

Phoenix Canada Oil Company Limited
Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2019
(Stated in Canadian Dollars)

Notice To Reader

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 29, 2019. They have not been reviewed by the Company's auditors.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by, and are the responsibility of, management. These condensed interim consolidated financial statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events. Where necessary, management has made informed judgments and estimates in accounting for these assets and liabilities and for transactions which were not complete at the end of the reporting period. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited condensed interim consolidated financial statements have been fairly presented.

Phoenix Canada Oil Company Limited**Unaudited Condensed Interim Consolidated Statements of Financial Position***(Stated in Canadian Dollars)**As at September 30, 2019 and December 31, 2018*

	September 30	December 31
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,513,795	\$ 5,438,325
Short-term investments	2,585,646	3,279,135
Other receivables	60,308	231,195
	9,159,749	8,948,655
Interest in oil and gas properties <i>(note 3)</i>	1	1
	\$ 9,159,750	\$ 8,948,656
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 4)</i>	\$ 248,372	\$ 304,926
Capital and reserves		
Share capital <i>(note 5)</i>	4,662,742	4,662,742
Contributed surplus reserve <i>(note 6)</i>	453,189	453,189
Retained earnings	3,795,447	3,527,799
	8,911,378	8,643,730
	\$ 9,159,750	\$ 8,948,656

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

Phoenix Canada Oil Company Limited

Unaudited Condensed Interim Consolidated Statement of Changes in Equity

(Stated in Canadian Dollars)

For the periods ended September 30, 2019 and 2018

	Number of shares	Paid up amount	Warrants	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
Balance, December 31, 2017	4,886,694	\$ 4,423,202	\$ 36,196	\$ 431,897	\$ 1,955,028	\$ 2,352,630	\$ 9,198,953
Reclassification upon adoption of IFRS 9	-	-	-	-	(676,075)	676,075	-
Warrants exercised	142,500	239,540	(25,790)	-	-	-	213,750
Warrants expired	-	-	(10,406)	10,406	-	-	-
Share based payments	-	-	-	8,165	-	-	8,165
Other comprehensive income for the period	-	-	-	-	22,399	-	22,399
Net loss for the period	-	-	-	-	-	(351,435)	(351,435)
Balance, September 30, 2018	5,029,194	4,662,742	-	450,468	1,301,352	2,677,270	9,091,832
Share based payments	-	-	-	2,721	-	-	2,721
Other comprehensive loss for the period	-	-	-	-	(513,512)	-	(513,512)
Reclassify realized gains to retained earnings	-	-	-	-	(214,998)	214,998	-
Reclassify accumulated other comprehensive income to retained earnings	-	-	-	-	(572,842)	572,842	-
Net income for the period	-	-	-	-	-	62,689	62,689
Balance, December 31, 2018	5,029,194	4,662,742	-	453,189	-	3,527,799	8,643,730
Net income for the period	-	-	-	-	-	267,648	267,648
Balance, September 30, 2019	5,029,194	\$ 4,662,742	\$ -	\$ 453,189	\$ -	\$ 3,795,447	\$ 8,911,378

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

Phoenix Canada Oil Company Limited

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Stated in Canadian Dollars)

For the periods ended September 30, 2019 and 2018

	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Revenue				
Oil and gas income	\$ -	\$ 220	\$ 136	\$ 935
Direct Costs				
Operating expenses	51	683	130	1,575
Gross (loss) income	(51)	(463)	6	(640)
Expenses				
Administrative (notes 4 and 7)	55,740	191,859	322,575	513,745
Foreign exchange (gain) loss	(4,948)	4,423	10,053	(2,256)
Project development costs	-	9,293	-	9,293
Share based payments (note 6)	-	2,752	-	8,165
	50,792	208,327	332,628	528,749
Loss before investment income and gain on investments	(50,843)	(208,790)	(332,622)	(529,587)
Investment income	62,479	62,305	190,881	174,805
Gain on investments	30,237	-	409,389	-
Income (loss) before provision for income taxes	41,873	(146,485)	267,648	(354,782)
Recovery of deferred taxes (note 8)	-	7,820	-	3,347
Net income (loss) for the period	\$ 41,873	\$ (138,665)	\$ 267,648	\$ (351,435)
Earnings (loss) per common share				
Basic	\$ 0.01	\$ (0.03)	\$ 0.05	\$ (0.07)
Fully diluted	\$ 0.01	\$ (0.03)	\$ 0.05	\$ (0.07)
Weighted average number of shares				
Basic	5,029,194	5,029,194	5,029,194	4,969,167
Fully diluted	5,029,194	5,029,194	5,029,194	4,969,167
Comprehensive income (loss)				
Income on short-term investments	\$ -	\$ 60,157	\$ -	\$ 25,746
Deferred taxes	-	(7,820)	-	(3,347)
Other comprehensive income for the period	-	52,337	-	22,399
Net income (loss) for the period	41,873	(138,665)	267,648	(351,435)
Net comprehensive income (loss) for the period	\$ 41,873	\$ (86,328)	\$ 267,648	\$ (329,036)

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

Phoenix Canada Oil Company Limited

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Stated in Canadian Dollars)

For the periods ended September 30, 2019 and 2018

	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Operating activities				
Net income (loss) for the period	\$ 41,873	\$ (138,665)	\$ 267,648	\$ (351,435)
Items not affecting cash:				
Share based payments	-	2,752	-	8,165
Gain on investments	(30,237)	-	(409,389)	-
Income tax provision - deferred	-	(7,820)	-	(3,347)
	11,636	(143,733)	(141,741)	(346,617)
Other sources (uses) of cash from operations:				
Other receivables	30,976	(8,753)	170,887	(629)
Accounts payable and accrued liabilities	14,821	(8,023)	(56,554)	12,277
	61,371	(160,509)	(27,408)	(334,969)
Cash flow from investing activities:				
Purchase of investments	-	-	-	(323,892)
Return of capital on investments	-	4,960	1,573	18,568
Proceeds from sale of investments	-	241,515	1,101,305	1,250,798
	-	246,475	1,102,878	954,474
Cash flow from financing activities:				
Proceeds from share issuance	-	-	-	213,750
Increase in cash and cash equivalents	61,371	220,037	1,075,470	838,827
Cash and cash equivalents, beginning of period	6,452,424	3,304,603	5,438,325	2,685,813
Cash and cash equivalents, end of period	\$6,513,795	\$3,524,640	\$6,513,795	\$3,524,640

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

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2019

1. Business of the Company

Phoenix Canada Oil Company Limited ("the Company") was incorporated on November 25, 1944 pursuant to the Canada Business Corporation Act. The Company's address is 3219 Yonge Street, Box 307, Toronto, Ontario, Canada M4N 3S1. It is a Canadian company that maintains non-controlling equity investment positions in public companies. It also holds minority interest investments in several mature gas fields in Western Canada, the carrying value of which is \$1. The Company is evaluating acquisition targets that would generate additional shareholder value through the purchase of operating assets.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 29, 2019.

2. Basis of presentation and statement of compliance

Statement of compliance

The Company has prepared these condensed interim consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual financial statements as at December 31, 2018.

The notes to these unaudited interim condensed financial statements are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since December 31, 2018. Certain disclosures that appear in the annual financial statements have not been reproduced in these condensed interim consolidated financial statements and, in this regard only, these condensed interim consolidated financial statements do not conform in all respects to the requirements of IFRS for annual financial statements. Accordingly, these condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at December 31, 2018.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Significant accounting estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the financial reporting date and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. These unaudited condensed interim consolidated financial statements include judgments and estimates that, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the unaudited condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and also in future periods when the revision affects both current and future periods.

Significant estimates and judgments include, but are not limited to, the recognition and valuation of deferred tax amounts.

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2019

2. Basis of presentation and statement of compliance - continued

Functional currency

The presentation and functional currency of the Company is the Canadian dollar.

3. Interest in Oil and Gas Properties

	September 30 2019	December 31 2018
Oil and gas leases and/or permits	\$ 1	\$ 1

The Company's unamortized interest in its oil and gas properties can be realized only from future commercial production on the properties or from the proceeds of disposition thereof.

4. Related party transactions

During the period, the Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company. Each of these amounts is included in administrative expenses (*note 7*):

- \$73,558 (September 2018 - \$33,900) for services rendered by its Chief Executive Officer.
- \$80,000 (September 2018 - \$93,880) for services rendered by its Chief Financial Officer.
- \$14,199 (September 2018 - \$32,995) for Directors' fees.

The Company incurred share-based payment expense of \$Nil (September 2018 - \$8,165) relative to stock options granted to officers and directors during prior periods which had not vested prior to the start of the current financial reporting period. There were no unvested options as at December 31, 2018.

At September 30, 2019, \$219,511 was payable to the related parties noted above and is included in accounts payable and accrued liabilities (December 31, 2018 - \$169,500). The amount due is unsecured, non-interest bearing, and is due on demand.

5. Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares.

Activity

During the period ended September 30, 2019 there were no transactions involving the Company's common shares or stock options. During the year ended December 31, 2018, the Company issued 142,500 common shares, for gross proceeds of \$213,750, upon the exercise of 142,500 warrants.

Warrants

There were no warrants issued, or outstanding, during the period ended September 30, 2019. During the year ended December 31, 2018 no warrants were issued however 200,000 warrants were outstanding at the beginning of the year, of which 142,500 were exercised and 57,500 expired.

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2019

6. Contributed Surplus

The Company has a Stock Option Plan (the "Plan") that enables its directors, officers, employees, consultants and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the Plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors. The fair values of stock options granted have been determined using the Black-Scholes model and are added to contributed surplus as follows:

	September 30 2019	December 31 2018
Balance, beginning of period	\$ 453,189	\$ 431,897
Compensation expense related to stock options	-	30,303
Warrants expired during the period	-	10,406
Balance, end of period	\$ 453,189	\$ 453,189

Details of options outstanding:

	Common Shares Under option	Number of Options Vested	Exercise Price	Expiry Date
Granted Dec. 30, 2015	345,000 ⁽¹⁾	345,000	\$ 1.40	Dec. 30, 2022

⁽¹⁾ Directors and officers of the Company hold these options.

7. Administrative Expenses

	September 30 2019	September 30 2018
Management and corporate services (note 4)	\$ 167,757	\$ 160,775
Professional fees	115,949	318,360
Shareholder services	31,287	24,178
Office and general	3,004	3,188
Travel	42	2,708
Insurance	4,536	4,536
	\$ 322,575	\$ 513,745

8. Income Taxes

Movement in deferred tax liabilities

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	September 30 2019	December 31 2018
Balance, beginning of period	\$ -	\$ -
Recognized in profit and loss	-	(17,239)
Recognized in other comprehensive income	-	17,239
Balance, end of period	\$ -	\$ -

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2019

8. Income Taxes - continued

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	September 30	December 31
	2019	2018
Non-capital losses carried forward	\$ 1,454,470	\$ 1,454,470
Interest in oil and gas properties	341,910	341,910
Short-term investments	157,159	493,590
Equipment and other	40,930	40,930

The non-capital losses carried forward will expire, if not utilized, between 2030 and 2037. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

9. Capital disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide return for shareholders, and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure, and makes adjustments to it, in order to have funds available to support its corporate activities.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the financial reporting period.

10. Financial risk factors

The Company is exposed in varying degrees to the following financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. This risk is managed through the use of a major commercial bank which is a high credit-quality financial institution as determined by rating agencies.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, price risk, and currency risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash is relatively unaffected by changes in short-term interest rates. The Company's exposure to price risk relates to its ability to convert its short-term investments as the Company trades investments within Canadian and US stock markets. The Company's exposure to currency risk relates to US cash held and the potential impact due to changes in foreign exchange rates.

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2019

10. Financial risk factors - continued

Sensitivity to Market Risk

A 10% increase or decrease in the fair values of the Company's short-term investments could result in an increase or decrease of approximately \$260,000 in net income.

A 10% increase or decrease in the Canadian dollar relative to the US dollar could result in an increase or decrease of approximately \$33,000 in net income.

Based upon observations of recent market trends management believes that each of these outcomes is reasonably possible within one year.