DECKLAR RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

Report Date: May 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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 1, 2023, 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 contingent resources and future net revenues, the realization of resource estimates, supply and demand for petroleum, the timing and amount of estimated future production, revenues, margins, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of risk service assets, projections of market prices and costs, costs and timing of future exploration, requirements for additional capital, foreign exchange risks, governmental regulation of exploration operations, timing and receipt of approvals, consents and permits under applicable resource legislation, environmental risks, title disputes, or claims, limitations of insurance coverage and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and a variety of material factors, many of which are beyond the Company's control which may cause the actual results, performance or achievements of Decklar, its subsidiaries and affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. There can be no assurance that the Company will obtain licenses or other approvals when needed, or at all, or that further exploration of the Oza Oil Field, Asaramatoru Oil Field or Emohua Oil Field will lead to additional commercial discoveries or, if there are commercial discoveries, that the Company will be able to realize such resources as intended. Readers are cautioned that forward-looking statements may not be appropriate for other purposes than outlined in this document. Such factors include, among others, future oil and gas prices; general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar (US) 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 “contingent resources” are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that, the contingent resources and reserves described can be profitably produced in the future.

Decklar Resources Inc.

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

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

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

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. The Asaramatoru Oil Field is also located in OML 11.

The risk service assets recognized in Company’s subsidiaries are aggregated into Cash Generating Units (“CGUs”). 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.

2022 Annual Highlights

2022 turned out to be a historic year for Decklar. Despite numerous setbacks that deferred and delayed the commencement of crude oil sales from the Oza Oil Field, the Company, and its partner Millenium, were able to realize this long held objective and achieve first oil sales from the Oza Oil Field before the end of 2022. In the end, 10,000 bbls were shipped by truck to a local refinery, and signalled that the companies had turned the corner and sustained oil sales were now possible. It also allowed Decklar to record revenue for the first time in its history. Since the initial 10,000 bbls were sold, contracted volumes to the same refinery have grown by an additional 230,000 bbls. This will provide Decklar with sustainable, predictable cash flows for many months to come. It will also provide the Company with the ability to plan more reliably for the next field development priorities with its partners. These sales have since been supplemented with additional commitments from a different refinery. While the Company will continue to consider opportunities to sell crude oil via pipelines, ongoing reliability issues, coupled with the prospect of significant bunkering losses, currently make the pipeline option less desirable. Other eventualities of note are detailed more specifically below.

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

The Subscription Agreement entitled San Leon to subscribe for US$7,500,000 of 10 percent unsecured subordinated loan notes of Decklar Petroleum (the “Loan Notes”) and 15 percent of the share capital of Decklar Petroleum. The Subscription Agreement also provided for certain conditions precedent to be confirmed prior to issuing of the Loan Notes and Decklar Petroleum shares. All of the conditions precedent have now been satisfied or were waived by San Leon. Consequently, the principal outcomes of the new funding agreement are as follows:

- Of the US$6,750,000 of funds held in escrow, US$4,750,000 was advanced to Decklar Petroleum and the remaining US$2,000,000 was returned to San Leon.
- San Leon acquired an 11% equity interest in Decklar Petroleum.

- San Leon elected not to advance a further US$2,000,000 to Decklar by April 30, 2022 as contemplated in the new funding agreement. San Leon also chose not to subscribe for any additional shares of Decklar Petroleum. Consequently, their equity interest in Decklar Petroleum remains at 11%.
- Decklar Petroleum has agreed that San Leon will be fully involved in the planning of the first new well to be drilled on the Oza Oil Field.

On May 26, 2022, Decklar, and its co-venturer Millenium, announced that the first shipments of crude oil had been trucked successfully from the Oza Oil Field. Initial volumes were taken from storage tanks and delivered to the Umugini Pipeline Infrastructure Limited ("UPIL") crude handling facilities. From there the oil traveled, via the Umugini Pipeline, to the Forcados Oil Export Terminal ("Forcados"). Unfortunately, due to difficulties in sustaining ongoing truck deliveries, trucking operations were suspended in June. Production from the Oza-1 well was also suspended due to storage limitations. During that time, 10,554 bbls of crude oil were delivered to the UPIL crude handling facilities for shipment to Forcados. Due to the allocation of pipeline losses, roughly 7,800 bbls remain available for export and sale. The Company continues to pursue an export permit for these volumes.

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

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

In the interim, the Company announced additional options intended to mitigate the logistical challenges associated with getting crude oil to market. The most immediate option was an agreement to sell 10,000 bbls to Edo Refinery and Petrochemicals Company Limited ("ERPC') located in Edo State. The first trucks began loading in early November and the 10,000 bbl threshold was achieved in late December. Shortly thereafter, the Company announced that an additional 30,000 bbls had been contracted for sale to ERPC. Deliveries began in early 2023. In March 2023, Millenium and Decklar announced that ERPC had contracted for an additional 200,000 bbls. The companies also announced that they had entered into a new sales agreement with Duport Midstream Company Limited ("DMCL") to deliver 5,000 bbls to the Duport refinery in Edo State. The initial delivery would be followed by supplemental shipments of 2,500 bbls per month thereafter. Delivery of the first 5,000 bbls was completed in April 2023.

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

To that end, Decklar announced a US$20 million debt finance facility with Shell Western Supply and Trading Limited ("Shell"), a subsidiary of Shell plc (the "Shell Facility"). These funds are earmarked specifically for the continued development of the Oza Oil Field. They are, however, also subject to specific conditions precedent, milestones and other outcomes. The Company will be required to fulfill these various obligations in order to access these funds. While the conditions precedent to drawing on this facility are complicated and somewhat onerous, the cash flows and operational knowledge obtained since sustained sales at Oza began have left the companies much better positioned to take advantage of this funding should they choose to do so. Millenium's debt was also restructured under this same debt facility.

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

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

In January 2023, Decklar and Millenium completed minor repairs to the Oza-4 well. This facilitated the commencement of production from the Oza-4 well at a rate of approximately 400 barrels per day and increased overall production capacity from the Oza Oil Field to roughly 1,300 barrels per day.

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 a US$300,000 loan 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.

Selected Annual Information

The following table summarizes key annual financial and operating information over the three most recently completed financial years.

		2022		2021		2020
Risk service fees	**$**	**287,172**	$	-	$	-
Net loss		**13,119,478**		2,991,070		4,856,838
Per common share - basic		**0.13**		0.04		0.13
Per common share - diluted		**0.13**		0.04		0.13
Risk service assets		**59,114,263**		36,741,199		5,678,471
Total assets		**59,667,392**		45,897,195		5,960,637
Total non-current liabilities		**5,945,557**		-		-
Total liabilities		**30,354,426**		15,707,543		1,944,808

Commodity Prices

Crude oil prices directly impact Decklar's revenues, cash flow and financial position. While this impact was muted in 2022 due to commencement of crude oil sales in December, it will be a larger factor going forward due to the additional sales contracts now in place. There will also be an evolution from fixed price contracts to floating price contracts. This will expose Decklar directly to the dynamics of global benchmark prices.

Results of Operations

The Company's results of operations reflect the shift from being solely a risk service provider to also commencing the cost recovery phase under that role. They also reflect strategic choices made during the year in terms of where and how investments will be made. These choices generated year over year decreases in both general and administrative expenses and risk service asset expenditures. They also resulted in the impairment of the Asaramatoru CGU. Consequently, for the years ended December 31, 2022 and 2021, Decklar incurred net losses of $13,119,478 (2021: $2,991,070) or $0.13 per share (2021: $0.04 per share), respectively.

Detailed operating results for the years ended December 31, 2022 and 2021 are as follows:

		December 31,2022		December 31,2021
Risk service fees	**$**	**287,172**	$	-
General and administrative expenses:				
Consulting	**$**	**1,941,510**	$	954,838
Professional and regulatory		**877,825**		1,736,448
Office and administration		**828,881**		1,396,929
Business development		**327,999**		422,479
Share-based compensation		**454,589**		1,614,173
		4,430,804		6,124,867
Net impairment (impairment reversal)		**8,777,867**		(3,146,978)
Amortization expense		**147,829**		-
Finance income		**(554)**		(1,414)
Finance expense		**47,990**		45,233

Foreign exchange (gain) loss		**2,714**		(30,638)
Net loss for the period		**(13,119,478)**		(2,991,070)
Unrealized FX gain on translation		**628,296**		218,548
Comprehensive loss for the period	**$**	**(12,491,182)**	$	(2,772,522)

Risk service fees

Decklar recognized risk service fees for the first time in Q4 2022. The fees represent the Company's share of the proceeds resulting from Millenium's crude oil sales. The Oza Oil Field RSA details how the proceeds are derived. They contemplate a number of deductions representing ongoing obligations associated with operations at the Oza Oil Field. The remaining balance is then divided on an 80/20 basis, 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. The resulting cash flows represent much needed liquidity, and an opportunity for the Company to reduce its reliance on third party financing for its day-to-day operations.

General and administrative expenses

The Company saw mixed results in terms of general and administrative expenditures in 2022. While some efforts to minimize expenditures were successful, certain activities still resulted in increasing costs year over year. A 3.8% increase in the average value of the US dollar versus the Canadian dollar in 2022 also increased certain expenses. Not all of these expenditures are recoverable under the Oza, Asaramatoru or Emohua RSAs.

- Consulting costs of $1,941,510 in the year ended December 31, 2022 (2021: $954,838) reflect remuneration of contracted consultants of the Company as well as severance. The year over year increase and related payable amounts reflect hiring decisions that did not align with the eventual trajectory of operations in 2022.
- Professional and regulatory fees for the year ended December 31, 2022, totaled $877,825 compared to $1,736,448 for the same period in 2021. These expenditures consist primarily of legal fees, audit fees, and costs associated with public markets. The reduction in 2022 is representative of the decrease in public markets activity during the year.
- Office and administrative expenses were $828,881 for the year ended December 31, 2022 (2021: $1,396,929). The reduction in 2022 expenditures is primarily related to a curtailment of investor relations focused activities.
- Business development expenses of $327,999 (2021: $422,479) represent costs incurred to negotiate agreements related to the RSAs and to source potential funding. These activities were virtually unchanged in 2022, but a refund of fees paid to a vendor resulted in the year over year decrease.
- Share-based compensation expense for the year ended December 31, 2022 was $454,589 (2021: $1,614,173). The decrease in expense in 2022 reflects the fact that 2021 represents a higher proportion of options vesting than 2022. It also speaks to a significant reduction in share price between the options granted in 2022 and those granted in 2021.

Impairment

2022 impairment:

The Asaramatoru CGU has seen very little investment since it was acquired in 2021. Decklar's liquidity challenges caused the Company to focus all of its 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 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 to challenge it 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 model for Asaramatoru. They also make it highly unlikely 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. This precipitated the Company writing off the entire carrying value of the Asaramatoru CGU in 2022 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. In the meantime, the Company will continue to recognize its ongoing obligations under the RSA. However, all funding will remain on hold until the situation resolves itself.

2021 impairment reversal:

In Q4 2021, a rapidly improving crude oil pricing environment caused management to reassess whether the pricing environment that precipitated the impairment of its Oza CGU in 2020 had improved sufficiently to warrant a reversal of this impairment in 2021. 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 fair value less costs to sell ('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 its December 31, 2021 consolidated financial statements. The recoverable amount of the risk service assets for the Oza Oil Field as at December 31, 2021 was determined using a discounted cash flow approach based on the year-end 2021 proved plus probable reserves as evaluated by the Company's independent reserve evaluators. The recoverable amount incorporated a risk adjusted discount rate of after tax of 20% - 23%. The risk adjusted discount rate contemplated multiple market participant assessments specific to the Company and its risk service assets.

Amortization expense

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. Based on the initial crude oil sales in 2022, the Company recorded amortization expense of $147,829 (2021: nil).

Finance expense

2022 finance expenses include the interest on the Decklar Petroleum's US$300,000 short-term loan. The loan bears flat interest fixed at 15%. Interest and principal were originally due and payable on the 90th day of full disbursement of the loan amount; however, the loan has since been extended for another 90 days. Finance expenses also include interest on the Company's Loan Notes. Interest was capitalized for much of 2022, but began being expensed in December. Finance expenses in 2021 primarily represented the loss incurred on the extinguishment of the principal on the Island Time Exploration Limited ("Island Time") promissory note. This was repaid in full in April 2021 through the issuance of 175,000 common shares of the Company to Island Time.

Foreign exchange loss and Other comprehensive loss

A foreign exchange loss of $2,714 for the year ended December 31, 2022, (2021: $30,638 gain), reflects the offsetting rates of the Nigerian naira and the US dollar in 2022. While the US dollar appreciated in comparison to the Canadian dollar, the Nigerian naira decreased in comparison to both the Canadian and US dollars. These changes muted the collective impacts overall.

Other comprehensive loss - Unrealized foreign exchange gain on translation in the amount of $628,296 (2021: $218,548 gain), represents foreign exchange impacts related to the translation of the Company's subsidiaries, whose functional currencies are US dollars. An appreciating US dollar, coupled with a growing US dollar denominated asset base, generates unrealized foreign exchange gains from the revaluations which occur at every reporting date.

Risk service asset expenditures:

Oza RSA		**December 31, 2022**		December 31, 2021
Balance, beginning of year	**$**	**29,054,010**	$	5,678,471
Additions during the period		**10,383,626**		20,069,105
Impairment reversal		**-**		3,346,978
Foreign exchange		**1,931,563**		(40,544)
	$	**41,369,199**	$	29,054,010
Accumulated amortization		**(153,890)**		-
Balance, end of year	**$**	**41,215,309**	$	29,054,010

Emohua RSA		December 31, 2022		December 31, 2021
Acquired May 6, 2022	**$**	**17,899,917**	$	-
Foreign exchange		**(963)**		-
Balance, end of year	**$**	**17,898,954**	$	-

Asaramatoru RSA		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**

Risk service assets

As at December 31, 2022, Decklar had a total of $59,114,263 capitalized in risk service assets (2021: $36,741,199). In the year ended December 31, 2022, total expenditures of $10,261,972, related to Oza Oil Field well re-entry operations and other facility and infrastructure expenditures, were added to risk service assets (2021: $20,069,105). While further investment at Asaramatoru will remain on hold, the Company will take a thoughtful approach to consider how the cash flows from the Oza Oil Field can best be deployed. Decklar will need to balance the repayment of historical liabilities with the desire to grow production. Under current terms, Decklar will also be required to fund upwards of US$20 million of investment at Emohua within the next 12 months to meet obligations as the Risk Service Provider under the Emohua RSA.

Emohua Acquisition

On June 3, 2022, Decklar closed the Share Purchase Agreement to purchase all the issued and outstanding shares of Emohua. 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. The Company accounted for the acquisition as an asset acquisition under IFRS 3 'Business Combinations. The proceeds were allocated to the asset as follows:

		June 3, 2022
6,000,000 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**

Capital Resources and Liquidity

The Company's primary objective for capital management involves maintaining sufficient sources of liquidity to fund its 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, and it has proven to be very challenging for Decklar to meet all of these competing demands in 2022. Impairment of the Asaramatoru CGU is recognition that the Company's financial resources are limited and must be targeted to its most promising prospects. However, even delaying operations at Asaramatoru will not mute demand for additional capital. Investments will continue to be required at the Oza and Emohua Oil Fields in order to truly realize the potential of these properties.

At December 31, 2022, Decklar's capital structure was comprised of shareholders' equity, cash, accounts receivable, short-term loans, trade payables and accrued liabilities and Loan Notes. It had cash of $16,434 (December 31, 2021: $99,136) and had a working capital deficit of $23,855,740 (December 31, 2021: $$6,551,547 deficit). 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 commencement of crude oil sales at the Oza Oil Field, and the resulting risk service fees received will improve the Company's liquidity. It will also help to mitigate the immediate need for substantial additional external funding. However, new sources of financing will ultimately be required in order to fully develop the Oza and Emohua Oil Fields. This is particularly true for Emohua due to the minimum commitments detailed in the RSA. While the Company may ultimately be able to take advantage of the Shell Facility, these funds are only available for the further development of the Oza Oil Field. They cannot be accessed to meet obligations at Emohua. New sources of funding will need to be arranged, or new partners will need to be brought in to address funding requirements. Continuing cash flows should improve the Company's prospects for securing additional funding, however, the ability to do so is still not guaranteed. Decklar has trade payables and accrued liabilities of $22,436,631. It has short-term loans totalling $1,972,238. All of these amounts need to be repaid, in addition to the amounts required for future development at Oza and Emohua. Even if financing is available, it might not be available at terms favourable to the Company or may not be realized when needed. It may also involve dilution to existing shareholders.

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

	Payment due by period			
	Total	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**
Short-term loans	$ 1,972,238	$ 1,972,238	$ -	$ -
Loan Notes	5,945,557	-	-	5,945,557
Due to related parties[1]	813,034	813,034	-	-
Emohua RSA	109,029,200	27,088,000	81,941,200	-
Total	$ 117,760,029	$ 29,873,272	$ 81,941,200	$ 5,945,557

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

	Payment due by period		
	Total	**Less than 1 year**	**1 - 3 years**
Short-term loans	$ 301,574	$ 301,574	$ -
Refundable deposit	1,076,936	1,076,936	-
Due to related parties[1]	334,076	334,076	-
Total	$ 1,712,586	$ 1,712,586	$ -

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

Short-term loans are comprised of the $1,565,917 of advances made directly to Decklar Petroleum, and payments made on behalf of Decklar Petroleum, by external parties to fund day-to-day operations. The loans do not bear interest and are due on demand. Short-term loans also include a US$300,000 loan with a flat and fixed 15% interest rate. This loan, plus interest, was initially due in March 2023. However, it was subsequently extended for another 90 days. As a condition of granting the extension, the interest rate was also increased to 20% fixed for both 90 day periods.

Share Capital

As at May 1, 2023, the Company had 101,992,152 common shares outstanding. It also had 9,623,332 share purchase options outstanding. The options expire between September 4, 2025, and December 21, 2027. They are exercisable at between $0.28 and $1.00 per share. The Company also has 5,629,499 share purchase warrants expiring May 25, 2023, and 2,500,000 share purchase warrants expiring August 27, 2023. Both tranches are exercisable at $1.50 per whole warrant. 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.

As of May 1, 2023, on a fully diluted basis, the Company has 123,680,233 common shares outstanding.

Transactions with Related Parties

Directors

The Company recognized no directors' fees in the years ended December 31, 2022 or 2021. Share options were granted to the Company's directors in December 2022 and in August 2021.

Key management

Consulting fees paid to and accrued for key individuals during the year ended December 31, 2022, totaled $394,135, (2021: $735,715). Share-based compensation expense for these same individuals was $174,757 for the year ended December 31, 2022, (2021: $545,028).

Fourth Quarter Financial Results

		Three months ended		
		December 31,2022		December 31,2021
Risk service fees	**$**	**287,172**	$	-
General and administrative expenses:				
Consulting	**$**	**434,900**	$	256,830
Professional and regulatory		**576,075**		724,545
Office and administration		**246,404**		283,109
Business development		**8,634**		85,357
Share-based compensation		**77,087**		(190,136)
		1,343,100		1,159,705
Net impairment (impairment reversal)		**8,777,867**		(3,346,978)
Amortization expense		**147,829**		-
Finance income		**-**		(306)
Finance expense		**47,990**		-
Foreign exchange (gain) loss		**(20,445)**		38,737
Net income (loss) for the period		**(10,009,169)**		2,148,842
Unrealized FX loss on translation		**(759,615)**		(40,576)
Comprehensive income (loss) for the period	**$**	**(10,768,784)**	$	2,108,266

General and administrative expenses

General and administrative expenses for Q4 2022 also reflect the increase in the US dollar versus the Canadian dollar. Other factors are discussed below:

- Consulting costs of $434,900 in the three months ended December 31, 2022 (2021: $256,830) reflects growth in the number of contracted consultants of the Company.
- Professional and regulatory fees for the three months ended December 31, 2022 totaled $576,075 compared to $724,545 for the same period in 2021. The year over year decrease is due to the reduced public market activity that took place in 2022. However, some of those gains were offset by the legal fees associated with the Shell Facility.
- Office and administrative expenses were $246,404 in the fourth quarter of 2022, compared to $283,109 in the comparable quarter in 2021. The Company continued to reduce its level of engagement with investor relations firms compared to prior periods.
- Business development expenses of $8,634 (2021: $85,357) incurred during the three month period ended December 31, 2022 reflect a credit received in Q4 2022.
- Share-based compensation expense for the three months ended December 31, 2022 was $77,087 (2021: $419,349). The year over year decrease in expense reflects the higher fair value option price of the 2021 option grant versus the 2022 grant and a higher proportion of options vesting in 2021. Q4 2021 also reflected the cumulative effect of updated forfeiture assumptions.

Foreign exchange loss and Other comprehensive loss

The fourth quarter of 2022 saw a weaker Nigerian naira offset losses realized from a weakening Canadian dollar. Canadian dollar weakness is particularly evident in the unrealized foreign exchange loss that resulted from the conversion of the Company's growing US dollar denominated asset base, to the Canadian dollar reporting currency at year end.

Summary of Quarterly Results

CAD, except per share amounts	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Risk service fees	287,172	-	-	-	-	-	-	-
General & administrative expenses	1,343,100	1,161,995	823,558	1,102,151	1,159,705	3,571,664	997,107	396,391
Amortization expense	147,829	-	-	-	-	-	-	-
Impairment (reversal)	8,777,867	-	-	-	(3,346,978)	200,000	-	-
Finance (income) expense	47,990	-	-	-	-	(9,024)	53,514	743
Foreign exchange (gain) loss	(20,445)	(1,794)	(3,270)	28,223	38,737	(432,152)	276,356	86,421
Net (income) loss	10,009,169	1,160,199	819,908	1,130,202	(2,148,842)	3,329,997	1,326,495	483,420
(Income) loss per share (basic)	$0.10	$0.01	$0.01	$0.01	$(0.02)	$0.04	$0.02	$0.01
(Income) loss per share (diluted)	$0.10	$0.01	$0.01	$0.01	$(0.02)	$0,04	$0.02	$0.01
Total assets	59,667,392	73,284,955	68,645,698	49,907,182	45,897,195	29,541,229	19,565,241	10,368,132

Decklar has mainly been involved in funding the development of the Oza Oil Field and growing its portfolio of risk service assets over the past two years. Funding has typically been sourced through private placements of the Company's common shares. Growth in the portfolio of risk service assets has evolved through the acquisition of companies that have RSAs with marginal field license holders. All of these activities resulted in a growing asset base and ongoing losses. While Q4 2022 did not break that trend, it did signal that some of these efforts have finally paid off as the Company was able to recognize revenue for the very first time.

Critical Judgements in Applying Accounting Policies

The preparation of the consolidated 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 consolidated 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'. Management has also conducted three asset acquisitions where the related proceeds included newly issued shares of the Company.

(b) Share-based payments in asset acquisitions:

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

(c) Reserves 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 are also 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.

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, and more particularly, interest in our shares. However, our shares may not meet the investment criteria for certain investors, including those who are not willing or able to hold securities of oil and gas companies for reasons that are unrelated to financial or operational performance. These may include environmental, social and governance related concerns, or fossil fuel divestment initiatives. These outcomes would adversely affect the value of Decklar's outstanding shares and the Company's ability to obtain new financing. They may also increase our borrowing costs. These issues are amplified by the additional risks associated with operating in Nigeria.

Unpredictable financial markets and more restrictive 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 Company's ability to make capital investments, meet its financial obligations as they come due and maintain existing properties may be impaired. As was evidenced at Asaramatoru, the inability to obtain sufficient financing in a timely manner under reasonable terms could result in certain properties being impaired. The termination clauses in the RSAs also could lead to the Company to be removed as Risk Service Provider if certain funding commitments are not met. These eventualities could also result in the Company proceeding into reorganization, bankruptcy, or insolvency.

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 the Company's ability to take advantage of business opportunities that may arise. Additionally, the Company may issue securities from treasury in order to reduce debt, complete acquisitions and/or optimize our capital structure.

Resource industry

The Company's fortunes revolve around the ability of Decklar and its Nigeran co-venturers to successfully develop and operate oil and gas properties in Nigeria. The exploration for and development of oil and gas reserves 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 and contingent resources

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

All such estimates are, to some degree, uncertain and classifications of reserves and contingent resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and natural gas reserves and contingent resources attributable to any particular RSA, the classification of such reserves and contingent resources 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 and contingent resource calculations as at December 31, 2022 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 and contingent resources will likely vary from such estimates, and such variances could be material. These reductions would impact Decklar's recoveries as well.

Estimates of reserves and contingent resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves and contingent resources, rather than upon actual production history. Subsequent evaluation of the same reserves and contingent resources based upon production history will result in variations in the previously estimated reserves and contingent resources 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 government approvals, licenses and permits. Such approvals, licenses 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, licenses, 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. This could be even more problematic for operations reliant on trucking, as the sales from the Oza Oil Field currently are.

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.

Pricing

The commencement of crude oil sales by Millenium has increased Decklar's exposure to pricing risks. While the value of the Company's risk service assets has always been linked to the pricing assumptions tied to the related reserves and contingent resources, its revenues are now also captive to this volatile metric. Global benchmarks such as the Brent Crude Oil price are impacted by a number of unpredictable factors such as the actions of OPEC and OPEC+, global economic performance, geopolitical events, government regulation, the adoption of alternate fuel sources and weather events. All of these factors are beyond our control. The pricing of crude oil sales in US dollars or Nigerian naira further exacerbates the volatility associated with these risks.

Counterparty risk

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

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 our available liquidity and increase our 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 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 our 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. Again, a reliance on trucking may exacerbate these risks.

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 a changing demand for oil, and any major changes may have a material adverse effect on business and financial condition by decreasing cash flow from operating activities and the value of Decklar's assets.

Public perception

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

Personnel

The Company is dependent on obtaining and retaining the services of professional management and skilled personnel. Failure to obtain such services, or the loss of them, could have a material adverse effect on the Company's operations. 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. These risks played a key role in the Company's decision to impair the value of its Asaramatoru CGU.

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 December 31, 2022, the Company's financial instruments consist of cash, accounts receivable, trade payables and accrued liabilities, short-term loans and Loan Notes. Other than the Loan Notes, the fair values of these financial instruments are not materially different from their carrying values. The Loan Notes are valued at amortized cost using the effective interest rate method. Consequently their carrying value is less than their fair value.

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 December 31, 2022, consolidated 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, 2022 NI 51-101 reports for the Oza Oil Field, the Asaramatoru Oil Field and the Emohua Oil Field, are available on SEDAR at www.sedar.com.