

**Phoenix Canada Oil Company Limited**  
**Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2022**  
**(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, 2022. 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.

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## Phoenix Canada Oil Company Limited

### Unaudited Condensed Interim Consolidated Statements of Financial Position

(Stated in Canadian Dollars)

As at September 30, 2022 and December 31, 2021

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	September 30 2022	December 31 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,422,336	\$ 6,295,456
Short-term investments	2,080,665	2,297,110
Other receivables	105,590	43,781
	<b>6,608,591</b>	<b>8,636,347</b>
Promissory notes receivable (note 4)	1,700,000	-
Interest in oil and gas properties (note 5)	1	1
	<b>\$ 8,308,592</b>	<b>\$ 8,636,348</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 5 and 6)	\$ 118,650	\$ 96,233
<b>Capital and reserves</b>		
Share capital (note 7)	4,662,742	4,662,742
Contributed surplus reserve (note 8)	453,189	453,189
Retained earnings	3,074,011	3,424,184
	<b>8,189,942</b>	<b>8,540,115</b>
	<b>\$ 8,308,592</b>	<b>\$ 8,636,348</b>

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

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**Phoenix Canada Oil Company Limited****Unaudited Condensed Interim Consolidated Statement of Changes in Equity***(Stated in Canadian Dollars)**For the periods ended September 30, 2022 and 2021*

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	<b>Share Capital</b>				
	<b>Number of shares</b>	<b>Paid up amount</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Total</b>
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	8,514,120
Net income for the period	-	-	-	25,995	25,995
Balance, December 31, 2021	5,029,194	4,662,742	453,189	3,424,184	8,540,115
Net loss for the period	-	-	-	(350,173)	(350,173)
Balance, September 30, 2022	5,029,194	\$ 4,662,742	\$ 453,189	\$ 3,074,011	\$ 8,189,942

*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, 2022 and 2021

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>				
Oil and gas expenses (recovered)	-	1,157	(815)	1,321
Administrative (notes 6 and 9)	130,851	49,853	306,783	140,730
Foreign exchange loss	-	-	1	16
	<b>130,851</b>	<b>51,010</b>	<b>305,969</b>	<b>142,067</b>
<b>Loss before investment income and (losses)</b>				
<b>gains on assets</b>	<b>(130,851)</b>	<b>(51,010)</b>	<b>(305,969)</b>	<b>(142,067)</b>
Investment income	99,380	26,215	172,240	71,650
(Loss) gain on investments	(97,070)	(720)	(216,445)	393,977
Gain on oil and gas properties (note 4)	-	-	1	-
<b>(Loss) income before provision for income taxes</b>	<b>(128,541)</b>	<b>(25,515)</b>	<b>(350,173)</b>	<b>323,560</b>
Recovery of deferred taxes (note 9)	-	-	-	-
<b>Net (loss) income and comprehensive (loss) income for the period</b>	<b>\$ (128,541)</b>	<b>\$ (25,515)</b>	<b>\$ (350,173)</b>	<b>\$ 323,560</b>
<b>(Loss) earnings per common share</b>				
Basic	\$ (0.03)	\$ (0.01)	\$ (0.07)	\$ 0.06
Fully diluted	\$ (0.03)	\$ (0.01)	\$ (0.07)	\$ 0.06
<b>Weighted average number of shares</b>				
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, 2022 and 2021

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
<b>Operating activities</b>				
Net (loss) income for the period	\$ (128,541)	\$ (25,515)	\$ (350,173)	\$ 323,560
Items not affecting cash:				
Loss (gain) on investments	97,070	720	216,445	(393,977)
	(31,471)	(24,795)	(133,728)	(70,417)
Other sources (uses) of cash from operations:				
Other receivables	(70,662)	(7,756)	(61,809)	24,887
Accounts payable and accrued liabilities	(13,473)	14,520	22,417	(179,334)
	(115,606)	(18,031)	(173,120)	(224,864)
<b>Cash flow from investing activities:</b>				
Proceeds from sale of investments	-	393,142	-	393,142
Acquisition of short-term investments	-	(455,421)	-	(972,588)
Acquisition of promissory note	(1,700,000)	-	(1,700,000)	-
	(1,700,000)	(62,279)	(1,700,000)	(579,446)
<b>Decrease in cash and cash equivalents</b>	<b>(1,815,606)</b>	<b>(80,310)</b>	<b>(1,873,120)</b>	<b>(804,310)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,237,942</b>	<b>6,484,252</b>	<b>6,295,456</b>	<b>7,202,252</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$4,422,336</b>	<b>\$6,403,942</b>	<b>\$4,422,336</b>	<b>\$6,403,942</b>

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

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# Phoenix Canada Oil Company Limited

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2022

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### 1. Business of the Company

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Phoenix Canada Oil Company Limited (öPhoenixö or "the Company") was incorporated on November 25, 1944 pursuant to the Canada Business Corporation Act (Ontario). 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 single mature gas field in Western Canada, the carrying value of which is \$1.

On May 27, 2022 the Company signed a non-binding letter of intent (öLOIö) with ZYUS Life Sciences Inc. and on November 15, 2022 the parties entered into a Definitive Agreement, as contemplated in that LOI. The Definitive Agreement outlines the terms and conditions of a proposed business combination which would result in ZYUS becoming a wholly-owned subsidiary of Phoenix and constitute a reverse takeover of Phoenix by ZYUS, as defined in the policies of the TSX Venture Exchange. Although both parties work diligently to close this proposed transaction, there are no assurances it will be completed, or that it will be completed under the current terms and conditions.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 26, 2022.

### 2. Basis of presentation and statement of compliance

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#### *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, 2021.

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, 2021. 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, 2021.

#### *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 which, 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 the current and future periods.

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# Phoenix Canada Oil Company Limited

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2022

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## 2. Basis of presentation and statement of compliance - continued

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### *Significant accounting estimates and judgments - continued*

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.

### *Functional currency*

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

## 3. Financial instruments

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### *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
Promissory note receivable	Amortized cost
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, 2022 and December 31, 2021, all short-term investments are valued using level 1 quoted market prices.

# Phoenix Canada Oil Company Limited

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2022

### 4. Promissory notes receivable

	September 30 2022	December 31 2021
12% promissory notes, secured by a general security agreement, mature January 7, 2025.	\$ 1,700,000	\$ -

During the period, the Company subscribed for 17 units of ZYUS Life Sciences Inc., with each unit consisting of one secured promissory note in the principal amount of \$100,000 and 40,000 common share purchase warrants. The promissory notes earn interest at a rate of 12% per annum and will mature January 7, 2025. They are subject to mandatory conversion requirements whereby the promissory notes plus accrued and unpaid interest will be converted into common shares of ZYUS on certain triggering events, which include, but are limited to, closing of the transaction proposed between the Company and ZYUS (*note 1*). Immediately prior to the completion of that proposed transaction, and as a condition thereof, the promissory notes, plus all interest accrued thereon, will be automatically converted into common shares of ZYUS at a price equal to 85% of the deemed price of ZYUS common shares in the proposed transaction. If the proposed transaction is terminated, Phoenix will be entitled to demand immediate repayment of the promissory notes, plus all interest accrued thereon.

The Warrants, subject to certain acceleration events, entitle Phoenix to acquire one common share of ZYUS at a price of C\$2.50 per common share at any time until January 7, 2025. The exercise of these warrants may be subject to regulatory approvals.

### 5. Interest in Oil and Gas Properties

	September 30 2022	December 31 2021
Oil and gas leases and/or permits	\$ 1	\$ 1

The oil and gas leases and/or permits consist of a gas processing facility which is no longer in production. The Company's interest in this property can be realized only from the proceeds of disposition, if any, thereof. During the period the Company disposed of its one remaining gas field in Western Canada whereby it was sold for proceeds of \$1. As a condition of the sale the Company agreed to pay \$12,000 on account of potential future asset retirement costs and received a release from all past, present, and future obligations in respect of this property.

#### ***Asset retirement obligation***

The Company holds minority interest investments in a gas processing facility in Western Canada. This property has already proceeded through, and continues to go through, asset retirement and reclamation. The Company is not the operator of this property and is reliant upon the operator 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.

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# Phoenix Canada Oil Company Limited

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2022

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### 5. Interest in Oil and Gas Properties - continued

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#### *Asset retirement obligation - continued*

	September 30 2022	December 31 2021
ARO, beginning of period	\$ 20,211	\$ 1,823
Provisions made during the period	-	28,184
Payments made during the period, net of recoveries	(16,120)	(9,074)
Reductions of previous provisions	-	(722)
ARO, end of period	\$ 3,291	\$ 20,211

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### 6. Related party transactions

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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*):

- \$81,670 (September 2021 - \$37,500) for services rendered by its Chief Executive Officer.
- \$100,000 (September 2021 - \$45,000) for services rendered by its Chief Financial Officer.
- \$8,700 (September 2021 - \$4,500) for Directors' fees.

The Company incurred no share-based payment expense during the period ended September 30, 2022 or the year ended December 31, 2021.

At September 30, 2022, \$61,202 (December 31, 2021 - \$46,540) 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.

### 7. Share capital

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#### *Authorized*

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

#### *Activity*

During the period ended September 30, 2022, and the year ended December 31, 2021, there were no transactions involving the Company's securities.

Subsequent to September 30, 2022:

- The Company determined that there were 27,291 common shares that were issued in March 1960 and remained in escrow and took action to close the escrow and have these shares cancelled.
- 312,200 stock options held by Directors and/or Officers of the Company were exercised resulting in the issuance of 312,200 common shares and the receipt of \$437,080 in proceeds.

Following these transactions, the Company has 5,314,103 common shares outstanding.

#### *Warrants*

There were no warrants issued, or outstanding, during the period ended September 30, 2022 or the year ended December 31, 2021.

# Phoenix Canada Oil Company Limited

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2022

### 8. 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 2022	December 31 2021
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 <sup>(1)</sup>	345,000	\$ 1.40	Dec. 30, 2022

<sup>(1)</sup> Directors and officers of the Company hold these options. Subsequent to the financial reporting date 312,200 of these stock options were exercised.

### 9. Administrative Expenses

	September 30 2022	September 30 2021
Management and corporate services (note 4)	\$ 190,370	\$ 87,000
Professional fees	90,760	28,950
Shareholder services	13,466	16,529
Insurance	6,827	5,588
Office and general	2,798	2,663
Travel	2,562	-
	\$ 306,783	\$ 140,730

### 9. Income Taxes

#### 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 2022	December 31 2021
Non-capital losses carried forward	\$ 1,979,360	\$ 1,979,360
Capital losses carried forward	618,050	618,050
Interest in oil and gas properties	341,475	341,475
Equipment and other	28,283	28,283

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# Phoenix Canada Oil Company Limited

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2022

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### 9. Income Taxes - continued

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The non-capital losses carried forward will expire, if not utilized, between 2030 and 2042. 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

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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

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The Company is exposed in varying degrees to a variety of 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 and promissory notes receivable. Cash is on deposit with a major commercial bank which is a high credit quality financial institution as determined by rating agencies. Management actively monitors its promissory notes receivable, including the underlying security. It has been determined that no allowance is required as all amounts outstanding are considered collectible.

#### ***Market Risk***

The significant market risks to which the Company is exposed are interest rate risk, and price 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.

#### ***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 \$208,000 in net income.

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

### 12. COVID-19

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On March 11, 2020 the World Health Organization (WHO) declared COVID-19 a global pandemic and this was soon followed by announcements of numerous restrictions by domestic and international governments affecting the way people could interact and how business was conducted. Although many of those restrictions have now been lifted the pandemic and its economic repercussions are continuing.

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## Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

*(Stated in Canadian Dollars)*

*September 30, 2022*

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### **12. COVID-19 - continued**

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The Company's primary exposure to the effects of this pandemic is through its short-term investments in Canadian public companies and the interest income derived from 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.