

Phoenix Canada Oil Company Limited
Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2021
(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 26, 2021. 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, 2021 and December 31, 2020

	September 30 2021	December 31 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,403,942	\$ 7,208,252
Short-term investments	2,214,595	1,241,172
Other receivables	33,939	58,826
	<u>8,652,476</u>	<u>8,508,250</u>
Interest in oil and gas properties (note 4)	1	1
	<u>\$ 8,652,477</u>	<u>\$ 8,508,251</u>
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 4 and 5)	\$ 139,357	\$ 318,691
Capital and reserves		
Share capital (note 6)	4,662,742	4,662,742
Contributed surplus reserve (note 7)	453,189	453,189
Retained earnings	3,398,189	3,073,629
	<u>8,513,120</u>	<u>8,189,560</u>
	<u>\$ 8,368,795</u>	<u>\$ 8,508,251</u>

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, 2021 and 2020*

	Share Capital				
	Number of shares	Paid up amount	Contributed surplus	Retained earnings	Total
Balance, December 31, 2019	5,029,194	\$ 4,662,742	\$ 453,189	\$ 3,802,110	\$ 8,918,041
Net loss for the period	-	-	-	(832,471)	(832,471)
Balance, September 30, 2020	5,029,194	4,662,742	453,189	2,969,639	8,085,570
Net income for the period	-	-	-	103,990	103,990
Balance, December 31, 2020	5,029,194	4,662,742	453,189	3,073,629	8,189,560
Net income for the period	-	-	-	324,560	324,560
Balance, September 30, 2021	5,029,194	\$ 4,662,742	\$ 453,189	\$ 3,398,189	\$ 8,085,570

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 (Loss) Income

(Stated in Canadian Dollars)

For the periods ended September 30, 2021 and 2020

	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
Revenue				
Oil and gas income	\$ -	\$ -	\$ -	\$ 247
Direct Costs				
Operating expenses (recovered) (note 4)	1,157	(4,375)	1,321	72
Gross (loss) income	(1,157)	4,375	(1,321)	175
Expenses				
Administrative (notes 5 and 8)	49,853	59,860	140,730	202,403
Foreign exchange (gain) loss	-	-	16	(46,681)
	49,853	59,860	140,746	155,722
Loss before investment income and gain (loss)				
on sale of assets	(51,010)	(55,485)	(142,067)	(155,547)
Investment income	26,215	32,962	71,650	133,196
(Loss) gain on investments	(720)	5,247	393,977	(810,553)
Gain on oil and gas properties (note 4)	-	433	-	433
(Loss) income before provision for income taxes	(25,515)	(16,843)	323,560	(832,471)
Recovery of deferred taxes (note 9)	-	-	-	-
Net (loss) income and comprehensive (loss)				
income for the period	\$ (25,515)	\$ (16,843)	\$ 323,560	\$ (832,471)
(Loss) earnings per common share				
Basic	\$ (0.01)	\$ (0.00)	\$ 0.06	\$ (0.17)
Fully diluted	\$ (0.01)	\$ (0.00)	\$ 0.06	\$ (0.17)
Weighted average number of shares				
Basic	5,029,194	5,029,194	5,029,194	5,029,194
Fully diluted	5,029,194	5,029,194	5,029,194	5,029,194

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, 2021 and 2020

	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
Operating activities				
Net (loss) income for the period	\$ (25,515)	\$ (16,843)	\$ 323,560	\$ (832,471)
Items not affecting cash:				
(Gain) loss on investments	720	(5,247)	(393,977)	810,553
	(24,795)	(22,090)	(70,417)	(21,918)
Other sources (uses) of cash from operations:				
Other receivables	(7,756)	33,339	24,887	31,426
Accounts payable and accrued liabilities	14,520	(19,183)	(179,334)	(16,488)
	(18,031)	(7,934)	(224,864)	(6,980)
Cash flow from investing activities:				
Proceeds from sale of investments	393,142	157,535	393,142	678,123
Acquisition of short-term investments	(455,421)	-	(972,588)	-
	(62,279)	157,535	(579,446)	678,123
Increase in cash and cash equivalents	(80,310)	149,601	(804,310)	671,143
Cash and cash equivalents, beginning of period	6,484,252	7,078,039	7,208,252	6,556,497
Cash and cash equivalents, end of period	\$6,403,942	\$7,227,640	\$6,403,942	\$7,227,640

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, 2021

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 a small number of 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 26, 2021.

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, 2020.

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, 2020. 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, 2020.

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 assessment as to whether provisions for asset retirement obligations are to be recorded or adjusted and 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, 2021

2. Basis of presentation and statement of compliance - continued

Functional currency

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

3. Financial instruments

Financial Instruments

The Company's financial instruments consist of the following:

<i>Financial Assets</i>	<i>Classification</i>
Cash and cash equivalents	Amortized cost
Short-term investments	Fair value through profit or loss
Other receivables	Amortized cost
<i>Financial Liabilities</i>	
<i>Classification</i>	
Accounts payable and accrued liabilities	Amortized cost

Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net income (loss).

Amortized cost

The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses.

The effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at September 30, 2021 and December 31, 2020, all short-term investments are valued using level 1 quoted market prices.

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4. Interest in Oil and Gas Properties

	September 30 2021	December 31 2020
Oil and gas leases and/or permits	\$ 1	\$ 1

The oil and gas leases and/or permits consist of gas processing facilities and a small number of wells, none of which remain in production. The Company's unamortized interest in these properties can be realized only from the proceeds of disposition, if any, thereof. During the preceding fiscal year, the Company disposed of interests in certain oil and gas properties for proceeds of \$433.

Asset retirement obligation

The Company holds minority interest investments in a small number of mature gas fields in Western Canada, for which it is not the operator. Each of these properties has already proceeded through, or is going through, asset retirement and reclamation. The Company is not the operator of any of the assets in which it holds interests and is reliant upon the operators to report in a timely and accurate manner and to provide information with respect to current and possible future asset retirement obligations (ARO). The Company recognizes an ARO for its proportionate share of asset retirement costs whenever they are reasonably estimable. Provision is charged to operating expenses, with unpaid amounts included in accounts payable and accrued liabilities. Each provision is reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate.

	September 30 2021	December 31 2020
ARO, beginning of period	\$ 1,823	\$ 23,523
Provisions made during the period	1,141	8,321
Payments made during the period	-	(11,760)
Reductions of previous provisions	-	(18,261)
ARO, end of period	\$ 2,964	\$ 1,823

5. 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 8*):

- \$37,500 (September 2020 - \$38,461) for services rendered by its Chief Executive Officer.
- \$45,000 (September 2020 - \$59,500) for services rendered by its Chief Financial Officer.
- \$4,500 (September 2020 - \$9,553) for Directors' fees.

The Company incurred no share-based payment expense during the period ended September 30, 2021 or the year ended December 31, 2020.

At September 30, 2021, \$113,034 (December 31, 2020 - \$255,884) was payable to the related parties noted above and is included in accounts payable and accrued liabilities. The amount due is unsecured, non-interest bearing, and is due on demand.

6. Share capital

Authorized

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

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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September 30, 2021

6. Share capital - continued

Activity

During the period ended September 30, 2021, and the year ended December 31, 2020, there were no transactions involving the Company's common shares or dilutive factors.

7. 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 2021	December 31 2020
Balance, beginning and 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.

8. Administrative Expenses

	September 30 2021	September 30 2020
Management and corporate services (note 4)	\$ 87,000	\$ 107,514
Professional fees	28,950	74,380
Shareholder services	16,529	12,589
Office and general	2,663	3,283
Insurance	5,588	4,637
	\$ 140,730	\$ 202,403

9. 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. There were no deferred tax movements during the periods presented.

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:

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9. Income Taxes - continued

	September 30 2021	December 31 2020
Non-capital losses carried forward	\$ 1,767,160	\$ 1,767,160
Capital losses carried forward	817,370	817,370
Interest in oil and gas properties	341,910	341,910
Equipment and other	26,000	26,000

The non-capital losses carried forward will expire, if not utilized, between 2030 and 2040. The capital losses and 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.

10. 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 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.

11. 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. These market risks may, individually or collectively, be exacerbated by the impact of COVID-19 (note 12). 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 stock markets. The Company's exposure to currency risk relates to the potential impact because of changes in foreign exchange rates.

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September 30, 2021

11. 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 \$221,500 in net income.

The Company divested itself of its US dollar denominated assets during the prior reporting period, thus eliminating currency risk, except to the extent that the Company incurs incidental expenses denominated in US dollars.

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

12. COVID-19

On January 30, 2020 the World Health Organization (WHO) declared COVID-19 a global health emergency and on March 11, 2020 they declared it a pandemic. These WHO declarations were soon followed by announcements of numerous restrictions by domestic and international governments affecting the way people could interact and how business was conducted.

The Company has required all personnel to work from home and has been able to continue operations. The Company's primary exposure to the effects of this pandemic is through its short-term investments in Canadian public companies and reduced interest income on its cash reserves. Present and future economic effects of COVID-19, including its effects on public markets, cannot be accurately determined, predicted, or estimated at this time. This includes the effects, if any, upon the business of the Company and the market risks described in note 11. High market volatility has impacted the Company's results in the current financial reporting period and may affect the carrying value of, or the income being realized from, these investments in future periods.