Consolidated Financial Statements
(Expressed in Canadian dollars)

DECKLAR RESOURCES INC.

Years ended December 31, 2022 and 2021

DECKLAR RESOURCES INC.
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Years ended December 31, 2022 and 2021

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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 1, 2023

"signed" (Oluwasanmi Famuyide)
Oluwasanmi Famuyide
CEO

"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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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 cashflows from operations during the year ended December 31, 2022 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment Analysis of Risk Service Assets

Key Audit Matter Description

The Company's Risk Service Assets ("RSAs") represent the most significant assets on the Company's consolidated statement of financial position. Refer to Notes 4, 5 and 7 in the consolidated financial statements for details.

Management is required to assess for any indicators of impairment of these assets. Due to the uncertainty and delays in production levels of the properties covered by risk service agreements and the Company's market capitalization being less than its net asset value, management noted these as indicators of impairment and performed an impairment test for each RSA.

Given the significance of the RSAs on the Company's consolidated statement of financial position and the significant management judgment involved in assessing for impairment indicators and the estimates required to calculate the recoverable value, we have identified valuation of the RSAs as a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of the RSAs. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Company's controls and tested the design and implementation of those controls, including those related to management's process for developing the estimates used in the determination of the recoverable amounts.
- Evaluated the key assumptions used by management in determining reserves and the reasonableness thereof by performing procedures including:
  (i) Testing of forward price estimates by comparing to third-party industry forecasts;
  (ii) Using the past and current performance of the RSAs to evaluate expected future rates of production, costs and the timing and amount of future development expenditures; and
  (iii) Assessing whether the estimates used were consistent with audit evidence gathered in other areas of our audit in the current and past periods.
- Used the work of management's expert and performed procedures to evaluate the reasonableness of the reserves used to determine the recoverable amounts including:
  (i) Evaluating the competence, capabilities, and objectivity of management's expert; and
  (ii) Assessing the work performed by management's expert through testing the data and assumptions used by management's expert, and evaluating their findings.
- Involved internal valuation professionals with specialized skills and knowledge who assisted in the evaluation of the appropriateness of the Company's discount rates by comparison to market discount rates incorporating risk attributes of each RSA asset and using other market metrics and external data.

Acquisition date fair value of the Westfield Exploration and Production Limited RSA

Key Audit Matter Description

During the year, the Company acquired all of the issued and outstanding shares of Westfield Exploration and Production Limited ("Westfield") whose sole asset was a risk service agreement in the Emohua marginal field of Oil Mining License 22 in Nigeria. In connection with the acquisition, the Company recorded a RSA in the amount of $17.9 million. The acquisition date fair value of the acquired RSA involved significant estimates, including reserve values and discount rate. Refer to Notes 4, 5 and 6 in the consolidated financial statements for details.

Management performed an assessment of the fair value of the RSA and engaged an independent third-party reserve evaluator to estimate reserve value. This estimate of reserve value requires assumptions relating to forecasted commodity prices, production and operating costs.

Given the significant estimates and assumptions involved in determination of the acquisition date fair value, we have identified this as a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of the Westfield RSA. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Company's controls and tested the design and implementation of those controls, including those related to management's process for developing the estimates used in the determination of fair value estimate for acquired assets.
- Evaluated the key assumptions used by management in determining reserves and the reasonableness thereof by performing procedures including:
  (i) Testing of forward price estimates by comparing to third-party industry forecasts;
  (ii) Comparing estimates of the Westfield RSA to other current RSAs of the Company to assist in the evaluation of expected future rates of production, costs and the timing and amount of future development expenditures; and
  (iii) Assessing whether the estimates used were consistent with audit evidence gathered in other areas of our audit in the current and past periods.
- Used the work of management's expert and performed procedures to evaluate the reasonableness of the reserves used to determine the recoverable amounts including:
  (i) Evaluating the competence, capabilities, and objectivity of management's expert; and
  (ii) Assessing the work performed by management's expert through testing the data and assumptions used by management's expert and evaluating their findings.
- Involved internal valuation professionals with specialized skills and knowledge who assisted in the evaluation of the appropriateness of the Company's discount rates by comparison to market discount rates incorporating risk attributes of the Westfield RSA and using other market metrics and external data.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta

MNP LLP

May 1, 2023

Chartered Professional Accountants

DECKLAR RESOURCES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at:	Notes		**December 31, 2022**		December 31, 2021
Assets					
Current assets:					
Cash		**$**	**16,434**	$	99,136
Accounts receivable	9		**536,695**		145,090
Prepaid expenses			**-**		20,253
Deposits	8		**-**		8,891,517
Total current assets			**553,129**		9,155,996
Non-current assets:					
Risk service assets	7		**59,114,263**		36,741,199
Total assets		**$**	**59,667,392**	$	45,897,195
Liabilities and Shareholders’ Equity					
Current liabilities:					
Short-term loans	10	**$**	**1,972,238**	$	301,574
Refundable deposit	11		**-**		1,076,936
Trade payables and accrued liabilities	12		**22,436,631**		14,329,033
Total current liabilities			**24,408,869**		15,707,543
Non-current liabilities:					
Loan notes	11		**5,945,557**		-
Total liabilities			**30,354,426**		15,707,543
Shareholders’ equity:					
Share capital	13	**$**	**175,319,405**	$	166,288,252
Contributed surplus			**2,910,416**		2,455,827
Contingent consideration	21		**1,601,229**		1,601,229
Accumulated other comprehensive loss			**593,288**		(35,008)
Deficit			**(150,635,668)**		(140,120,648)
Equity attributable to equity holders of the company			**29,788,670**		30,189,652
Non-controlling interests			**(475,704)**		-
Total shareholders' equity			**29,312,966**		30,189,652
Total liabilities and shareholders’ equity		**$**	**59,667,392**	$	45,897,195

Going concern (note 1)
Subsequent events (note 21)

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, Director

DECLAR RESOURCES INC.

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

	Notes		Year ended December 31, 2022		Year ended December 31, 2021
Revenues:					
Risk service fees		$	**287,172**		-
			287,172		
Operating costs:					
General and administrative expenses	14	$	**4,430,804**	$	6,124,867
Amortization expense	7		**147,829**		-
Net impairment (reversal of impairment) of risk service assets	7		**8,777,867**		(3,146,978)
Operating loss			**(13,069,328)**		(2,977,889)
Other (income) expenses:					
Finance income			**(554)**		(1,414)
Finance expense	10		**47,990**		45,233
Foreign exchange loss			**2,714**		(30,638)
Total other (income) expenses			**50,150**		13,181
Net loss			**(13,119,478)**		(2,991,070)
Other comprehensive loss:					
Unrealized foreign exchange gain on translation			**628,296**		218,548
Comprehensive loss		$	**(12,491,182)**	$	(2,772,522)
Net loss attributable to:					
Equity holders of the Company		$	**(12,888,367)**	$	(2,991,070)
Non-controlling interests	11	$	**(231,111)**	$	-
Basic and diluted net loss per share		$	**(0.13)**	$	(0.04)
Weighted average number of common shares outstanding:					
Basic and diluted	13		**99,460,645**		79,745,983

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

DECKLAR 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	Total equity attributable to equity holders	Non-controlling interests	Total equity
As at December 31, 2020	54,279,773	$ 138,680,452	$ 1,117,282	$ (253,556)	$ 1,601,229	$(137,129,578)	$ 4,015,829	$ -	$ 4,015,829
Issue of shares (note 13)	41,712,379	28,826,938	(275,628)	-	-	-	28,551,310	-	28,551,310
Share issuance costs (note 13)	-	(1,219,138)					(1,219,138)	-	(1,219,138)
Share based compensation (note 13)	-	-	1,614,173	-	-	-	1,614,173	-	1,614,173
Currency translation	-	-	-	218,548	-	-	218,548	-	218,548
Net loss	-	-	-	-	-	(2,991,070)	(2,991,070)	-	(2,991,070)
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
Issue of shares (notes 6&13)	6,000,000	9,031,153	-	-	-	-	9,031,153	-	9,031,153
Share-based compensation (note 13)	-	-	454,589	-	-	-	454,589	-	454,589
Currency translation	-	-	-	628,296	-	-	628,296	-	628,296
Non-controlling interest (note 11)	-	-	-	-	-	2,373,347	2,373,347	(244,593)	2,128,754
Net loss	-	-	-	-	-	(12,888,367)	(12,888,367)	(231,111)	(13,119,478)
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**

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

DECLAR RESOURCES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Cash provided by (used in):			
Operating activities:			
Net loss		**$ (13,119,478)**	$ (2,991,070)
Items not involving cash:			
Amortization expense	7	**147,829**	-
Share-based compensation	13	**454,589**	1,614,173
Net impairment (impairment reversal) of risk service assets	7	**8,777,867**	(3,146,978)
Loss on extinguishment of promissory note		**-**	44,405
Foreign exchange (gain) loss		**(954,335)**	159,569
Changes in non-cash operating working capital:			
Accounts receivable		**(396,184)**	(86,160)
Prepaid expenses		**20,253**	(20,253)
Trade payables and accrued liabilities		**2,608,447**	1,946,173
Cash flow used in operating activities		**(2,461,012)**	(2,480,141)
Financing activities:			
Loan notes issued	11	**6,652,797**	-
Short-term loans advanced	10	**1,630,090**	195,602
Warrants exercised	13	**-**	313,333
Share options exercised	13	**-**	359,335
Private placement - March 2021	13	**-**	4,816,348
Private placement - May 2021	13	**-**	9,345,359
Private placement - August 2021	13	**-**	4,858,748
Cash flow provided by financing activities		**8,282,887**	19,888,725
Investing activities:			
Risk service asset expenditures	7	**(11,431,060)**	(20,119,367)
Deposits	8	**-**	(8,891,517)
Acquisition of Emohua	6	**(8,864,185)**	-
Acquisition costs		**-**	(18,336)
Change in trade payables and accrued liabilities due to investing		**14,390,668**	11,696,536
Holt option	20	**-**	(100,000)
Cash flow used in investing activities		**(5,904,577)**	(17,432,684)
Net decrease in cash		**(82,702)**	(24,100)
Cash, beginning of year		**99,136**	123,236
Cash, end of year		**$ 16,434**	$ 99,136

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"), 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, 2022, the Company had an accumulated deficit of $150,635,668, cash of $16,434, and negative working capital of $23,855,740. During the year ended December 31, 2022, the Company incurred a net loss of $13,119,478 and used cash in operations of $2,461,012. 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 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, 2022. 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 1, 2023.

3. Basis of consolidation:

The Financial Statements include the accounts of the Company and its subsidiaries which are incorporated in Nigeria. 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 its material 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 Nigeria-based subsidiaries, Decklar Petroleum Limited ("Decklar Petroleum"), Purion Energy Limited ("Purion") and Decklar Emohua Resources Limited ("Emohua"), formerly Westfield Exploration and Production Limited, 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 loss. 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 loss.

(b) Joint activities:

The Company does not directly hold title to the Oza Oil Field license, the Asaramatoru Oil Field license or the Emohua 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 Limited ("Millenium"), between Purion and Prime Exploration and Production Limited ("Prime") and between Emohua and Erebiina Exploration and Production Limited ("Erebiina"). 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) Revenue from contracts with customers

The Company's revenue derives from the risk service fees generated under the terms of the RSA with Millenium. Risk service fees originate from the sale of crude oil by Millenium. It is measured at the price per barrel stipulated in the sales contract multiplied by the contracted volume. The proceeds are subsequently reduced for royalties, taxes and other similar costs prescribed in the RSA. The net amount is then split 80/20, with 80% accruing to Decklar and 20% to Millenium. The 80% share represents Decklar's risk service fees. The 80/20 split will remain until at least 2.5 million barrels of oil have been produced at the Oza Oil Field.

Revenue is recognized when Millenium has delivered the contracted amount of oil to the purchaser and control of the crude oil has transferred to the purchaser. Each contracted crude oil delivery is accounted for as a separate performance obligation. The Company allocates the transaction price, per the RSA, to each performance obligation.

(d) Intangible assets:

Intangible assets acquired through an asset acquisition are initially recorded at the fair value of the consideration paid 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 are measured using the cost model, and are reported at cost less accumulated amortization and impairment losses (reversals), if any. Intangible assets with finite useful lives are amortized over their estimated useful lives commencing with crude oil production and sales. The risk service assets 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 amortized over its estimated useful life using the straight-line method. Future development costs are included in the totals used to calculate amortization. Reserves, contingent resources 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.

(e) Impairment of non-current assets:

As some of the Company's intangible assets are not currently available for use, the Company must test them annually 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 net 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. Again, 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.

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 net loss.

(f) 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.

(g) Contingent consideration:

Contingent consideration formed part of the overall consideration for the acquisition of Decklar Petroleum. Contingent consideration has been classified as 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.

(h) Cash:

Cash consists of cash in hand and deposits held at banks.

(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 net 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, accounts receivable, deposits, short-term loans, refundable deposit, trade payables and accrued liabilities and loan notes at amortized cost.

All financial assets are initially recognized at fair value, less transaction costs, and are subsequently measured at amortized cost using the effective interest method. All financial liabilities are initially recognized at fair value, less transaction costs, 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 net loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the tax is also recognized directly in equity or other comprehensive loss. Current tax is the expected tax payable (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.

5. 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, revenues 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’.

(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 to 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 and contingent resources:

The Company uses estimates of oil reserves and contingent resources in the determination of risk service fees that are expected to accrue to it through the RSAs it has with Millenium, Prime and Erebiina. Reserves and contingent resources will also be used in the determination of fair value estimates for the Company’s risk service assets and amortization expense. The process to estimate reserves and contingent resources is complex and requires significant judgment. Estimates of reserves and contingent resources 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 and contingent resources is prepared in accordance with the definitions 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 recoveries, 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 and contingent resources. Changes in the reserve estimates can have a significant impact on the carrying values of the Company's risk service assets, the determination of risk service fees, the calculation of amortization, 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 three CGUs for its risk service assets: the Oza CGU, Asaramatoru CGU and the Emohua 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. In the case of the Asaramatoru and Emohua CGUs, since they are not yet available for use, they are subject to an annual impairment test. 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, planned capital expenditures, forecasted oil prices, and the resulting cash flows detailed in independent reserve reports and contingent resource evaluations.

(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 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. Tax regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and there are differing interpretations requiring management judgment.

(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.

(Expressed in Canadian dollars, unless otherwise stated)

6. Asset acquisitions:

Emohua:

On June 3, 2022, Decklar closed the Share Purchase Agreement to acquire all the issued and outstanding shares of Emohua. Emohua has an RSA with Erebiina for the 60.13% participating interest in the Emohua Oil Field held by Erebiina. The Emohua Oil Field was awarded to Erebiina in the 2020/2021 Marginal Field Bid Round. The RSA allows Emohua to participate in the continued development of the contingent 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.

Decklar issued 6,000,000 common shares of the Company to Emohua shareholders, as consideration for the acquisition. It also contributed US$7 million in cash to allow Emohua to fund Erebiina's signature bonus for the Emohua Oil Field. Per the Emohua RSA the signature bonus is a recoverable expenditure. Consequently, it is eligible for recovery by Emohua through the risk service fees. The US$7 million was initially advanced in Q3 2021 and was recorded as a deposit. In the event Emohua enters an RSA, in respect of the remaining 39.87% interest in the Emohua Oil Field, an additional 2,500,000 Decklar shares will be issued to the former shareholders of Emohua.

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

		June 3, 2022
6,000,000 common shares issued		9,031,153
Cash		8,822,085
Transaction costs		42,100
Total consideration	**$**	**17,895,338**
Risk service assets		17,899,917
Current assets		892
Current liabilities		(5,471)
Fair value of net assets acquired	**$**	**17,895,338**

The fair value of the risk service assets acquired was estimated using the present value of the expected future cash flows derived from contingent resources, discounted at 31%. The expected cash flows used in the fair value calculation were derived from an Evaluation of Crude Oil Contingent Resources for the Emohua Oil Field, prepared by an independent qualified reserve evaluator as of June 3, 2022.

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the valuation at June 3, 2022:

	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Brent crude oil (US$/bbl)	86.70	80.11	74.28	75.77	77.29	78.83	80.41	82.02	83.66
Exchange rate (CAD$/US$)	0.795	0.795	0.795	0.795	0.795	0.795	0.795	0.795	0.795

(Expressed in Canadian dollars, unless otherwise stated)

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 former 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:

		November 1, 2021
3,750,000 common 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

(Expressed in Canadian dollars, unless otherwise stated)

7. Risk service assets:

		December 31, 2022		December 31, 2021
Risk service asset - Oza Oil Field	**$**	**41,215,309**	$	29,054,010
Risk service asset - Asaramatoru Oil Field		**-**		7,687,189
Risk service asset - Emohua Oil Field		**17,898,954**		-
	$	**59,114,263**	$	36,741,199

(a) Risk service asset - Oza Oil Field

		December 31, 2022		December 31, 2021
Balance, beginning of year	**$**	**29,054,010**	$	5,678,471
Additions during the year		**10,383,626**		20,069,105
Impairment reversal		**-**		3,346,978
Foreign exchange		**1,925,502**		(40,544)
	$	**41,363,138**	$	29,054,010
Accumulated amortization		**(147,829)**		**-**
Balance, end of year	**$**	**41,215,309**	$	29,054,010

The commencement of crude oil sales at the Oza Oil Field also precipitated the commencement of cost recovery, as contemplated in the Oza Oil Field RSA. The risk service assets are amortized using the unit-of-production method over the total underlying asset's reserve life and including estimated future development costs of US$122.1 million (2021: nil). Based on the initial crude oil sales in 2022, the Company has accumulated amortization of $153,890 at December 31, 2022 (2021: nil).

(b) Risk service asset - Asaramatoru Oil Field

		December 31, 2022		December 31, 2021
Balance, beginning of year	**$**	**7,687,189**	$	-
Acquired November 1, 2021		**-**		7,546,024
Additions during the year		**1,047,434**		141,165
Impairment		**(8,777,867)**		-
Foreign exchange		**43,244**		-
Balance, end of year	**$**	**-**	$	7,687,189

(c) Risk service asset - Emohua Oil Field

		December 31, 2022		December 31, 2021
Acquired June 3, 2022	**$**	**17,899,917**	$	-
Additions during the year		**-**		-
Foreign exchange		**(963)**		-
Balance, end of year	**$**	**17,898,954**	$	-

Impairment assessment

The Company has two categories of CGUs across its three CGUs. By virtue of Millenium commencing crude oil sales, the Oza CGU is now a revenue producing property. Asaramatoru and Emohua CGUs, however, are considered not available for use. As a result, they are treated differently for impairment purposes. The carrying value of the Oza CGU would only be tested for impairment if there are indicators of impairment at December 31, 2022. Asaramatoru and Emohua CGUs, on the other hand, are required to be tested for impairment at least annually.

(Expressed in Canadian dollars, unless otherwise stated)

Oza CGU:

At December 31, 2022, management concluded that the significant increases in global benchmark interest rates in 2022, and the existence of a deficit of market capitalization to net asset value were indicators of impairment at the Oza CGU. The recoverable amount of the Oza CGU as at December 31, 2022, was calculated as FVLCS, which was determined using a discounted cash flow approach based on the year-end 2022 proved plus probable reserves as evaluated by the Company's independent reserve evaluators. The FVLCS is classified as a Level 3 fair value measurement as certain key assumptions are not based on observable market data. The estimated recoverable amount incorporated a risk adjusted discount rate of 28% and the following assumptions:

	2023	2024	2025	2026	2027	2028	2029	2030	2031
Brent crude oil (US$/bbl)	83.03	80.13	79.29	78.25	79.75	81.25	82.76	84.27	85.77
Exchange rate (CAD$/US$)	0.738	0.738	0.738	0.738	0.738	0.738	0.738	0.738	0.738

However, due to the average price assumptions used by the independent reserve evaluators increasing almost 13% year over year, the estimated recoverable amount for the Oza CGU was well in excess of its carrying amount. Consequently, it was concluded that there was no impairment as at December 31, 2022. The Company would have to increase discount rates to 36% in order for the estimated recoverable amount to fall below its carrying value.

2021 impairment reversal:

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 CGU as at December 31, 2020. Management concluded that the recoverable amount of the Oza 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 indicators 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 the December 31, 2021, Financial Statements.

The recoverable amount of the risk service assets for the Oza CGU 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 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:

(Expressed in Canadian dollars, unless otherwise stated)

	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

Asaramatoru CGU:

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 2022 investment activity in the Oza and Emohua CGUs. Consequently, Purion has only made minor investments in the Asaramatoru CGU to reimburse 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.

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 RSA between Purion and Prime and has challenged the agreement in court. The two parties continue to work towards a negotiated settlement. The impact of that settlement on the RSA cannot be determined at this time. It is also not clear whether Purion has any recourse against Prime. However, these circumstances add significant uncertainty to 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 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.

Emohua CGU:

The liquidity issues that limited capital expenditures at Oza and Asaramatoru were less impactful at the Emohua CGU. Closing the acquisition, and awaiting the formal approval of Erebiina's Emohua license, deferred the ability and necessity of undertaking development activities in the field. However, the Emohua CGU is not yet producing and is considered not yet available for use. Consequently the Company is required to conduct an impairment test at December 31, 2022.

The Emohua CGU's estimated recoverable amount was calculated as FVLCS, which was determined using a discounted cash flow approach based on the December 31, 2022, Evaluation of Crude Oil Contingent Resources, prepared by Decklar's independent reservoir engineers. The Company uses the "low" contingent resource valuation to take into account the increased uncertainty attributable to these resources due to the absence of production data for the Emohua Oil Field. The Company also increased its risk adjusted discount rate assumptions to account for the significant increase in benchmark interest rates that occurred in 2022. The increased pricing environment has resulted in an increase in the estimated recoverable amount determined for the Emohua CGU when compared to the acquisition date value. The estimated recoverable amount also exceeded the Emohua CGU's carrying amount. Consequently, no impairment was deemed to have occurred at the Emohua CGU at December 31, 2022. The FVLCS is classified as a Level 3 fair value measurement as certain key assumptions are not based on observable market data. The estimated recoverable amount incorporated a risk adjusted discount rate of 36% and the following assumptions:

(Expressed in Canadian dollars, unless otherwise stated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
Brent crude oil (US$/bbl)	84.00	80.58	79.59	78.53	80.10	81.70	83.34	85.00	86.70
Exchange rate (CAD$/US$)	0.738	0.738	0.738	0.738	0.738	0.738	0.738	0.738	0.738

8. 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. At December 31, 2022, the outstanding balance of the deposit was $nil (December 31, 2021: $8,891,517) (note 6).

9. Accounts receivable:

		December 31, 2022		December 31, 2021
Risk service fees receivable	**$**	**323,154**	$	-
GST refundable		**209,488**		145,090
Other		**4,053**		-
	$	**536,695**	$	145,090

10. Short-term loans:

		December 31, 2022		December 31, 2021
Short-term loans	**$**	**1,565,918**	$	301,574
Interest bearing loans		**406,320**		-
	$	**1,972,238**	$	301,574

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 15%. Interest and principal are due and payable on the 90th day of full disbursement of the loan amount.

11. Loan notes:

On July 2, 2020, Decklar Petroleum and San Leon Oza Limited ("San Leon") entered into a Subscription Agreement (the "Subscription Agreement") that would see San Leon subscribe for US$7,500,000 of 10 percent unsecured subordinated loan notes of Decklar Petroleum (the "Loan Notes") and 1,764,706 ordinary shares of Decklar Petroleum, representing 15 percent of the share capital of Decklar Petroleum. In addition, Decklar Petroleum and San Leon entered 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 percent of the share capital of Decklar Petroleum accruing to San Leon).

The Subscription Agreement provided for certain conditions precedent to be confirmed prior to issuing the Loan Notes and the Decklar Petroleum shares. These conditions precedent included entering into an agreed form of shareholders' agreement in respect of Decklar Petroleum, and the restructuring of certain historical indebtedness by the owner/operator of the Oza Oil Field. San Leon advanced US$750,000, as an initial refundable deposit on the total US$7,500,000, in September 2020. However, the balance of the US$7,500,000 was subject to the satisfaction (or waiver) of the conditions precedent contained in the Subscription Agreement.

(Expressed in Canadian dollars, unless otherwise stated)

On January 26, 2022, Decklar Petroleum and San Leon entered into Letter of Intent pursuant to which they amended the conditions for the Loan Notes and the subscription of the Decklar Petroleum shares.

Under the Letter of Intent:

- Of the US$6,750,000 of funds remaining in escrow, US$4,750,000 was advanced to Decklar Petroleum and the remaining US$2,000,000 was returned to San Leon.
- San Leon subscribed for an 11% interest in Decklar Petroleum through the issuance of 1,235,955 newly issued shares.
- San Leon would either advance a further US$2,000,000 to Decklar by April 30, 2022 and increase its holdings on Decklar Petroleum to 15%, or forgo this opportunity and maintain its shareholdings of Decklar Petroleum at 11%.
- The Option Agreement was terminated.
- Decklar Petroleum agreed that San Leon would be fully involved in the planning of the first new well to be drilled on the Oza Oil Field.

San Leon elected not to advance US$2,000,000 to Decklar Petroleum by April 30, 2022, as contemplated in the Letter of Intent. San Leon also chose not to subscribe for any additional shares of Decklar Petroleum. Consequently, their equity interest in Decklar Petroleum remains at 11%.

The terms of the Loan Notes provide for an interest rate of 10 percent per annum, which accrues on a quarterly basis. The maturity date 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.

The sale of the 11% interest in Decklar Petroleum gave rise to San Leon securing a non-controlling interest in Decklar Petroleum. This transaction, coupled with the issuance of the Loan Notes, was treated as a compound transaction. The value of the Loan Notes was determined using a market rate of interest of 16.8% and the residual was allocated to equity. A breakdown of the Loan Notes is as follows:

Loan Notes		**December 31, 2022**		December 31, 2021
Refundable deposit[(1)]	**$**	**-**	$	1,076,936
Loan Notes[(1)]		**5,987,769**		-
Unamortized debt issuance costs		**(42,212)**		-
Loan Notes net of unamortized debt issuance costs	**$**	**5,945,557**	$	1,076,936

(1) The US dollar denominated principal outstanding of the Loan Notes was US$5,500,000 at December 31, 2022 (December 31, 2021 - US$750,000).

Interest expense for the year ended December 31, 2022 was $779,017 (December 31, 2021 - nil), most of which was capitalized in risk service assets.

(Expressed in Canadian dollars, unless otherwise stated)

12. Trade payables and accrued liabilities:

		December 31, 2022		December 31, 2021
Trade and other payables	**$**	**21,623,597**	$	13,994,957
Due to related parties (note 15)		**813,034**		334,076
	$	**22,436,631**	$	14,329,033

13. Share capital:

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares		**Amount**
Balance, December 31, 2020	**54,279,773**		**138,680,452**
Issued in private placement (note 13(c)(i))	17,295,714		4,695,948
Issued to Island Time to settle promissory note (note 20)	175,000		105,000
Issued on exercise of stock options (note 13(c)(ii))	2,283,335		1,277,754
Issued on exercise of warrants (note 13(d))	3,133,330		313,333
Issued in Unit Offering (note 13(c)(i))	10,075,000		9,102,969
Issued in Unit Offering (note 13(c)(i))	5,000,000		4,858,748
Issued on acquisition of Purion (note 6)	3,750,000		7,254,048
Balance, December 31, 2021	**95,992,152**	**$**	**166,288,252**
Issued on acquisition of Emohua (note 6)	6,000,000		9,031,153
Balance, December 31, 2022	**101,992,152**	**$**	**175,319,405**

(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 December 22, 2022, Decklar announced that it granted an aggregate of 3,325,000 stock options to certain directors, officers, and consultants of the Company in accordance with the Company's stock option plan. A total of 1,750,000 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 $0.30 per share for a period of five years expiring December 21, 2027. One-third of the options vested immediately, one-third on June 21, 2023, and one-third on December 21, 2023. 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	3.09%
Expected life	1.77 years
Expected volatility	103%
Fair value per option	$0.07
Forfeiture rate	15%
Dividend yield	n/a

For the year ended December 31, 2022, Decklar recorded share-based compensation expense of $454,589 (December 31, 2021 - $1,614,173).

The continuity of outstanding stock options for the year ended December 31, 2022, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Expired	Balance December 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
December 21, 2027	$0.30	-	3,325,000	-	-	3,325,000
		6,523,332	3,325,000	-	(225,000)	9,623,332
Weighted average exercise price		$ 1.18	-	-	-	$ 0.55
Weighted average remaining life (years)		4.07	-	-	-	3.81

(Expressed in Canadian dollars, unless otherwise stated)

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	Cancelled	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

As at December 31, 2022, 7,406,665 stock options were exercisable (December 31, 2021: 4,163,333 options). These options have a weighted average exercise price of $0.63 per share (December 31, 2021: $1.28 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 Q2 2022, the Company applied to the TSX Venture Exchange to have the expiry dates for the warrants issued to subscribers in 2021 extended by one year. The warrants were originally scheduled to expire on May 25, 2022 and August 27, 2022, respectively. The TSX Venture Exchange granted a one year extension for both tranches on May 25, 2022.

(Expressed in Canadian dollars, unless otherwise stated)

The continuity of outstanding warrants for the year ended December 31, 2022, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2021	Granted	Exercised	Forfeited	Balance December 31, 2022
May 25, 2023	$1.50	5,629,499	-	-	-	5,629,499
August 27, 2023	$1.50	2,500,000	-	-	-	2,500,000
		8,129,499	-	-	-	8,129,499

The continuity of outstanding warrants 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
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

(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, 2022 and 2021.

14. General and administrative expenses:

		December 31, 2022		December 31, 2021
Business development	**$**	**327,999**	$	422,479
Consulting		**1,941,510**		954,838
Office and administration		**828,881**		1,396,929
Professional and regulatory		**877,825**		1,736,448
Share-based compensation (Note 13(c)(ii))		**454,589**		1,614,173
	$	**4,430,804**	$	6,124,867

15. Related party transactions:

(a) Balances payable:

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

		December 31, 2022		December 31, 2021
Due to officers and directors of the Company	**$**	**813,034**	$	334,076

(b) Issue of stock options:

On December 21, 2022, the Company granted 1,750,000 stock options to certain officers and directors of the Company (see note 13(c)(ii)).

(Expressed in Canadian dollars, unless otherwise stated)

(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, 2022		December 31, 2021
Consulting fees	**$**	**394,135**	$	735,715
Share-based compensation		**174,757**		545,028
	$	**568,892**	$	1,280,743

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

16. Segment information:

The Company conducts its business as a single reportable operating segment, being the development of oil fields in Nigeria, as this is how the information is reviewed by the chief decision maker of the Company.

Geographical information is as follows:

December 31, 2022		**Canada**		**Nigeria**		**Total**
Risk service fees	$	-	$	287,172	$	287,172
Finance income		554		-		554
Net loss		(1,759,563)		(11,359,915)		(13,119,478)
Risk service assets		-		59,114,263		59,114,263
Total assets		223,037		59,444,356		59,667,392

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

17. Income tax:

The Company's income tax recovery differs from the amounts computed by applying the Canadian statutory rate of 23.0% (2021 - 23.0%) as follows:

		December 31, 2022		December 31, 2021
Net loss for the year before income tax	**$**	**(13,119,478)**	$	(2,991,070)
Expected tax recovery		**3,017,480**		687,946
Non-deductible share-based compensation and other		**(104,555)**		(385,690)
Tax benefits not recognized		**(2,912,925)**		(312,554)
Other		**-**		10,298
Deferred income tax recovery	**$**	-	$	-

(Expressed in Canadian dollars, unless otherwise stated)

Details of the unrecognized deductible temporary differences are as follows:

	2022		2021	
	Nigeria	**Canada**	Nigeria	Canada
Non-capital losses	**$ 3,753,255**	**$ 23,289,238**	$ 1,605,694	$ 21,858,729
Capital losses	**-**	**113,825,365**	-	113,825,365
Risk service agreements	**-**	**9,202,472**	-	269,752
Unrecognized deductible temporary differences	**$ 3,753,255**	**$ 146,317,075**	$ 1,605,694	$ 135,953,846

As at December 31, 2022, the Company had Canadian non-capital losses of $23,289,238 that expire between 2025 and 2040. 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.

18. 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, 2022, the Company had funded $31.5 million towards its RSA's (2021 - $20.1 million).

(b) Liquidity risk:

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

As at December 31, 2022, the Company had cash of $16,434 (December 31, 2021 - $99,136) and had short-term loans and trade payables and other current liabilities of $24,408,869 (December 31, 2021 - $15,707,543). It also had Loan Notes outstanding of $5,945,557 (December 31, 2021 - nil) (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 them and the Canadian dollar. The recent commencement of oil 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 will expand these protections to US dollar denominated expenses. Despite these 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 December 31, 2022, 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 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, deposits, trade payables and accrued liabilities, short-term loans and refundable deposits 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)

	December 31, 2022		December 31, 2021		
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair Value Measurement Hierarchy
Financial assets at amortized cost					
Cash	**$ 16,434**	**$ 16,434**	$ 99,136	$ 99,136	-
Accounts receivable	**536,695**	**536,695**	145,090	145,090	-
Deposits	**-**	**-**	8,891,517	8,891,517	-
Total	**$ 553,129**	**$ 553,129**	$ 9,135,743	$ 9,135,743	

	December 31, 2022		December 31, 2021		
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair Value Measurement Hierarchy
Financial liabilities at amortized cost					
Trade payables and accrued liabilities	**$ 22,436,631**	**$ 22,436,631**	$ 14,329,033	$ 14,329,033	-
Short-term loans	**1,972,238**	**1,972,238**	301,574	301,574	-
Loan Notes	**5,945,557**	**7,449,200**	-	-	Level 3
Refundable deposit	**-**	**-**	1,076,936	1,076,936	-
Total	**$ 30,354,426**	**$ 31,858,069**	$ 15,707,543	$ 15,707,543	

19. Capital management:

At December 31, 2022, 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.

20. Holt option:

The Holt option resulted from an option agreement with Island Time for the exclusive right to acquire up to 75% interest in four mineral titles totaling 3,687 hectares situated east of Duncan, British Columbia in the Victoria Mining Division. In consideration for a fee of $100,000, payable by way of a promissory note the exercise of the Holt option, was conditional upon: i) issuing 175,000 shares to Island Time in payment of the principal and interest outstanding on the Island Time promissory note (such shares being issued on April 7, 2021) (note 13), 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.

21. Subsequent events:

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 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.

In March 2023, the lender of the US$300,000 interest-bearing loan (note 10) agreed to extend the maturity date for an additional 90 days. As a condition of granting the extension, the Company also agreed to have the interest rate increased to 20% fixed for both 90 day terms of the loan.