**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021**

Report Date: November 28, 2022

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

This management's discussion and analysis ("**MD&A**") has been prepared as of November 28, 2022, with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

**Forward-Looking Information**

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

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

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

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

**Decklar Resources Inc.**

Decklar Resources Inc. is an Africa-focused, Canadian resource company. Through its subsidiaries, Decklar Petroleum Limited, Purion Energy Limited and Decklar Emohua Resources Limited, formerly Westfield Exploration and Production Limited, the Company is involved in the provision of technical and financial support to companies involved in the exploration and development of oil and gas resources in Nigeria.

Decklar Petroleum Limited (“Decklar Petroleum”) has a Risk Finance and Technical Service Agreement (“RSA”) with Millenium Oil and Gas Company Limited (“Millenium”) for the Oza Oil Field. The Oza Oil Field is located onshore in the northern part of Oil Mining License (“OML”) 11 in the eastern Niger delta of Nigeria. Through the RSA, Decklar Petroleum will be entitled to an 80 percent economic interest (pre-cost recovery) in the Oza Oil Field. After cost recovery, its economic interest will reduce, on a sliding scale based on cumulative production, to 40 percent, once cumulative production exceeds 10 million barrels (“bbls”) of oil.

Purion Energy Limited (“Purion”) is a Nigerian entity that has an RSA with Prime Exploration and Production Limited (“Prime”) with respect to Prime’s 51 percent equity interest in the Asaramatoru Oil Field in Nigeria. Prime is the operator of the Asaramatoru Oil Field. Through its investment in Purion, Decklar will participate in the continued development of the Asaramatoru Oil Field. The Asaramatoru Oil Field is also located in OML 11.

Decklar Emohua Resources Limited (“Emohua”), has an RSA for a 60.13% participating interest in the Emohua Oil Field held by Erebiina Energy Resources Limited (“Erebiina”). The Emohua Oil Field was awarded to Erebiina, and to two other local Nigerian entities, in the 2020/2021 Marginal Field Bid Round. The RSA allows Emohua to participate in the continued development of the oil resources in the field. The Emohua Oil Field is situated approximately 6 km west of the city of Port Harcourt in Rivers State and approximately 30 km west of the Oza Oil Field.

**2022 Highlights**

2022 has been a year of unfulfilled expectations. The initial optimism associated with the prospect of commencing oil production, and cost recovery, has been tempered by liquidity and logistical issues. The Company now finds itself in the challenging circumstance where each issue is dependant on the other. Logistical success is predicated on sufficient liquidity, and liquidity is predicated on the logistics of getting crude oil to market. These challenges, coupled with ongoing efforts to address them, are detailed more specifically below.

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 15 percent of the share capital of Decklar Petroleum. The Subscription Agreement also provided for certain conditions precedent to be confirmed prior to issuing of the Loan Notes and Decklar Petroleum shares. All of the conditions precedent have now been satisfied, or were waived by San Leon. Consequently, the principal outcomes of the new funding agreement are as follows:

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

In May, the Company applied to the TSX Venture Exchange to have the expiry dates of two tranches of warrants issued to subscribers in May 2021 and August 2021 unit offerings, extended by one year. On May 25, 2022, the TSX Venture

Exchange approved these extensions. It is hoped that the extensions will lead to the eventual exercise of the warrants and provide additional liquidity to the Company.

On May 26, 2022, Decklar, and its co-venturer Millenium, announced that the first shipments of crude oil had been trucked successfully from the Oza Oil Field. Initial volumes were taken from storage tanks and delivered to the Umugini Pipeline Infrastructure Limited ("UPIL") crude handling facilities. From there it traveled, via the Umugini Pipeline, to the Forcados Oil Export Terminal ("Forcados"). This represented a significant milestone for Millenium and Decklar. It also set the stage for crude oil sales, and the initiation of the cost recovery process for Decklar. Unfortunately, due to difficulties in sustaining ongoing truck deliveries, trucking operations were suspended in June. During that time, 10,554 bbls of crude oil were delivered to the UPIL crude handling facilities for shipment to Forcados. Due to the allocation of pipeline losses, roughly 7,800 bbls remain available for sale.

On June 6, 2022, the Company announced that it had closed its acquisition of Emohua. This acquisition was initially disclosed in Q3 2021, and it brings the total number of RSAs that the Company has to three. Emohua has an RSA for the 60.13% participating interest in the Emohua Oil Field held by Erebiina. The acquisition was funded through the issuance of 6,000,000 Decklar common shares. There is potential for another 2,500,000 common shares to be issued if Emohua is able to increase the interest covered by its RSA to 100% of the Emohua Oil Field. As part of the Emohua RSA, Emohua was obligated to fund the US$7 million signature bonus to be paid by Erebiina, to secure its 60.13% participating interest in the Emohua Oil Field. These funds were initially advanced by Decklar in Q3 2021.

On July 25, 2022, Decklar, and its co-venturer Millenium, announced that Millenium had received the permits required to resume production from the Oza-1 well at the Oza Oil Field. This was followed up with an additional announcement on July 29, 2022, that the Oza-1 well had reached an average, stabilized production rate of 1,184 barrels of oil per day ("bopd"). Unfortunately, the inability to secure a steady rotation of trucks caused the storage tanks at the Oza Oil Field to quickly reach capacity. This resulted in production from the Oza-1 well being suspended.

In the interim, the Company announced additional options intended to mitigate the logistical challenges associated with getting crude oil to market. The most immediate option is an agreement to sell 10,000 bbls to a refinery located in Edo State. The volumes will be trucked from the storage tanks at the Oza Oil Field to the refinery. The first trucks began loading in late October. Payment for this sale will occur 30 days after all 10,000 bbls have been delivered. It is hoped that this arrangement can be expanded beyond the initial 10,000 bbls.

It also appears that longstanding technical issues at Forcados have finally been resolved, and that liftings of crude oil for export can finally recommence. By virtue of the trucking that occurred in May, Millenium has close to 7,800 bbls in storage at Forcados. Once export permits are obtained, these volumes can be sold.

A final, longer-term solution involves trucking crude from the Oza Oil Field to a tank farm in Akwete in Abia State. From there the crude oil can be loaded onto a barge for shipment to an offshore floating storage unit. Barging to a floating storage unit will provide Decklar and Millenium with the ability to produce and transport larger and more stable volumes of crude oil from the Oza Oil Field. It also avoids the use of pipelines in areas that continue to be plagued with availability, delays and losses. While the trucking and barging of crude oil involves more complex logistics, it is expected to be more reliable and cost effective than utilizing trucking and pipelines. Decklar and Millenium hope to capitalize on this option once sufficient financing has been secured to ensure undisrupted operations.

To that end, Decklar announced a US$20 million debt finance facility with Shell Western Supply and Trading Limited ("Shell"), a subsidiary of Shell plc. These funds are earmarked specifically for the continued development of the Oza Oil Field. They are also subject to specific conditions precedent, milestones and other outcomes. The Company will be required to fulfill these various obligations in order to access these funds. The facility agreement contemplates the funds being advanced in three separate tranches as the respective milestones are achieved. The Company is working to address the various conditions precedent; however, it is unlikely that we will be able to access these funds in a timely manner. Millenium's debt has been restructured under this same debt facility.

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

In September, Decklar announced the appointment of Mr. Oluwasanmi Famuyide to the role of Chief Executive Officer of the Company.

## Results of Operations

Decklar's financial results for the three and nine month periods ended September 30, 2022, are representative of the ongoing challenges in facilitating the export of crude oil for Millenium, and the liquidity issues resulting from them. The most convenient export option from the Oza Oil Field is via the Trans Niger Pipeline to the Bonny Export Terminal.

However, ongoing technical disruptions on the Trans Niger Pipeline have continued to eliminate it as a viable option for Millenium. Subsequent efforts to truck crude from the Oza Oil Field to the UPIL facilities, for further shipment to Forcados, were of limited success due to the inability to maintain a consistent movement of trucks. Technical issues at Forcados prevented Millenium from initiating its first lifting from the crude oil already in storage at Forcados. This confluence of events continues to defer the commencement of cost recovery under the Oza Oil Field RSA, and to compound the Company's liquidity problems. The end result was Decklar incurring a net loss for the three and nine month periods ended September 30, 2022, of $1,160,199 and $3,110,309, respectively (2021: $3,329,997 and $5,139,912) or $0.01 loss per share and $0.03 loss per share, respectively (2021: $0.04 loss and $0.07 loss per share).

Detailed operating results for the three and nine month periods ended September 30, 2022 and 2021 are as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| General and administrative expenses: | | | | |
| Consulting | **$ 544,545** | $ 359,059 | **$ 1,506,610** | $ 698,008 |
| Professional and regulatory | **168,586** | 789,524 | **301,750** | 1,011,903 |
| Office and administration | **190,806** | 685,293 | **582,477** | 1,113,820 |
| Business development | **175,115** | 174,418 | **319,365** | 337,122 |
| Share-based compensation | **82,943** | 1,563,370 | **377,502** | 1,804,309 |
| | **1,161,995** | 3,571,664 | **3,087,704** | 4,965,162 |
| Impairment | **-** | 200,000 | **-** | 200,000 |
| Finance income | **(2)** | (491) | **(554)** | (1,108) |
| Finance expense | **-** | (9,024) | **-** | 45,233 |
| Foreign exchange (gain) loss | **(1,794)** | (432,152) | **23,159** | (69,375) |
| Net loss for the period | **1,160,199** | 3,329,997 | **3,110,309** | 5,139,912 |
| Unrealized FX gain on translation | **(1,047,850)** | (525,931) | **(1,387,911)** | (259,124) |
| Comprehensive loss for the period | **$ 112,349** | $ 2,804,066 | **$ 1,722,398** | $ 4,880,788 |

**Risk service asset expenditures:**

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

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

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

**General and administrative expenses**

The first nine months of the year have presented numerous challenges for the Company. Almost all of them can be traced back to the lack of stable and sustainable production volumes of crude oil from the Oza Oil Field. The liquidity issues resulting from the absence of crude oil sales have ramifications across all aspects of day-to-day operations. Most significantly, it increases the difficulty of obtaining permits and organizing logistics for the sale of crude oil. These challenges have caused Decklar to reduce expenditures. General and administrative expenses for the three months ended September 30, 2022 were $1,161,995 compared to $3,571,664 in the same period in 2021. This represents a 67.5% decrease from the prior year. If share-based compensation is excluded, the reduction year over year is 46.3%. For the nine month period ended September 30, 2022, general and administrative expenses were $3,087,704. This compares to $4,965,162 in 2021, and represents a 37.8% decrease year over year. If share-based compensation is excluded the decrease is 14.3%. The components of general and administrative expenses are explored in more detail below.

- In the three and nine month periods ended September 30, 2022, Decklar incurred consulting costs of $544,545 and $1,506,610 respectively, (2021: $359,059 and $698,008). The significant year over year increases reflect the growing remuneration burden associated with an expanding list of contractors employed by the Company to fill a diverse number of roles within Decklar and its subsidiaries. Many of these costs are not recoverable under the RSAs.
- Professional and regulatory fees for the three and nine month periods ended September 30, 2022, were $168,586 and $301,750, respectively. This compares to expenses of $789,524 and $1,011,903 for the same periods in 2021. These expenditures consist primarily of legal fees, audit fees, and costs associated with public markets. The Company undertook three equity offerings in 2021, closed the Purion acquisition and negotiated a Letter of Intent for Emohua. The decrease in the year over year comparatives is due to the absence of a similar level of activity in 2022.
- For the three and nine month periods ended September 30, 2022, office and administrative expenses were $190,806 and $582,477, respectively, (2021: $685,293 and $1,113,820). The year over year decreases are primarily attributable to a reduction in investor relations expenses compared to 2021.
- Business development expenses for the three and nine month periods ended September 30, 2022 were $175,115 and $319,365, respectively, (2021: $174,418 and $337,122). The year to date decrease speaks to a modest reduction in activity in 2022.
- Share-based compensation expense for the three and nine month periods ended September 30, 2022 was $82,943 and $377,502, respectively (2021: $1,563,370 and $1,804,309). The significant decrease in expense in 2022 reflects the fact that there has not been option grant in 2022. Consequently, share-based compensation expense only reflects the residual amount of the vesting related to the option grant that took place in 2021.

**Foreign exchange**

The Company recorded a realized foreign exchange gain of $1,794 for the three month period ended September 30, 2022, and a realized foreign exchange loss of $23,159 for the nine month period ended September 30, 2022, (2021: $432,152 gain and $69,375 gain). Decklar engages in a significant value of foreign denominated transactions. Most are in US dollars and Nigerian naira. Variations in either currency versus the Canadian dollar can impact the Company's net loss. The year over year decreases speak to reductions in transaction settlements as the Company focused on preserving cash.

The Company recorded an unrealized foreign exchange gain on translation in the amount of $1,047,850 for the three month period ended September 30, 2022, and an unrealized foreign exchange gain of $1,387,911 for the nine month period ended September 30, 2022, (2021: $525,931 gain and $259,124 gain). These gains represent the foreign exchange impact related to translating the Company's subsidiaries, whose functional currency is the US dollar, into the Canadian dollar reporting currency used by Decklar. Year to date, the Canadian dollar has decreased roughly 8.1% versus the US dollar. In Q3 2022, the Canadian dollar decreased approximately 6.4% compared to the US dollar. Year over year the Canadian dollar decreased by 7.6% and the average exchange rate decreased 2.5%. These decreases increased the recorded value of Decklar's subsidiaries' US dollar asset bases and generated unrealized foreign exchange gains in both the year to date, and Q3 2022, reporting periods.

**Risk service assets**

As at September 30, 2022, Decklar had a total of $73,005,926 capitalized in risk service assets (December 31, 2021: $36,741,199). The increase reflects both field level investments incurred to date, plus the acquisition of Emohua, and its RSA, in Q2 2022. In the nine month period ended September 30, 2022, expenditures of $8,857,404, related to Oza-1 well operations, and other facility and infrastructure expenditures, were added to the Oza Oil Field risk service asset. An additional $589,530 of expenditures were added to the Asaramatoru Oil Field risk service asset. The $9,613,189 of additions to the Emohua Oil Field risk service asset is primarily represented by the signature bonus paid by Erebiina, and advanced by Decklar. This expenditure is considered a recoverable expenditure under the Emohua RSA.

## Capital Resources and Liquidity

At September 30, 2022, Decklar's capital structure was comprised of share capital, cash and cash equivalents, accounts receivable, short-term loans, trade payables and accrued liabilities and Loan Notes. The Company's primary objective for capital management involves maintaining sufficient sources of liquidity to fund our obligations under our RSAs. This includes not only funding the development of the respective properties, but the ongoing costs associated with the entities and individuals overseeing those activities. These are all very capital intensive undertakings. The expansion of the Company's portfolio of RSAs, to three, means these funding demands will grow as well. This is particularly true for the Emohua RSA which has very specific spending milestones. Failure to meet these minimum commitments could result in Erebiina terminating its RSA with Emohua.

Decklar made some progress in improving its capital structure and financial liquidity in 2022. In Q1 2022, San Leon subscribed for US$4,750,000 of Loan Notes. In October the Company closed a US$20 million debt facility with Shell. While the Shell facility was a welcome show of confidence in the further development of the Oza Oil Field, the many conditions precedent will limit Decklar's immediate ability to access these funds. Without the commencement of material, ratable, sustainable crude oil production at the Oza Oil Field, additional funding sources will be required to unlock the full potential of the Shell facility, to allow the Company to fulfill its respective mandates under each of its RSAs and to sustain its day-to-day operations.

On September 30, 2022, the Company had cash and cash equivalents of $81,329 (December 31, 2021: $99,136) and had a working capital deficit of $21,285,209 (December 31, 2021: $6,551,547 deficit). During the nine month period ended September 30, 2022, the Company incurred a net loss of $3,110,309. It also used cash in operations of $1,628,200. The Company continues to engage with potential investors and lenders in order to secure additional debt and equity funding. However, the ability to raise capital is not guaranteed and may also not be realized when needed or, if available, might not be available at terms favourable to the Company. Additional equity financings will also result in dilution to existing shareholders.

The Company had the following contractual obligations at September 30, 2022:

| | | Payment due by period | | |
|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** |
| Short-term loans | $ 1,475,376 | $ 1,475,376 | $ - | $ - |
| Loan Notes | 8,196,223 | - | - | 8,196,223 |
| Due to related parties(1) | 692,287 | 692,287 | - | - |
| Emohua RSA | 105,543,900 | 2,056,050 | 103,487,850 | - |
| Total | $ 115,907,786 | $ 4,223,713 | $ 103,487,850 | $ 8,196,223 |

The Company had the following comparable contractual obligations at September 30, 2021:

| | | Payment due by period | | |
|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** |
| Short-term loans | $ 563,791 | $ 563,791 | $ - | $ - |
| Refundable deposit | 1,010,291 | 1,010,291 | - | - |
| Due to related parties(1) | 76,211 | 76,211 | - | - |
| Total | $ 1,650,293 | $ 1,650,293 | $ - | $ - |

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

By virtue of the funding agreement with San Leon, Decklar Petroleum was advanced US$4,750,000, by San Leon, in January 2022. This was in addition to the refundable deposit of US$750,000 received in September 2020. Collectively these amounts now constitute the Loan Notes. The Loan Notes bear an interest rate of 10 percent per annum, which accrues on a quarterly basis. The Loan Notes mature 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.

Short-term loans are comprised of the outstanding balances of advances made directly to Decklar Petroleum, and payments made on behalf of Decklar Petroleum, by external parties to fund day-to-day and early field operations. These loans do not bear interest and are due on demand.

**Share Capital**

As at August 26, 2022, the Company had 101,992,152 common shares outstanding. It also had 6,298,332 share purchase options outstanding. The options expire on September 4, 2025, and August 13, 2026. They are exercisable at $0.28 and $1.00 per share. The Company also has 5,037,499 share purchase warrants expiring May 25, 2023, and 2,500,000 share purchase warrants expiring August 27, 2023. Both tranches are exercisable at $1.50 per whole warrant.

As part of the July 17, 2020 acquisition of Decklar Petroleum, 8,000,000 common shares are also issuable if the Oza Oil Field reaches production, net to Millenium, of 1,000 bopd for a period of ten consecutive days in any thirty-day period prior to September 30, 2022. This milestone has now been achieved, and it is expected that the 8,000,000 common shares will be issued in Q4.

As of November 28, 2022, on a fully diluted basis, the Company has 123,827,983 common shares outstanding.

**Transactions with Related Parties**

**Directors**

The Company paid no directors' fees in the three or nine month periods ended September 30, 2022 or 2021. Share options were granted to the Company's directors in August 2021 and in September of 2020.

**Key Management**

Consulting fees paid to, and payable to, key individuals during the three and nine month periods ended September 30, 2022 totaled $76,060 and $261,207, respectively (2021: $152,884 and $423,566). The decrease in expense is due to a severance payment being included in the 2021 comparative amounts. Share-based compensation expense for these same individuals was $35,731 and $137,662, respectively, (2021: $534,653 and $627,263). The year over year changes reflect the fact that each year is representative of a different option grant and different complement of key management individuals. There has also not yet been an option grant in 2022. Consequently, the 2022 expense only reflects the residual amounts of the 2021 option grant.

**Summary of Quarterly Results**

| | 2022 | | | 2021 | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| CAD, except per share amounts | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** |
| Finance (income) loss | (2) | (380) | (172) | (306) | (491) | (482) | (135) | (1,465) |
| General & administrative expenses | 1,161,995 | 823,558 | 1,102,151 | 1,159,705 | 3,571,664 | 997,107 | 396,391 | 506,348 |
| Impairment (reversal) | - | - | - | (3,346,978) | 200,000 | - | - | 3,346,978 |
| Finance (income) expense | - | - | - | - | (9,024) | 53,514 | 743 | 1,490 |
| Foreign exchange (gain) loss | (1,794) | (3,270) | 28,223 | 38,737 | (432,152) | 276,356 | 86,421 | 29,781 |
| Net (income) loss | 1,160,199 | 819,908 | 1,130,202 | (2,148,842) | 3,329,997 | 1,326,495 | 483,420 | 3,883,132 |
| (Income) loss per share (basic) | $0.01 | $0.01 | $0.01 | $(0.02) | $0.04 | $0.02 | $0.01 | $0.07 |
| (Income) loss per share (diluted) | $0.01 | $0.01 | $0.01 | $(0.02) | $0,04 | $0.02 | $0.01 | $0.07 |
| Total assets | 73,284,955 | 68,645,698 | 49,907,182 | 45,897,195 | 29,541,229 | 19,565,241 | 10,368,132 | 5,960,637 |

## Critical Judgements in Applying Accounting Policies

There have been no changes in critical judgements in applying accounting policies in the three and nine month periods ended September 30, 2022. Further information on the Company's material accounting policies and judgements can be found in the notes to the audited annual consolidated financial statements and MD&A for the year ended December 31, 2021.

## Risks and Uncertainties

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

### Additional funding requirements

Even if the Company was able to commence production from the Oza Oil Field imminently, it is highly probable that additional financing will be required to fully exploit the potential of the Company's risk service assets in Nigeria. Decklar's ability to obtain this additional capital is dependent on, among other things, a general interest in energy industry investments. Despite the recent resurgence in crude oil prices, the industry has fallen out of favour with certain investors. This has made navigating capital markets more challenging. These issues are amplified by the additional risks associated with operating in Nigeria and the Company's recent operational and share price performance. These circumstances are borne out by the very restrictive terms of the recently announced debt facility with Shell.

Volatile financial markets and restrictive central bank policies may further impede Decklar's ability to secure and maintain cost effective financing and limit the Company's ability to achieve timely access to capital on acceptable terms and conditions. If additional external sources of capital become limited or unavailable, the ability to meet all financial obligations as they come due may be impaired.

From time to time the Company may enter into transactions that may be financed in whole or in part with debt or equity. The level of indebtedness could impair Decklar's ability to obtain additional financing on a timely basis. This could restrict the Company's ability to take advantage of business opportunities that may arise. Additionally, from time to time, the Company may issue securities from treasury in order to reduce debt, complete acquisitions and/or optimize its capital structure. The ability to obtain needed financing may be impaired by such factors as general downturns in the capital markets, and/or degradation of the Company's share price performance. Failure to obtain sufficient financing could result in the Company proceeding into reorganization, bankruptcy, or insolvency.

### Resource industry

The Company's fortunes revolve around the ability of Decklar and its Nigeran co-venturers to successfully develop and operate oil and gas properties in Nigeria. The exploration for, and development of, oil and gas reserves involve significant risks that cannot be completely eliminated. While the discovery of oil and gas resources may result in substantial rewards, some properties that are explored may not ultimately be developed into commercially successful operations. Substantial expenses may be incurred to locate and establish oil and gas reserves, to develop operational processes, and to construct facilities at a particular site. It is impossible to ensure that these activities will result in profitable commercial production operations. Whether an oil and gas reservoir will be commercially viable depends on many factors including, but not limited to: the particular attributes of the oil and gas resources, such as volume, qualitative characteristics and proximity to infrastructure; oil prices, which are cyclical and somewhat unpredictable; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of petroleum products; and changes to environmental regulations. The effects of these factors cannot always be accurately predicted, but in combination they could result in the Company not receiving an adequate return on invested capital.

The Company's activities are subject to all the hazards and risks normally encountered in the exploration, development and production of oil and gas. These include unusual and unexpected geological formations and other conditions involved in drilling and production, any of which could result in damage to, or destruction of, oil and gas wells and production facilities, damage to life or property, environmental damage, and possible legal liability.

Our co-venturers' oil and gas reserves are a depleting resource and decline as volumes from reserves are produced. As a result, our long-term commercial success depends on their ability to find, acquire, develop and commercially produce oil and gas reserves. The business of exploring for, developing or acquiring reserves is capital intensive. If external sources of capital become limited or unavailable on commercially reasonable terms, our ability to make the necessary capital investments to maintain or expand our co-venturers' oil reserves may be impaired.

**Estimation of reserves**

The reserve amounts underpinning the Company's RSAs are estimates only. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond Decklar's control. In general, estimates of economically recoverable oil and natural gas reserves, and the future net revenues therefrom, are based upon a number of factors and assumptions made as of the date on which the reserves estimates were determined, such as geological and engineering estimates that have inherent uncertainties, the assumed effects of regulation by governmental agencies, historical production from the properties, initial production rates, production decline rates, the availability, proximity and capacity of oil and gas gathering systems, pipelines and processing facilities and estimates of future commodity prices, foreign exchange rates and capital costs, all of which may vary considerably from actual results.

All such estimates are, to some degree, uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular RSA, the classification of such reserves based on the risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The reserve calculations as at December 31, 2021 are estimated using forecast prices and costs. Actual production, revenues, royalties, taxes and development, abandonment and operating expenditures with respect to our co-venturer's reserves will likely vary from such estimates, and such variances could be material. These reductions would impact Decklar's recoveries as well.

Estimates of reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations in the previously estimated reserves and such variances could be material.

**Government regulation in the oil and gas industry**

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

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

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

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

**Counterparty risk**

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

Conversely, our counterparties may deem Decklar to be at risk of defaulting on our contractual obligations. These counterparties may require that Decklar provide additional credit assurances by providing proof of the Company's solvency, prepaying anticipated expenses or posting letters of credit, all of which would decrease available liquidity and increase costs. Failure to meet these terms could result in the co-venturers terminating Decklar's subsidiaries as risk service providers.

**Competition in the oil industry**

The resource business is competitive in all of its phases. Decklar competes for capital, acquisitions of reserves and/or resources, undeveloped lands, skilled/qualified labour, access to drilling rigs, service rigs, hydraulic fracturing pumping equipment and related skilled personnel, access to processing and export facilities, pipeline capacity, as well as many other services. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical, and other resources, in the search for and the acquisition of these assets and services. As a result, some of Dercklar's competitors may have greater opportunities and be able to access services or vendors that we are not able to access, thereby limiting Decklar's ability to compete.

**Insurance and uninsured risks**

The crude oil and natural gas operations that are undertaken as part of Decklar's RSAs are subject to all of the risks normally incidental to the: (i) storing, transporting, processing, refining and marketing of crude oil, natural gas and other related products; (ii) drilling and completion of crude oil and natural gas wells; and (iii) operation and development of crude oil and natural gas properties, including, but not limited to: encountering unexpected formations or pressures, premature declines of reservoir pressure or productivity, blowouts, fires, explosions, equipment failures and other accidents, gaseous leaks, uncontrollable or unauthorized flows of crude oil, natural gas or well fluids, migration of harmful substances, oil spills, corrosion, adverse weather conditions, pollution, acts of vandalism, theft and terrorism and other adverse risks to the environment.

Although the Company maintains insurance in accordance with customary industry practice, Decklar is not fully insured against all of these risks nor are all such risks insurable. In certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. In addition, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect on its business, financial condition, results of operations and prospects.

**Energy transition**

A transition away from the use of petroleum products, which may include conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy, could reduce demand for oil and natural gas. Certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. We cannot predict the impact of changing demand for oil and natural gas products. Any major changes may have a material adverse effect on Decklar's business and financial condition by decreasing cash flow from operating activities and the value of Decklar's assets.

**Public perception**

Concern over the impact of oil and gas development on the environment and the climate has received considerable attention in the media and recent public commentary. The social value proposition of resource development is being challenged. Oil bunkering, pipeline leaks and natural gas flaring, among other things, have gained media, environmental and other stakeholder attention. Future laws and regulation may be impacted by such incidents, which could have a material adverse effect on the Company's financial condition, results of operations and prospects.

**Personnel**

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

**Enforceability of civil liabilities**

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

**Litigation risk**

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

**Market for Decklar's securities**

The market price of Decklar's common shares is sensitive to a variety of market-based factors including, but not limited to, commodity prices, foreign exchange rates and the comparability of Decklar's common shares to other securities. Any changes in these market-based factors may adversely affect the trading price of Decklar's shares. There can also be no assurance that an active market for Decklar's securities will continually exist.

## Financial Instruments

At September 30, 2022, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, trade payables and accrued liabilities, Loan Notes, and short-term loans. The fair values of these financial instruments are not materially different from their carrying values.

To help to manage liquidity risk, the Company forecasts and monitors working capital and cash requirements to aid in determining the funds needed to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. Discussions about the Company's ongoing ability to operate as a going concern are included in note 1 in the September 30, 2022, Condensed Consolidated Interim Financial Statements, Nature of business and going concern.

## Disclosure Controls

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

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

## Additional Information

Additional information relating to the Company, including the December 31, 2021 NI 51-101 reports for the Oza Oil Field and Asaramatoru Oil Field, are available on SEDAR at www.sedar.com.