,272,384**
Risk service assets		7,546,024
Current liabilities		(273,640)
Fair value of net assets acquired	**$**	**7,272,384**

The fair value of the RSA acquired was estimated using the present value of the expected future cash flows discounted at 18.5% - 21% derived from proved developed reserves and USD $9.20 - $9.55 per boe as the implied value/boe on proved developed reserves. The expected cash flows used in the fair value calculation were derived from a report of the Asaramatoru Oil Field oil and gas reserves which were prepared by an independent qualified reserve evaluator as of November 1, 2021.

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the valuation at November 1, 2021:

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Brent crude oil (US$/bbl)	72.50	68.85	66.07	67.39	68.73	70.11	71.51	72.94	74.40
Exchange rate (CAD$/US$)	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790

Decklar Petroleum:

On July 16, 2020 the Company acquired all the issued and outstanding shares of Nigeria-based Decklar Petroleum. Consideration was comprised of 22,000,000 common shares of the Company, issued on the closing date, plus contingent consideration of 8,000,000 common shares (the "Contingent Shares"). Decklar Petroleum's primary asset is an RSA with Millenium. Millenium is the owner of a 60% working interest in the Oza Oil Field, located onshore in OML 11 in the Eastern Niger Delta of Nigeria. The RSA entitles Decklar Petroleum to cost recovery, and a share of distributable funds from the Oza Oil Field, in exchange for technical and financial support to develop the field.

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, prior to June 30, 2022.

The acquisition of Decklar Petroleum was also accounted for as an asset acquisition in accordance with the concentration test permitted under IFRS 3 'Business Combinations'. Consideration was measured based on the fair value of net assets acquired with a corresponding increase to share capital for the shares issued upon closing and the Contingent Shares, as shown below:

		July 16, 2020
Issued shares		5,404,194
Contingent shares		1,601,229
Transaction costs		100,031
Total consideration	**$**	**7,105,454**

(Expressed in Canadian dollars, unless otherwise stated)

Cash		45
Risk service assets		7,499,498
Current liabilities		(394,089)
Fair value of net assets acquired	**$**	**7,105,454**

The fair value of the RSA acquired was estimated using the present value of the expected future cash flows discounted at 20% - 23% derived from proved and probable reserves and USD $0.70 - $0.75 per boe as the implied value/boe on 2P proved plus probable reserves. The expected cash flows used in the fair value calculation were derived from a report of the Oza Oil Field oil and gas reserves which were prepared by an independent qualified reserve evaluator as of July 16, 2020.

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the valuation at July 16, 2020:

	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Brent crude oil (US$/bbl)	48.96	55.14	58.90	60.07	61.28	62.50	63.75	65.03	66.33
Exchange rate (CAD$/US$)	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790

8. Risk service assets:

		December 31, 2021		December 31, 2020
Risk service asset - Oza Oil Field	**$**	**29,054,010**	$	5,678,471
Risk service asset - Asaramatoru Oil Field		**7,687,189**		-
	$	**36,741,199**	$	5,678,471

(a) Risk service asset - Oza Oil Field

		December 31, 2021		December 31, 2020
Acquired July 16, 2020	**$**	**-**	$	7,499,498
Balance January 1, 2021		**5,678,471**		-
Additions during the period		**20,069,105**		1,846,062
Impairment reversal (impairment)		**3,346,978**		(3,346,978)
Foreign exchange		**(40,544)**		(320,111)
Balance, end of year	**$**	**29,054,010**	$	5,678,471

(b) Risk service asset - Asaramatoru Oil Field

		December 31, 2021		December 31, 2020
Acquired November 1, 2021	**$**	**7,546,024**	$	-
Additions during the period		**141,165**		-
Balance, end of year	**$**	**7,687,189**	$	-

At year end, the Company reviews the carrying amounts of its CGUs to determine whether those assets may be impaired.

Oza Oil Field CGU:

A significant drop in forward crude oil price assumptions subsequent to Decklar's July 2020 acquisition of Decklar Petroleum, was determined to be an indicator of impairment for the Oza Oil Field CGU as at December 31, 2020. Management concluded that the recoverable amount of the Oza Oil Field CGU, based on its FVLCS, was $3,346,978 less than its carrying amount due to this reduction in crude oil price assumptions. This was recorded as impairment in the December 31, 2020 financial statements. In 2021, the circumstances that gave rise to the weakness in crude oil prices were replaced with market tightness and a strong crude oil price environment. Management viewed these changed circumstances as an indicator of impairment reversal. Consequently, management reassessed the recoverable amount. Given that price assumptions for 2022 increased by 40%, 2023 increased by 28% and each subsequent year increased by 21%, it was demonstrated that the FVLCS determined using these price assumptions, would not have given rise to an impairment in 2020. This, coupled with the insights gained through field operations in 2021, gave management the confidence that reversal of the entire impairment charge recorded in 2020, was warranted. Decklar reflected this impairment reversal in these Financial Statements.

(Expressed in Canadian dollars, unless otherwise stated)

2021 impairment reversal:

The recoverable amount of the risk service assets for the Oza Oil Field as at December 31, 2021, was calculated as 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 discount rate of after tax 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.

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

	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Brent crude oil (US$/bbl)	75.00	69.87	67.63	68.98	70.36	71.77	73.20	74.66	76.16
Exchange rate (CAD$/US$)	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790

2020 impairment:

The recoverable amount of the risk service assets for the Oza Oil Field as at December 31, 2020, was calculated as FVLCS, which was determined using a discounted cash flow approach based on the year-end 2020 proved plus probable reserves as evaluated by the Company's independent reserve evaluators. The recoverable amount incorporated a risk adjusted discount rate of after tax 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.

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the impairment test at December 31, 2020:

	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Brent crude oil (US$/bbl)	49.50	53.55	54.62	55.71	56.83	57.96	59.12	60.31	61.51
Exchange rate (CAD$/US$)	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790

Asaramatoru Oil Field CGU:

The recoverable amount of the risk service assets for the Asaramatoru Oil Field as at December 31, 2021, was calculated as FVLCS, which was determined using a discounted cash flow approach based on the year-end

(Expressed in Canadian dollars, unless otherwise stated)

2021 proved developed reserves as evaluated by the Company's independent reserve evaluators. The recoverable amount incorporated a risk adjusted discount rate of after tax of 18.5% - 21%. 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.

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Brent crude oil (US$/bbl)	75.00	69.87	67.63	68.98	70.36	71.77	73.20	74.66	76.16
Exchange rate (CAD$/US$)	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790	0.790

Management concluded that the recoverable amount of the Asaramatoru Oil Field CGU, based on its FVLCS, was not less than its carrying amount. Consequently, no impairment was recorded.

9. 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 an 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 December 31, 2021 the outstanding balance of the deposit was $8,891,517 (December 31, 2020: $nil). The deposit is refundable if the transaction does not close.

10. Accounts receivable:

		December 31, 2021		December 31, 2020
GST refundable	**$**	**145,090**	$	44,842

11. Short-term loans:

		December 31, 2021		December 31, 2020
Promissory note payable to Island Time	**$**	**-**	$	59,852
Other short-term loans		**301,574**		245,677
	$	**301,574**	$	305,529

During 2021, the Company issued 175,000 common shares to Island Time Exploration Limited ("Island Time") to settle outstanding principal and interest on its promissory note. A loss on extinguishment of $44,405 was recognized in finance expense.

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.

12. Refundable deposit:

On September 3, 2020, Decklar Petroleum received a US$750,000 deposit towards a planned subscription of US$7.5 million of loan notes contemplated in the San Leon Subscription Agreement dated July 2, 2020

(Expressed in Canadian dollars, unless otherwise stated)

("Subscription Agreement"). The deposit is repayable should a number of conditions in the Subscription Agreement not be attained. Interest accrues on the deposit at a rate of 10% per annum. At December 31, 2021 the outstanding balance of the deposit, including accrued interest, was $1,076,936 (December 31, 2020 - $985,866). Interest expense for the year ended December 31, 2021 was $90,903 (December 31, 2020 - $31,132), which has been capitalized in risk service assets.

13. Trade payables and accrued liabilities:

		December 31, 2021		December 31, 2020
Trade and other payables	**$**	**13,994,957**	$	447,265
Due to related parties (note 17)		**334,076**		206,148
	$	**14,329,033**	$	653,413

14. Share capital:

(a) Authorized:

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 on acquisition of Decklar Petroleum (note 7)	22,000,000		5,404,194
Issued on exercise of warrants (note 14(d))	10,200,003		1,019,999
Balance, December 31, 2020	54,279,773		138,680,452
Issued in private placement (note 14(c)(i))	17,295,714		4,695,948
Issued to Island Time to settle promissory note (note 11)	175,000		105,000
Issued on exercise of stock options (note 14(c)(ii))	2,283,335		1,277,754
Issued on exercise of warrants (note 14(d))	3,133,330		313,333
Issued in Unit Offering (note 14(c)(i))	10,075,000		9,102,969
Issued in Unit Offering (note 14(c)(i))	5,000,000		4,858,748
Issued on acquisition of Purion (note 7)	3,750,000		7,254,048
Balance, December 31, 2021	**95,992,152**	**$**	**166,288,252**

(c) Share issuances and share-based compensation:

(i) Common shares:

In March 2021, the Company completed a private placement resulting in the issuance 17,295,714 common shares at a price of $0.28 per share. Net cash proceeds, including foreign exchange impacts, were $4,816,348. The 17,295,714 of newly issued shares includes 430,000 shares granted as finders fees which were valued at $120,400. Share issue costs were $31,998.

In May 2021, the Company completed an unbrokered unit offering of 10,075,000 units. Each unit consisted of one common share and one-half common share purchase warrant. The offer price was $1.00 per unit. Net cash proceeds, including foreign exchange impacts, were $9,345,359. Total share issuance costs were $861,490. Each whole warrant entitles the holder to acquire one common share at a price of $1.50 per common share for 12 months (see note 14(d)). Finders' fees included cash payments of $619,100 and the issuance of 592,000 common share purchase warrants entitling the holder to acquire one common share at a price of $1.50 per common share for 12 months. The broker warrants were valued at $242,390 using the Black-Scholes option pricing model and added to share issues costs.

(Expressed in Canadian dollars, unless otherwise stated)

On August 27, 2021, Decklar completed a financing consisting of 5,000,000 units at a price of $1.00 per unit. Each unit consists of one common share of Decklar and one-half common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of $1.50 per common share for a period of 12 months from the closing date of the offering (see note 14(d)). Net cash proceeds, including foreign exchange impacts, were $4,858,748, net of share issuance costs of $205,250.

(ii) Stock options:

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.

On August 13, 2021, Decklar announced that it granted an aggregate of 3,540,000 stock options to certain directors, officers, and consultants of the Company in accordance with the Company's stock option plan. A total of 1,225,000 of the options were issued to directors and officers of the Company. Each option is exercisable into one common share of the Company at a price of $1.00 per share for a period of five years expiring August 13, 2026. One-third of the options vest on August 13, 2021, one-third on January 13, 2022, and one-third on August 13, 2022. 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 and based on the following assumptions:

Risk-free interest rate	0.93%
Expected life	1.77 years
Expected volatility	111%
Fair value per option	$0.54
Forfeiture rate	15%
Dividend yield	n/a

For the year ended December 31, 2021, Decklar recorded share-based compensation expense of $1,614,173 (December 31, 2020 - $632,358).

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

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance December 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	-	(2,283,335)	(133,333)	2,758,332
August 13, 2026	$1.00	-	3,540,000	-	-	3,540,000
		5,400,000	3,540,000	(2,283,335)	(133,333)	6,523,332
Weighted average exercise price		$ 0.89	-	-	-	$ 1,18
Weighted average remaining life (years)		4.53	-	-	-	4.07

(Expressed in Canadian dollars, unless otherwise stated)

The continuity of outstanding stock options for the year ended December 31, 2020, is as follows:

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

As at December 31, 2021, 4,163,333 stock options were exercisable (December 31, 2020: 1,950,000 options). These options have a weighted average exercise price of $1.28 per share (December 31, 2020: $1.98 per share).

(d) Warrants:

In May 2021, the Company issued 10,075,000 one-half 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 5,037,499 common shares will be issued. An additional 592,000 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 10,075,000 one-half share purchase warrants were valued at $nil using the residual value method. The 592,000 broker warrants were valued at $242,390 at the grant date using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.98%
Expected life	1 year
Expected volatility	118%
Fair value per warrant	$0.41
Forfeiture rate	0%
Dividend yield	n/a

In August 2021, the Company issued 5,000,000 one-half 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 share purchase warrants are exercised, a total of 2,500,000 common shares will be issued. The warrants were valued at $nil using the residual value method.

In September 2019, the Company issued 13,333,333 warrants entitling holders to acquire one common share at a price of $0.10 per common share for a period of 24 months. The warrants were valued at $nil using the residual value method. During 2020, 10,200,003 warrants were exercised for a total proceeds of $1,019,999. The final 3,133,330 warrants outstanding were exercised in 2021. Proceeds were $313,333. The continuity of outstanding warrants for the year ended December 31, 2021, is as follows:

(Expressed in Canadian dollars, unless otherwise stated)

Expiry dates	Exercise prices	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance December 31, 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	-	2,500,000	-	-	2,500,000
		3,133,330	8,129,499	(3,133,330)	-	8,129,499

The continuity of outstanding warrants for the year ended December 31, 2020, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2019	Granted	Exercised	Expired/ cancelled/ forfeited	Balance December 31, 2020
September 2, 2021	$0.10	-	13,333,333	10,200,003	-	3,133,330
		-	13,333,333	10,200,003	-	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 years ended December 31, 2021 and 2020.

15. General and administrative expenses:

		December 31, 2021		December 31, 2020
Business development	**$**	**422,479**	$	27,906
Consulting		**954,838**		211,215
Office and administration		**1,396,929**		302,299
Professional and regulatory		**1,736,448**		120,966
Share-based compensation (Note 14(c)(ii))		**1,614,173**		632,358
	$	**6,124,867**	$	1,294,744

16. 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 (note 11), 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 14), 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 2020) 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.

17. 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)

		December 31, 2021		December 31, 2020
Due to officers and directors of the Company and Decklar Petroleum	**$**	**334,076**	$	206,148

(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 14(c)(ii)).

(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:

		December 31, 2021		December 31, 2020
Consulting fees	**$**	**735,715**	$	273,523
Share-based compensation		**545,208**		226,169
	$	**1,280,743**	$	499,692

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

18. 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:

December 31, 2021		**Canada**		**Nigeria**		**Total**
Finance income	$	1,414	$	-	$	1,414
Net (loss) income		(4,798,987)		1,807,917		(2,991,070)
Risk service assets		-		36,741,199		36,741,199
Total assets		259,580		45,637,615		45,897,195

December 31, 2020		**Canada**		**Nigeria**		**Total**
Finance income	$	4,938	$	-	$	4,938
Net loss		(1,259,853)		(3,596,985)		(4,856,838)
Risk service assets		100,000		5,678,471		5,778,471
Total assets		274,980		5,685,657		5,960,637

19. Income tax:

The Company's income tax recovery differs from the amounts computed by applying the Canadian statutory rate of 23.0% (2020 - 23.0%) as follows:

		December 31, 2021		December 31, 2020
Net loss for the year before income tax	**$**	**(2,991,070)**	$	(4,856,838)
Expected tax recovery		**687,946**		1,287,062
Non-deductible share-based compensation and other		**(385,690)**		(167,575)
Effect of change in income tax rates		**-**		(441,142)
Permanent differences		**-**		(389,086)
Change in unrecognized deferred tax assets		**(312,554)**		(289,259)
Other		**10,298**		-
Deferred income tax recovery	**$**	-	$	-

(Expressed in Canadian dollars, unless otherwise stated)

Details of the unrecognized deductible temporary differences are as follows:

		2021				2020		
		Nigeria		**Canada**		Nigeria		Canada
Non-capital losses	**$**	**1,605,694**	**$**	**21,858,729**	$	66,633	$	19,120,032
Capital losses		**-**		**113,825,365**		-		113,833,006
Risk service agreements		**-**		**269,752**		-		3,346,978
Unrecognized deductible temporary differences	**$**	**1,605,694**	**$**	**135,953,846**	$	66,633	$	136,300,016

As at December 31, 2021, the Company had Canadian non-capital losses of $21,858,729 that expire between 2026 and 2041. Deferred tax assets have not been recognized in respect of all items above because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

20. 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 December 31, 2021, the Company had funded $20.1 million towards its RSA's in cash (2020 - $1.8 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 December 31, 2021, the Company had cash and cash equivalents of $99,136 (December 31, 2020 - $123,236) and had accounts payable, accrued liabilities and other current liabilities of $15,707,543 (December 31, 2020 - $1,944,808) (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 for the year. At December 31, 2021, 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 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.

21. 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.

22. Contingencies:

In Q3 2021, a claim was filed in a Nigerian court by a former partner of 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.

23. Subsequent events:

In January 2022, the Company announced the closing of a funding agreement with San Leon Energy Plc ("San Leon"). The funding agreement supercedes the previously announced 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% unsecured subordinated loan notes of Decklar Petroleum (the "Loan Notes") and 1,764,706 ordinary shares of Decklar Petroleum, representing 15% of the share capital of Decklar Petroleum. Cash consideration was US$7,500,000 and 1,764,706 Nigerian naira, respectively. In addition, Decklar Petroleum and San Leon had the right to enter into an option agreement (the "Option Agreement") that would entitle 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% of the share capital of Decklar Petroleum accruing to San Leon). On January 31, 2022, San Leon 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 deposit on the US$7,500,000 value of the Loan Notes. The remaining US$6,750,000 balance of the Loan Notes 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 funding agreement are as follows:

- San Leon has agreed to proceed with a 15% equity investment in Decklar Petroleum. This will give San Leon a non-controlling interest in the future affairs of Decklar Petroleum.
- Of the US$6,750,000 of funds held in escrow, US$4,750,000 will be advanced to Decklar and the remaining US$2,000,000 will be 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. Since the funds were not received, San Leon's interest in Decklar Petroleum will remain at 11%.
- 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% 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.