DECKLAR RESOURCES

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

Three months ended March 31, 2023 and 2022

Unaudited

DECKLAR RESOURCES INC.

Contents

Three months ended March 31, 2023 and 2022

	Page
Notice of No Auditor Review of Financial Statements	2
Condensed Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss	4
Condensed Consolidated Interim Statements of Changes in Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

DECLAR RESOURCES INC.

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

As at:	Notes		**March 31, 2023**		December 31, 2022
Assets					
Current assets:					
Cash		**$**	**189,613**	$	16,434
Accounts receivable	7		**876,862**		536,695
Total current assets			**1,066,475**		553,129
Non-current assets:					
Risk service assets	6		**59,667,206**		59,114,263
Total assets		**$**	**60,733,681**	$	59,667,392
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term loans	8	**$**	**1,936,362**	$	1,972,238
Trade payables and accrued liabilities	10		**23,972,601**		22,436,631
Total current liabilities			**25,908,963**		24,408,869
Non-current liabilities:					
Loan notes	9		**6,195,864**		5,945,557
Total liabilities		**$**	**32,104,827**	$	30,354,426
Shareholders' equity:					
Share capital	11	**$**	**176,920,634**	$	175,319,405
Contributed surplus			**2,960,409**		2,910,416
Contingent consideration	11		**-**		1,601,229
Accumulated other comprehensive loss			**698,295**		593,288
Deficit			**(151,430,789)**		(150,635,668)
Equity attributable to equity holders of the company			**29,148,549**		29,788,670
Non-controlling interests			**(519,695)**		(475,704)
Total shareholders' equity			**28,628,854**		29,312,966
Total liabilities and shareholders' equity		**$**	**60,733,681**	$	59,667,392

Going concern (note 1)

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

DECLAR RESOURCES INC.

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

	Notes		**Three months ended March 31, 2023**		Three months ended March 31, 2022
Revenues:					
Risk service fees		**$**	**1,203,678**		-
			1,203,678		
Operating costs:					
General and administrative expenses	12	**$**	**1,053,008**	$	1,102,151
Amortization expense	6		**414,002**		-
Operating loss			**(263,332)**		(1,102,151)
Other (income) expenses:					
Finance income			**-**		(172)
Finance expense	8,9		**350,275**		-
Foreign exchange loss			**225,505**		28,223
Total other (income) expenses			**575,780**		28,051
Net loss			**(839,112)**		(1,130,202)
Other comprehensive loss:					
Unrealized foreign exchange gain (loss) on translation			**105,007**		(193,566)
Comprehensive loss		**$**	**(734,105)**	$	(1,323,768)
Net loss attributable to:					
Equity holders of the Company		**$**	**(795,121)**	$	(1,089,542)
Non-controlling interests		**$**	**(43,991)**	$	(40,660)
Basic and diluted net loss per share	11	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding:					
Basic and diluted	11		**107,058,819**		95,992,152

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

DECLAR RESOURCES INC.

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

	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Contingent consideration	Deficit	Total equity attributable to equity holders	Non-controlling interests	Total equity
As at December 31, 2021	95,992,152	$ 166,288,252	$ 2,455,827	$ (35,008)	$ 1,601,229	$(140,120,648)	$ 30,189,652	$ -	$ 30,189,652
Share-based compensation (note 11)	-	-	170,144	-	-	-	170,144	-	170,144
Currency translation	-	-	-	(193,566)	-	-	(193,566)	-	(193,566)
Net loss for the period	-	-	-	-	-	(1,089,542)	(1,089,542)	(40,660)	(1,130,202)
As at March 31, 2022	95,992,152	$ 166,288,252	$ 2,625,971	$ (228,574)	$ 1,601,229	$(141,210,190)	$ 29,076,688	$ (40,660)	$ 29,036,028
As at December 31, 2022	101,992,152	$ 175,319,405	$ 2,910,416	$ 593,288	$ 1,601,229	$(150,635,668)	$ 29,788,670	$ (475,704)	$ 29,312,966
Issue of shares	8,000,000	1,601,229	-	-	(1,601,229)	-	-	-	-
Share-based compensation (note 11)	-	-	49,993	-	-	-	49,993	-	49,993
Currency translation	-	-	-	105,007	-	-	105,007	-	105,007
Net loss for the period	-	-	-	-	-	(795,121)	(795,121)	(43,991)	(839,112)
As at March 31, 2023	**109,992,152**	**$ 176,920,634**	**$ 2,960,409**	**$ 698,295**	**$ -**	**$(151,430,789)**	**$ 29,148,549**	**$ (519,695)**	**$ 29,628,854**

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

DECLAR RESOURCES INC.

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

	Notes		**Three months ended March 31, 2023**		Three months ended March 31, 2022
Cash provided by (used in):					
Operating activities:					
Net loss		**$**	**(839,112)**	$	(1,130,202)
Items not involving cash:					
Amortization expense	6		**414,002**		-
Share-based payments	11		**49,993**		170,144
Finance expense	8,9		**254,992**		-
Foreign exchange loss			**31,065**		92,664
Changes in non-cash operating working capital:					
Accounts receivable			**(340,167)**		(15,403)
Prepaid expenses			**-**		20,253
Deposits			**-**		127,642
Trade payables and accrued liabilities			**870,620**		(572,517)
Cash flow provided by (used in) operating activities			**441,393**		(1,307,419)
Financing activities:					
Loan notes	9		**-**		6,011,600
Short-term loans repaid	8		**(19,565)**		(147,216)
Cash flow provided by (used in) financing activities			**(19,565)**		5,864,384
Investing activities:					
Risk service asset expenditures	6		**(913,999)**		(4,232,857)
Change in trade payables and accrued liabilities due to investing			**665,350**		(32,119)
Cash flow used in investing activities			**(248,649)**		(4,264,976)
Net increase in cash			**173,179**		291,989
Cash, beginning of period			**16,434**		99,136
Cash, end of period		**$**	**189,613**	$	391,125

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

1. Nature of business and going concern:

Decklar Resources Inc. ("Decklar" or the "Company"), is engaged in providing funding and technical advisory services to companies involved in the exploration and development of oil and gas properties in Nigeria. The Company's' common shares are traded on the TSX Venture Exchange under the symbol DKL. The Company's registered corporate office is located at 600 Crowfoot Crescent NW, Suite 340, Calgary, Alberta, Canada T3G 0B4.

These condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. As at March 31, 2023, the Company had an accumulated deficit of $151,430,789, with cash of $189,613, and negative working capital of $24,842,488. During the three months ended March 31, 2023, the Company incurred a net loss of $839,112 and generated cash from operations of $441,393. The Company currently only has a limited source of operating cash flow to fund its day to day operations. 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 necessary financing in the future. Even if realized, such financing might not be favorable to the Company. It might involve dilution to existing shareholders or diminished returns and valuations for its risk service assets. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required.

2. Basis of preparation:

These Interim Financial Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). These Interim Financial Statements do not include all the necessary annual disclosures as prescribed by IFRS and should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2022.

The Interim Financial Statements of the Company were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 29, 2023.

3. Basis of consolidation:

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

4. Material accounting policies:

The accounting policies, critical accounting judgments and significant estimates used in preparation of the 2022 annual financial statements have been applied in the preparation of these Interim Financial Statements.

(Expressed in Canadian dollars, unless otherwise stated)

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

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

6. Risk service assets:

		March 31, 2023		December 31, 2022
Risk service asset - Oza Oil Field	**$**	**41,769,145**	$	41,215,309
Risk service asset – Emohua Oil Field		**17,898,061**		17,878,954
Risk service asset - Asaramatoru Oil Field		**-**		-
	$	**59,667,206**	$	59,114,263

(a) Risk service asset - Oza Oil Field

		March 31, 2022		December 31, 2022
Balance, beginning of year	**$**	**41,369,199**	$	29,054,010
Additions during the period		**913,999**		10,383,626
Foreign exchange		**53,947**		1,931,563
	$	**42,337,145**	$	41,369,199
Accumulated amortization		**(568,000)**		(153,890)
Balance, end of period	**$**	**41,769,145**	$	41,215,309

(b) Risk service asset – Emohua Oil Field

		March 31, 2023		December 31, 2022
Acquired June 3, 2022	**$**	**-**	$	17,899,917
Balance, beginning of year		**17,898,954**		-
Additions during the period		**-**		-
Foreign exchange		**(893)**		(963)
Balance, end of period	**$**	**17,898,061**	$	17,898,954

(c) Risk service asset - Asaramatoru Oil Field

		March 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**-**	$	7,687,189
Additions during the period		**-**		1,047,434
Impairment		**-**		(8,777,867)
Foreign exchange		**-**		43,244
Balance, end of period	**$**	**-**	$	-

At March 31, 2023, there were no indicators of impairment or impairment reversal for risk service assets in any of the Company's cash generating units ("CGU").

2022 impairment:

The Asaramatoru CGU has seen very little investment since it was acquired in 2021. Decklar's liquidity challenges caused the Company to focus all of its investment activity in the Oza and Emohua CGUs. Consequently, Purion has only made minor investments in the Asaramatoru CGU to reimburse the license holder Prime Exploration and Production Limited ("Prime") for certain expenditures. Purion is also in arrears on its general and administrative obligations to Prime. These factors potentially jeopardize Purion's status as the Risk Service Provider at Asaramatoru.

(Expressed in Canadian dollars, unless otherwise stated)

The lack of investment was also attributable to uncertainty caused by an ongoing legal dispute between Prime and a former investor. In 2008, Prime had signed a Profit Oil Agreement with this investor. The existence of the Profit Oil Agreement caused the investor to dispute the validity of the Risk Service Agreement ("RSA") between Purion and Prime and it has challenged the agreement in court. The two parties continue to work towards a negotiated settlement. However, uncertainty related to the impact of that settlement on the RSA, and whether Purion has any recourse against Prime, caused management to question the validity of the cash flows that underpinned the original investment for Asaramatoru. The current situation also makes it highly unlikely that Purion will make any capital investments in the Asaramatoru Oil Field, or that Purion could sell the RSA to another party. Given these multiple uncertainties, management deemed the recoverable amount of the Asaramatoru CGU to be zero at December 31, 2022. This precipitated the Company writing off the entire carrying value of the Asaramatoru CGU, and recording an impairment charge of $8,777,867. Should Purion's rights under the RSA be confirmed in the future, and it find itself in a position to fund the further development of the Asaramatoru CGU, the impairment will be revisited at that time.

7. Accounts receivable:

		March 31, 2023		December 31, 2022
Risk service fees receivable	**$**	**650,607**	$	323,154
GST refundable		**222,626**		209,488
Other		**3,631**		4,053
	$	**876,864**	$	536,695

8. Short-term loans:

		March 31, 2023		December 31, 2022
Short-term loans	**$**	**1,530,372**	$	1,565,918
Interest bearing loans		**405,990**		406,320
	$	**1,936,362**	$	1,972,238

Short-term loans are comprised of the outstanding advances made directly to Decklar Petroleum, and payments made on behalf of Decklar Petroleum, by third parties. These advances have been used to fund Decklar Petroleum's operations. They do not bear interest and are due on demand.

Interest bearing loans represent a US$300,000 loan advanced in Q4 2022. The loan bears flat interest fixed at 20% per 90 day term. Interest is due and payable every 90 days. Principal is due on the 180th day of full disbursement of the loan amount.

9. Loan notes:

The loan notes represent US$5,500,000 in funding secured in January 2022. The terms of the loan notes provide for an interest rate of 10 percent per annum, which accrues on a quarterly basis and will have a maturity date that is five years from the date of issuance. No payments (whether on account of interest or principal) are required under the loan notes unless there are available funds from operations of the Oza Oil Field. The loan notes are unsecured, subordinated and contain customary events of default. The loan notes do not contain any financial or other maintenance covenants.

(Expressed in Canadian dollars, unless otherwise stated)

		March 31, 2023		December 31, 2022
Loan notes(1)		**6,235,460**		5,987,769
Unamortized debt issuance costs		**(39,596)**		(42,212)
Loan notes net of unamortized debt issuance costs	**$**	**6,195,864**	$	5,945,557

(1) The US dollar denominated principal outstanding of the Loan Notes was US$5,500,000 at March 31, 2023 (December 31, 2022 - US$5,500,000).

Interest expense for the three months ended March 31, 2023 was $254,992. The comparable value for the three months ended March 31, 2022 was $210,871, which was capitalized in risk service assets.

10. Trade payables and accrued liabilities:

		March 31, 2023		December 31, 2022
Trade and other payables	**$**	**23,019,333**	$	21,623,597
Due to related parties (note 13)		**953,268**		813,034
	$	**23,972,601**	$	22,436,631

11. Share capital:

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares		Amount
Balance, December 31, 2021	**95,992,152**	**$**	**166,288,252**
Issued on acquisition of Emohua	6,000,000		9,031,153
Balance, December 31, 2022	**101,992,152**	**$**	**175,319,405**
Issued on satisfaction contingent shares (note 11(c)(i))	8,000,000		1,601,229
Balance, March 31, 2023	**109,992,152**	**$**	**176,920,634**

(c) Share issuances and share-based compensation:

(i). Common shares:

On February 2, 2023, the Company issued 8,000,000 common shares in satisfaction of the contingent consideration that resulted from its July 2020 acquisition of Decklar Petroleum. Issuance of the contingent shares was conditional on the Oza Oil Field achieving production, net to its co-venturer Millenium Oil and Gas Company Limited ("Millenium"), of 1,000 barrels of oil per day for a period of ten consecutive days in any thirty-day period within twelve months of the date of closing. Due to operational challenges and logistical issues, the commencement of production at the Oza Oil Field took much longer than originally anticipated. In order to shield the beneficiaries of the contingent shares from matters beyond their control, the deadline for achieving the production milestone was extended on multiple occasions. Confirmation that the milestone was achieved was received in 2022, but administrative issues delayed the issuance of the shares until 2023.

(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.

(Expressed in Canadian dollars, unless otherwise stated)

For the three months ended March 31, 2023, Decklar recorded share-based compensation expense of $49,993 (March 31, 2022 - $170,144).

The continuity of outstanding stock options for the three months ended March 31, 2023, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2022	Granted	Exercised	Forfeited	Balance March 31, 2023
September 4, 2025	$0.28	2,758,332	-	-	-	2,758,332
August 13, 2026	$1.00	3,540,000	-	-	-	3,540,000
December 21, 2022	$0.30	3,325,000	-	-	-	3,325,000
		9,623,332	-	-	-	9,623,332
Weighted average exercise price		$ 0.55	-	-	-	$ 0.55
Weighted average remaining life (years)		3.81	-	-	-	3.56

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

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Expired/ cancelled/ forfeited	Balance March 31, 2022
April 5, 2022	$10.00	75,000	-	-	-	75,000
April 5, 2022	$15.00	75,000	-	-	-	75,000
April 5, 2022	$20.00	75,000	-	-	-	75,000
September 4, 2025	$0.28	2,758,332	-	-	-	2,758,332
August 13, 2026	$1.00	3,540,000	-	-	-	3,540,000
		6,523,332	-	-	-	6,523,332
Weighted average exercise price		$ 1.18	-	-	-	$ 1.18
Weighted average remaining life (years)		4.07	-	-	-	3.82

As at March 31, 2023, 7,406,665 stock options were exercisable (December 31, 2022: 7,406,665 options).

(d) Warrants:

The continuity of outstanding warrants for the three months ended March 31, 2023, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2022	Granted	Exercised	Forfeited	Balance March 31, 2023
May 25, 2023(1)	$1.50	5,629,499	-	-	-	5,629,499
August 27, 2023(1)	$1.50	2,500,000	-	-	-	2,500,000
		8,129,499	-	-	-	8,129,499

(1) On May 25, 2022, the TSX Venture Exchange approved an extension of the expiry dates of each tranche of warrants by one year.

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

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Expired/ cancelled/ forfeited	Balance March 31, 2022
May 25, 2022	$1.50	5,629,499	-	-	-	5,629,499
August 27, 2022	$1.50	2,500,000	-	-	-	2,500,000
		8,129,499	-	-	-	8,129,499

(Expressed in Canadian dollars, unless otherwise stated)

(e) Loss per share:

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the outstanding warrants and options as the effect is anti-dilutive for the three months ended March 31, 2023 and 2022.

12. General and administrative expenses:

		Three months ended March 31, 2023		Three months ended March 31, 2022
Business development	**$**	**158,399**	$	42,698
Consulting		**560,114**		551,150
Office and administration		**197,815**		193,838
Professional and regulatory		**86,687**		144,321
Share-based compensation (Note 11(c)(ii))		**49,993**		170,144
	$	**1,053,008**	$	1,102,151

13. Related party transactions:

(a) Balances payable:

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

		March 31, 2023		December 31, 2022
Due to officers and directors of the Company	**$**	**1,003,268**	$	813,034

(b) Issue of stock options:

On December 21, 2022, the Company granted 1,600,000 stock options to certain officers and directors of the Company (see note 11(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:

		Three months ended March 31, 2023		Three months ended March 31, 2022
Consulting fees	**$**	**209,335**	$	68,608
Share-based compensation		**24,057**		58,878
	$	**233,392**	$	127,486

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

14. 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.

(Expressed in Canadian dollars, unless otherwise stated)

Geographical information is as follows:

March 31, 2023		**Canada**		**Nigeria**		**Total**
Risk service fees	$	-	$	1,203,678	$	1,203,678
Net loss		(439,198)		(399,914)		(839,112)
Risk service assets		-		59,667,206		59,667,206
Total assets		262,710		60,470,971		60,733,681

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

15. 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 not materialize to the degree contemplated in the RSAs. Consequently, Decklar is exposed to the credit quality of the co-venturers, the ability of those co-venturers to execute field development programs, and to successfully operate those projects going forward. Fluctuations in crude oil prices, access to pipelines and oil bunkering will also impact this risk. The Company manages these risks by actively participating with co-venturers in the day-to-day decision making associated with their projects, negotiating material contracts jointly with the co-venturers and providing technical expertise for oil field operations.

As at March 31, 2023, the Company had funded $32.5 million towards its risk service assets in cash (December 31, 2022 - $31.5 million).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including the expected capital requirements under its RSAs.

As at March 31, 2023, the Company had cash of $189,613 (December 31, 2022 - $16,434) and had short-term loans and trade payables and other current liabilities of $25,908,963 (December 31, 2022 - $24,408,869). It also had loan notes outstanding of $6,195,864 (December 31, 2022 - $5,945,557) (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 majority of the Company's expenditures take place in US dollars and Nigerian naira. The Company also has both US dollar and naira denominated debt. Until the Company generates significant revenues in either currency, it will be fully exposed to exchange rate fluctuations between the other currencies and the Canadian dollar. The recent commencement of crude oil sales, and the resulting naira denominated risk service fees, provided the Company with a hedge against some naira denominated expenditures. As these revenues grow, the Company will be increasingly insulated from variations in the naira. The addition of US dollar denominated revenues in Q1 2023 expanded these protections to US dollar denominated expenses. Despite the Company's foreign currency exposures, 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 March 31, 2023, the Company had no hedging agreements in place with respect to this risk.

(ii) Commodity price risk:

Millenium commenced crude oil sales from the Oza Oil Field in December 2022. The associated crude oil prices will have a direct impact on the value of risk service fees accruing to Decklar Petroleum. Crude oil prices will also impact the value of the oil reserves and contingent resources attributed to the Company's risk service assets. Fluctuations in crude prices will affect both their actual and projected returns and ultimately lead to determinations of whether 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. However, a change of 100 basis points in the interest rate on the loan notes would add approximately US$550,000 to Decklar's finance expenses in the Interim Financial Statements.

(d) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 - Values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.

Level 3 - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash, accounts receivable, trade payables and accrued liabilities and short-term loans approximate their respective fair values due to the short-term nature of these instruments. They are all carried at amortized cost. The fair value of the loan notes was determined based on Level 3. They are also 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.

(Expressed in Canadian dollars, unless otherwise stated)

	March 31, 2023		December 31, 2022		
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair Value Measurement Hierarchy
Financial assets at amortized cost					
Cash	**$ 189,613**	**$ 189,613**	$ 16,434	$ 16,434	-
Accounts receivable	**876,864**	**876,864**	536,695	536,695	-
Total	**$ 1,066,477**	**$ 1,066,477**	$ 553,129	$ 553,129	

	March 31, 2023		December 31, 2022		
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair Value Measurement Hierarchy
Financial liabilities at amortized cost					
Trade payables and accrued liabilities	**$ 23,972,601**	**$ 23,972,601**	$ 22,436,631	$ 22,436,631	-
Short-term loans	**1,936,362**	**1,936,362**	1,972,238	1,972,238	-
Loan Notes	**6,195,864**	**8,463,316**	5,945,557	7,449,200	Level 3
Total	**$ 32,104,827**	**$ 34,372,279**	$ 30,354,426	$ 31,858,069	

16. Capital management:

At March 31, 2023, the Company's capital structure was comprised of share capital, accounts receivable, trade payables and accrued liabilities, short-term loans, loan notes and cash. The Company strives to manage its capital structure in order to have the funds available to support its co-venturer's exploration, development, and other activities. The adequacy of the capital structure is assessed on an ongoing basis and adjusted as much as possible 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.