DECKLAR RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

Report Date: May 27, 2022

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

This management's discussion and analysis ("**MD&A**") has been prepared as of May 27, 2022, with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

Forward-Looking Information

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

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

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

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

Decklar Resources Inc.

Decklar Resources Inc. was established by the July 2020 acquisition of Nigeria-based Decklar Petroleum Limited (“Decklar Petroleum”). Through its subsidiaries, Decklar Petroleum and Purion Energy Limited, the Company is involved in the provision of technical and financial support to companies involved in the exploration and development of oil and gas resources in Nigeria.

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

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

2022 Highlights

2022 has seen the Company take steps to improve its liquidity, and, with its co-venturer Millenium, to commence oil deliveries at the Oza Oil Field. These efforts are detailed more specifically below.

In January 2022, the Company announced the closing of a funding agreement with San Leon Energy Plc (“San Leon”). The funding agreement supersedes a previously announced subscription agreement (the “Subscription Agreement”) with San Leon and formalizes the relationship between Decklar and San Leon going forward.

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

The Subscription Agreement also provided for certain conditions precedent to be confirmed prior to finalizing and issuing of the Loan Notes and Decklar Petroleum shares. These conditions precedent included entering into an agreed form of shareholders’ agreement in respect of Decklar Petroleum, and the restructuring of certain historical indebtedness by the owner/operator of the Oza Oil Field. San Leon advanced US$750,000 as an initial refundable deposit on the total US$7,500,000, in September 2020. However, the balance of the US$7,500,000 was subject to the satisfaction (or waiver) of the conditions precedent contained in the Subscription Agreement. All of the conditions precedent have now been satisfied or have been waived by San Leon. Consequently, the principal terms of the new funding agreement are as follows:

- San Leon agreed to proceed with a 15 percent equity investment in Decklar Petroleum.
- Of the US$6,750,000 of funds held in escrow, US$4,750,000 were advanced to Decklar and the remaining US$2,000,000 were returned to San Leon. San Leon was obligated to either advance a further US$2,000,000 to Decklar by April 30, 2022 or, alternatively, accept a pro rata reduction in its shareholdings of Decklar Petroleum.
- Decklar Petroleum agreed that San Leon will be fully involved in the planning and determining the location of the first new well to be drilled on the Oza Oil Field.

San Leon ultimately elected not to advance the additional US$2,000,000 to Decklar Petroleum before the April 30, 2022, deadline. Consequently, San Leon's interest in Decklar Petroleum will remain at 11% instead of the 15% contemplated in the funding agreement.

On May 2, 2022, the Company announced that it intended to apply to the TSX Venture Exchange to have the expiry dates for its warrants extended by one year. It is hoped that this extension will lead to the eventual exercise of the warrants, and provide additional funding for the Company. On May 25, 2022, the TSX Venture Exchange approved this extension.

On May 9, 2022, Decklar, and its co-venturer Millenium, announced that trucking of crude oil had commenced at the Oza Oil Field. Initial volumes were taken from storage tanks for delivery to the Umugini Pipeline Infrastructure Limited ("UPIL") crude handling facilities. From there, the crude oil will travel via the Umugini Pipeline to the Forcados Oil Export Terminal. Once the loading of crude oil from storage to the trucks has reached approximately 5,000 barrels, production from the Oza-1 well will be re-started in order to enable ongoing shipments by truck to UPIL. This represents a significant milestone for Millenium and Decklar. It also sets the stage for crude oil sales, and the initiation of the cost recovery process for Decklar. The first delivery of crude oil from storage tanks at the Oza field to crude handling facilities for export was announced on May 26, 2022.

Results of Operations

Decklar's financial results for the three months ended March 31, 2022 speak to the evolution of the Company over the past twelve months. The Company continued to expand its portfolio of RSAs. It added Purion, and its RSA with Prime, in November 2021. It also helped to facilitate the re-entry and completion of the Oza-1 well. These activities resulted in growing administrative costs to the Company as it grew its reliance on many consultants and other advisors to help with these endeavours. Conversely, prolonged delays in establishing takeaway capacity from the Oza Oil Field, continued to prevent the commencement of production from the Oza-1 well, and the related crude oil liftings. The absence of crude oil liftings meant that there was no cashflow to fund the Company's increased activities. The end result was Decklar incurring a net loss of $1,130,202 (2021: $483,420) or $0.01 per share (2021: $0.01 per share), for the three months ended March 31, 2022 and 2021, respectively.

Detailed operating results for the three months ended March 31, 2022 and 2021 are as follows:

		March 31,2022		March 31,2021
General and administrative expenses:				
Consulting	**$**	**551,150**	$	45,782
Professional and regulatory		**144,321**		142,088
Office and administration		**193,838**		43,887
Business development		**42,698**		12,487
Share-based compensation		**170,144**		152,147
Finance income		**(172)**		(135)
Finance expense		**-**		743
Foreign exchange loss		**28,223**		86,421
Net loss for the period		**1,130,202**		483,420
Unrealized FX loss on translation		**193,566**		71,914
Comprehensive loss for the period	**$**	**1,323,768**	$	555,334

Risk service asset expenditures:

Oza Oil Field		
Balance, December 31, 2020	**$**	**5,678,471**
Additions during the period		20,069,105
Impairment reversal		3,346,978
Foreign exchange		(40,544)
Balance, December 31, 2021	**$**	**29,054,010**
Additions during the period		4,038,549
Foreign exchange		(376,414)
Balance, March 31, 2022	**$**	**32,716,145**

Asaramatoru Oil Field		
Balance, December 31, 2020	**$**	**-**
Acquired November 1, 2021		7,546,024
Additions during the period		141,165
Balance, December 31, 2021	**$**	**7,687,189**
Additions during the period		194,308
Foreign exchange		(5,953)
Balance, March 31, 2022	**$**	**7,875,544**

Other investments/transactions include the Company's US$7,000,000 payment as a deposit towards its contemplated acquisition of Westfield Exploration and Production Limited ("Westfield"). This acquisition is expected to close in Q2 2022. It will result in the issuance of at least 6,000,000 additional common shares of Decklar, with the potential for another 2,500,000 common shares if Westfield is able to increase the interest covered by its RSA to 100% of the Emohua Oil Field.

General and administrative expenses

Field operations related to the commencement of oil deliveries from the Oza-1 well, coupled with ongoing financing and due diligence efforts, resulted in significantly higher general and administrative expenditures in Q1 2022 than in Q1 2021. The Company engaged more consultants and other professional services to help facilitate these activities. Not all of these expenditures are recoverable under the Oza or Asaramatoru RSAs.

- Consulting costs of $551,150 in the three months ended March 31, 2022 (2021: $45,782) reflect remuneration of contracted consultants of the Company and its subsidiaries.
- Professional and regulatory fees for the three months ended March 31, 2022 totaled $144,321 compared to $142,088 for the same period in 2021. These expenditures consist primarily of legal fees, audit fees, and costs associated with public markets.
- Office and administrative expenses were $193,838 for the three months ended March 31, 2022 (2021: $43,887). The higher 2022 expenditures are primarily related to the administrative cost associated with the company's growth.
- Business development expenses of $42,698 (2021: $12,487) represent costs incurred to negotiate potential funding agreements and potential future risk service assets.
- Share-based compensation expense for the three months ended March 31, 2022 was $170,144 (2021: $152,147). The increase in expense in 2022 reflects the fact that the 2021 option grant had a higher fair value option price than the 2020 option grant. While the 2020 option grant was roughly 50% larger than the 2021 option grant, the increase in share price between to two grants generated a higher fair value option price for the 2021 grant, and higher overall expense in Q1 2022 as well.

Foreign exchange loss and Other comprehensive loss

A foreign exchange loss of $28,223 for the three months ended March 31, 2022, (2021: $86,421 loss), reflects the increasing value of foreign denominated transactions occurring in 2022. Even minor variations in the Canadian dollar and Nigerian naira versus the US dollar can impact the net loss.

Other comprehensive loss - Unrealized foreign exchange loss on translation in the amount of $193,566 (2021: $71,914 loss), primarily represents foreign exchange related to the translation of the Company's subsidiary Decklar Petroleum, whose functional currency is US dollar. The Canadian dollar increased roughly 1.5% versus the US dollar, in Q1 2022, which reduced the recorded value of the Decklar Petroleum's asset base.

Risk service assets

As at March 31, 2022, Decklar had a total of $40,591,689 capitalized in risk service assets (December 31, 2021: $36,741,199). In the three months ended March 31, 2022, expenditures of $4,038,549, related to Oza-1 well operations and other facility and infrastructure expenditures, were added to the Oza Oil Field risk service asset. An additional $194,308 of expenditures were added to the Asaramatoru Oil Field risk service asset.

Capital Resources and Liquidity

The Company's primary objective for capital management involves maintaining sufficient sources of liquidity to fund our obligations under our RSAs. This includes not only funding the development of the respective properties, but the ongoing costs associated with the entities and individuals overseeing those activities. These are all very capital intensive undertakings. As the Company continues to expand its portfolio of RSAs, funding demands will grow as well. At March 31, 2022, Decklar's capital structure was comprised of shareholders' equity, cash and cash equivalents, accounts receivable, short-term loans, deposits, loan notes, trade payables and accrued liabilities.

Decklar took steps to improve its capital structure and financial liquidity during Q1 2022. San Leon's subscription for US$4,750,000 of Loan Notes generated proceeds of $6,011,600. Additional efforts will be required to ensure that access to sufficient funding sources is maintained.

On March 31, 2022, the Company had cash on hand and cash equivalents of $391,125 (December 31, 2021: $99,136) and had a working capital deficit of $4,428,148 (December 31, 2021: $6,551,547 deficit). During the three months ended March 31, 2022, the Company incurred a net loss of $1,130,202 and used cash in operations of $1,307,419. Additional financing will be required to further develop the Oza and Asaramatoru Oil Fields, in addition to the new marginal field opportunities that the Company is pursuing in Nigeria. The Company continues to engage with various potential counterparties in order to secure additional debt and equity funding. However, the ability to raise capital is not guaranteed. It may also not be realized when needed or, if available, might not be available at terms favourable to the Company. Finally, it will likely involve dilution to existing shareholders.

The Company had the following contractual obligations at March 31, 2022:

			Payment due by period	
		Total	**Less than 1 year**	**3 - 5 years**
Short-term loans	$	151,414	$ 151,414	$ -
Loan notes		7,127,513	-	7,127,513
Due to related parties[(1)]		297,455	297,455	-
Total	$	7,576,382	$ 448,869	$ 7,127,513

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

The Company had the following comparable contractual obligations at March 31, 2021:

			Payment due by period	
		Total	**Less than 1 year**	**1 - 3 years**
Promissory note - Island Time	$	60,595	$ 60,595	$ -
Short-term loans		190,042	190,042	-
Refundable deposit		997,128	997,128	-
Due to related parties[(1)]		139,021	139,021	-
Total	$	1,386,786	$ 1,386,786	$ -

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

By virtue of the funding agreement with San Leon, discussed previously, Decklar Petroleum was advanced US$4,750,000, by San Leon, in January 2022. This was in addition to the refundable deposit of US$750,000 received in September 2020. Collectively these amounts now constitute the Loan Notes. The terms of the Loan Notes provide for an interest rate of 10 percent per annum, which accrues on a quarterly basis. The Loan Notes mature five years from the date of issuance. No payments (whether on account of interest or principal) are required under the Loan Notes unless there are available funds from operations of the Oza Oil Field. The Loan Notes are unsecured, subordinated and contain customary events of default. The Loan Notes do not contain any financial or other maintenance covenants.

In April 2021 the Company issued 175,000 common shares to extinguish the remaining balance of the promissory note payable to Island Time. Other short-term loans are comprised of the outstanding balances of advances made directly to Decklar Petroleum, and payments made on behalf of Decklar Petroleum, by external parties to fund day-to-day and early field operations. These loans do not bear interest and are due on demand.

Share Capital

As at May 27, 2022 the Company had 95,992,152 common shares outstanding. It also had 6,298,332 share purchase options outstanding. The options expire between September 4, 2025, and August 13, 2026. They are exercisable at between $0.28 and $1.00 per share. The Company also has 5,037,500 share purchase warrants expiring May 25, 2023, and 2,500,000 share purchase warrants expiring August 27, 2023. Both tranches are exercisable at $1.50 per whole warrant.

As part of the July 17, 2020 acquisition of Decklar Petroleum, 8,000,000 common shares are also issuable if the Oza Oil Field reaches production, net to Millenium, of 1,000 bopd for a period of ten consecutive days in any thirty-day period prior to June 30, 2022.

As of May 27, 2022, on a fully diluted basis, the Company has 117,827,984 common shares outstanding.

Transactions with Related Parties

Directors

The Company recognized no directors' fees in the three month periods ended March 31, 2022 or 2021. Share options were granted to the Company's directors in August 2021 and in September of 2020.

Key Management

Consulting fees paid to, and accrued for, key individuals during the three months ended March 31, 2022 totaled $68,608, (2021: $82,774). Share-based compensation expense for these same individuals was $58,878 for the three months ended March 31, 2022, (2021: $46,305).

Summary of Quarterly Results

	2022	2021				2020		
CAD, except per share amounts	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Finance (income) loss	(172)	(306)	(491)	(482)	(135)	(1,465)	(376)	(642)
General & administrative expenses	1,102,151	1,159,705	3,571,664	997,107	396,391	506,348	616,809	223,536
Impairment (reversal)	-	(3,346,978)	200,000	-	-	3,346,978	-	-
Transaction costs	-	-	-	-	-	-	-	-
Finance (income) expense	-	-	(9,024)	53,514	743	1,490	-	723
Foreign exchange (gain) loss	28,223	38,737	(432,152)	276,356	86,421	29,781	186,089	453
Net (income) loss	1,130,202	(2,148,842)	3,329,997	1,326,495	483,420	3,883,132	803,534	224,070
(Income) loss per share (basic)	$0.01	$(0.02)	$0.04	$0.02	$0.01	$0.07	$0.02	$0.01
(Income) loss per share (diluted)	$0.01	$(0.02)	$0,04	$0.02	$0.01	$0.07	$0.02	$0.01
Total assets	49,907,182	45,897,195	29,541,229	19,565,241	10,368,132	5,960,637	10,968,140	1,145,597

Critical Judgements in Applying Accounting Policies

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

Risks and Uncertainties

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

Additional funding requirements

Additional financing will be required to fully exploit the potential of the Company's risk service assets in Nigeria. Decklar's ability to obtain additional capital is dependent on, among other things, a general interest in energy industry investments. The industry has fallen out of favour with certain investors. This has made navigating capital markets more challenging. These issues are amplified by the additional risks associated with operating in Nigeria.

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

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

Resource industry

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

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

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

Estimation of reserves

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

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

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

Government regulation in the oil and gas industry

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

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

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

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

Counterparty risk

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

Conversely, our counterparties may deem Decklar to be at risk of defaulting on our contractual obligations. These counterparties may require that we provide additional credit assurances by prepaying anticipated expenses or posting letters of credit, which would decrease available liquidity and increase costs.

Competition in the oil industry

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

Insurance and uninsured risks

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

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

Energy transition

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

Public perception

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

Personnel

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

Enforceability of civil liabilities

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

Litigation risk

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

Market for Decklar's securities

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

Financial Instruments

At March 31, 2022, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, trade payables and accrued liabilities, loan notes, and short-term loans. The fair values of these financial instruments are not materially different from their carrying values.

To help to manage liquidity risk, the Company forecasts and monitors working capital and cash requirements to aid in determining the funds needed to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. Discussions about the Company's ongoing ability to operate as a going concern are included in note 1 in the March 31, 2022, Condensed Consolidated Interim Financial Statements, Nature of business and going concern.

Disclosure Controls

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

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

Additional Information

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