



Management's Discussion and Analysis For the Year Ended December 31, 2021

Basis of Presentation

Phoenix Canada Oil Company Limited (Phoenix or Company) has prepared the following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of the Company. This MD&A constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the year ended December 31, 2021. The MD&A was prepared as of April 22, 2022 and was approved by the Board of Directors on April 22, 2022.

This MD&A should be read in conjunction with our audited consolidated financial statements as at, and for the year ending, December 31, 2021, including the notes thereto.

Unless otherwise stated, all amounts presented or discussed herein are denominated in Canadian dollars.

Copies of all relevant financial documents and interim Company filings to date may also be referenced on the regulatory filings website -- www.SEDAR.com.

The Company

Phoenix held its Annual General Meeting on May 3, 2021 at which each of the incumbent Directors were re-elected and at the ensuing Board meeting each of the Officers were reappointed and the subcommittees reconstituted as follows:

Charlotte Moore Hepburn ⁽³⁾ MD., FRCPC., FAAP	Director, Chair, and CEO
Michael Detlefsen ^(1, 2*, 3, 4)	Director
Greg Nuttall ^(1, 2, 3*, 4)	Director
Charles Burns ^(1*, 2, 3, 4)	Director
W. Alex Mills ⁽⁴⁾	Director
Michael D. Kindy, CPA, CA	CFO

⁽¹⁾ Denotes a member of the Audit Committee

⁽²⁾ Denotes a member of the Governance and Compensation Committee

⁽³⁾ Denotes a member of the Business Development Committee

⁽⁴⁾ Denotes an independent Director

^(*) Denotes the Chair of the noted Committee.

Corporate performance

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 embraced these announcements and required all personnel to work from home. The pandemic persists and we continue to be unable to measure the depth and breadth of its impact. The Company's primary exposure to the effects of this pandemic is through its impact on investment income and the value of its short-term investments in Canadian public companies.



Corporate performance - continued

The Company's operational focus continues to be on managing its capital while identifying and investigating potential strategic partners. Throughout the period, and subsequent thereto, management has continued discussions with, and investigation into, possible collaborators. COVID-19 has impacted upon this process but it has not caused it to stop. At this time, it remains uncertain when current investigative processes may be completed, or whether they may result in the completion of a transaction.

Canadian market conditions changed dramatically and unexpectedly with the onset of COVID-19, negatively impacting the carrying value of market investments and causing reductions in the amount of dividend and investment income being derived therefrom. Following an evaluation period, the Company began divesting itself of investments producing little or no income and for which values were considered unlikely to recover in a reasonable period of time. After further evaluation, the Company began to cautiously acquire investments perceived to represent an opportunity for value enhancement while generating investment income. This process has produced favourable results in 2021 with reinvestment that exceeded sale proceeds by \$579,444, an increase of \$476,492 in the market value of its investments, and income from these investments of \$102,538. In contrast, 2020 provided sale proceeds that exceeded reinvestment by \$673,007 and declines in market value of \$678,299 while generating income of \$154,177. Current and past performance relative to these investments should not be considered indicative of future results.

While actively managing its assets, the Company also took further steps to manage its contingent liabilities. Each of the Company's oil and gas interests have ceased operations and are proceeding through the process of decommissioning and reclamation. Four properties, all with a single operator, were disposed of in 2020. In 2021, the Company continued discussions with the three remaining operators. These discussions intensified in the final quarter when a deal with one operator, covering three properties, was concluded and a final proposal was submitted to a second operator, with that proposal being accepted in February 2022. In each of these deals the operator agreed to acquire all related property interests from Phoenix for \$1, and to fully indemnify Phoenix against any and all potential liabilities related to those properties, provided Phoenix agreed to make a payment of \$12,000 on account of potential future abandonment and/or reclamation costs. Phoenix made one such payment prior to the end of 2021, and accrued the other as part of its 2021 asset retirement obligation, making the second payment in February upon the closing of the sale. The Company's current oil and gas interest are limited to a 0.5836% interest in a partially decommissioned gas plant for which the Phoenix share of future costs are not expected to exceed \$2,000.

The emergence and continued presence of COVID-19 has impacted many facets of life including the way that business is conducted and the risks that businesses face. Phoenix continues to adapt with the changing business and market environment and to seek enhanced shareholder value through the management of its short-term investments and by proceeding with a strategic transaction if, and only if, appropriate terms can be negotiated.

Selected financial data

The Company continues to be in a strong cash and liquidity position and to derive income from short-term investments. The following selected financial information may provide additional insights relative to the Company's operating performance and financial position:



Selected financial data - continued

	For the fiscal years ended December 31:		
	2021	2020	2019
Oil and gas revenues	-	247	402
Net income (loss) from operations	(228,476)	(204,792)	(397,182)
Per share - basic	(0.05)	(0.04)	(0.08)
Net income (loss) for the year	350,555	(728,481)	274,311
Per share - basic	0.07	(0.14)	0.05
Total assets	8,636,348	8,508,251	9,217,754
Total long-term financial liabilities	-	-	-
Total liabilities	96,233	318,691	299,713

	For the three month periods ended:			
	Dec. 31 2021	Sep. 30 2021	June 30 2021	Mar. 31 2021
Oil and gas revenues	-	-	-	-
Net income (loss) from operations	(86,409)	(51,010)	(46,901)	(44,156)
Per share - basic	(0.02)	(0.01)	(0.01)	(0.01)
Net income (loss) for the period	26,995	(25,515)	116,649	232,426
Per share - basic	0.01	(0.01)	0.02	0.05
Total assets	8,636,348	8,652,477	8,663,472	8,534,605
Total liabilities	96,233	139,357	124,837	112,619

	For the three month periods ended:			
	Dec. 31 2020	Sep. 30 2020	June 30 2020	Mar. 31 2020
Oil and gas revenues	-	-	88	159
Net loss from operations	(49,245)	(55,485)	(75,351)	(24,711)
Per share - basic	(0.01)	(0.01)	(0.01)	(0.00)
Net income (loss) for the period	103,660	(16,843)	85,966	(901,624)
Per share - basic	0.02	(0.00)	0.02	(0.18)
Total assets	8,508,251	8,368,795	8,404,821	8,278,133
Total liabilities	318,691	283,225	302,408	270,716

The Company did not report any long-term financial liabilities, nor did it declare, or pay, any cash dividends during any of the periods noted above.

Significant Accounting Estimates and Judgements

The preparation of 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. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the 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 Accounting Estimates and Judgements - 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.

Results of operations

	Years ended Dec. 31		Three months ended Dec. 31	
	2021	2020	2021	2020
Oil and gas revenues	\$ -	\$ 247	\$ -	\$ -
Oil and gas expenditures (recovered)	27,873	(388)	26,552	(460)
Gross (loss) profit	<u>\$ (27,873)</u>	<u>\$ 635</u>	<u>\$ (26,552)</u>	<u>\$ 460</u>

The Company's remaining oil and gas interests consist of minor interests in a gas processing facility, which has been partially decommissioned, and in a single well which was sold subsequently. The Company is not the operator of either of these assets is reliant upon the operators to complete their responsibilities in an efficient and effective manner, including the reporting of current and possible future asset retirement obligations in a timely and accurate manner. Provision has been made for all known and estimable costs.

During the final quarter of 2021, the Company disposed of interests in certain oil and gas properties. These were properties that had ceased operation and were in the process of being abandoned and/or reclaimed. The disposal of these properties, for nominal proceeds of \$1, required the Company to pre-pay \$12,000 in estimated future abandonment and reclamation costs in exchange for indemnification with respect to any and all potential past, present or future liabilities related thereto.

During the year, the Company was negotiating the disposal of interests of additional oil and gas properties which had also ceased operation and were in the process of being abandoned and/or reclaimed. The proposed terms included the sale for nominal proceeds of \$1 and the pre-payment of \$12,000 in estimated future abandonment and reclamation costs in exchange for indemnification with respect to any and all potential past, present or future remediation costs. These estimated future abandonment and reclamation costs were accrued at December 31, 2021. The sale was finalized February 2022 without alteration to the proposed terms.

The Company recognizes an asset retirement obligation (ARO) for its proportionate share of asset retirement costs whenever they are reasonably estimable. Estimates are reviewed and amended, if appropriate, at the end of each financial reporting period. In some instances, certain retirement costs may become recoverable through government programs however such recoveries, if any, are not recognized until they are reasonably certain. The changes in ARO estimates are as follows:

	Years ended Dec. 31		Three months ended Dec. 31	
	2021	2020	2021	2020
ARO, beginning of period	\$ 1,823	\$ 23,523	\$ 2,964	\$ 8,016
Additional provisions during period	28,184	8,321	27,043	6,226
Net payments made during period	(9,074)	(11,760)	(9,074)	(8,053)
Reduction of previous provisions	(722)	(18,261)	(722)	(4,366)
ARO, end of period	<u>\$ 20,211</u>	<u>\$ 1,823</u>	<u>\$ 20,211</u>	<u>\$ 1,823</u>



Results of operations - continued

The Company's share of actual asset retirement costs, net of any recoveries, may differ from these estimates.

Expenses incurred were as follows:

	Years ended Dec. 31		Three months ended Dec. 31	
	2021	2020	2021	2020
Administrative expenses	\$ 200,587	\$ 252,108	\$ 59,857	\$ 49,705
Foreign exchange loss (gain)	16	(46,681)	-	-
Total expenses	<u>\$ 200,603</u>	<u>\$ 205,427</u>	<u>\$ 59,857</u>	<u>\$ 49,705</u>

Administrative expenses incurred were as follows:

	Years ended Dec. 31		Three months ended Dec. 31	
	2021	2020	2021	2020
Management and corporate services	\$ 124,060	\$ 135,514	\$ 37,060	\$ 28,000
Professional fees	44,156	89,498	15,206	15,118
Shareholder services	20,997	16,536	4,468	3,947
Insurance	7,839	6,451	2,251	1,814
Office and general	3,535	4,109	872	826
Total administrative expenses	<u>\$ 200,587</u>	<u>\$ 252,108</u>	<u>\$ 59,857</u>	<u>\$ 49,705</u>

The Company, from time to time, incurs certain shareholder service costs in US dollars and realizes a foreign exchange gain or loss representing the variance between the Canadian dollar value on the date such an expense is incurred and the date that expense is paid. The Company previously carried US cash but divested itself of that during the first quarter of 2020, capitalizing on higher than typical exchange rates. Future exchange gains or losses are expected to continue to be negligible.

Management and corporate services is comprised of fees charged by the Company's CEO and CFO as well as fees payable to independent Directors for their attendance at meetings of the Board or its sub-committees. These fees will fluctuate from period to period, dependent upon the extent of services provided.

Professional fees include legal fees, fees charged and expected to be charged by the Company's auditors, and fees charged by other parties, if any, retained to assist with due diligence. Except that there were no other parties retained to assist with due diligence in 2021, professional fees were comparable between the periods presented.

Shareholder services encompasses all regulatory fees and costs incurred in relation to the Company's shareholders and securities, including fees charged by the Company's transfer agent. The Company received comparable services in each of the periods presented except that the 2021 expenses include costs related to the annual general meeting held May 3, 2021.

The Company's insurance coverages remained consistent albeit subject to premium increases consistent with the changes in market rates.

Office and general expenses are of low significance and are well within management's expectations.



Liquidity

The Company continues to have a strong liquidity position as it holds cash in the amount of \$6,295,456 (Dec. 2020 - \$7,208,252) that is available to settle current liabilities in the amount of \$96,233 (Dec. 2020 - \$318,691).

The Company's primary source of cash is its short-term investment in marketable securities. Cash is derived through periodic receipt of dividends, interest, and sale proceeds whenever disposal may be considered prudent. In 2021 the Company realized investment income of \$102,538 (2020 - \$154,177) and \$393,142 (2020 - \$793,525) in sale proceeds. New short-term investments valued at \$972,588 (2020 - \$120,518) were acquired during 2021.

Capital resources and off-balance sheet arrangements

The Company has no long-term obligations. Furthermore, the Company has made no commitments for capital expenditures, leases, or contractual commitments in relation to its operations. The Company is well positioned to fund its operations for the foreseeable future.

Transactions with related parties

The Company has incurred the following transactions with related parties:

	Years ended Dec. 31		Three months ended Dec. 31	
	2021	2020	2021	2020
Services rendered by the CEO	\$ 50,060	\$ 50,961	\$ 12,560	\$ 12,500
Services rendered by the CFO	60,000	74,500	15,000	15,000
Directors' fees	14,000	10,053	9,500	500
Total cash-based expenses	<u>\$ 124,060</u>	<u>\$ 135,514</u>	<u>\$ 37,060</u>	<u>\$ 28,000</u>
Share based payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2021, \$46,540 (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.

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 value of stock options is determined using the Black-Scholes model and is accreted to contributed surplus, and to income as share-based payment expense, over the vesting period for the options.

In December 2015, the Company granted 345,000 stock options to its directors and a senior officer. These options, which are fully vested, have an exercise price of \$1.40 and may be exercised up to December 30, 2022.



Convertible instruments and other securities

There have been no transactions affecting the Company's issued or reserved securities since April 2018.

	<u>Quantity</u>	<u>Amount</u>
Common shares as at the date of this document	5,029,194	\$ 4,662,742

In addition to the shares already issued the Company has 345,000 common shares reserved for potential future issuance should stock options, exercisable at \$1.40 until December 30, 2022, be exercised.

The Company's fully diluted share position is as follows:

	<u>Quantity</u>
Common shares issued	5,029,194
Common shares reserved	345,000
Fully diluted share position as at the date of this document	<u>5,374,194</u>

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, and price risk. These market risks may, individually or collectively, be exacerbated by the impact of COVID-19. 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 \$230,000 in net income (loss).

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

Regulatory, Environmental and Other Risk Factors

The Company is currently not directly engaged in foreign operations, or field exploration and development operations, which may make it subject to various laws and regulations, including, without limitation, to health and safety matters, or to political risks which are outside the Company's control. The Company holds minority, natural gas production or other equity interests that are operated by the management and senior employees of other companies who the Company considers to be professional, competent and with business incentives to fully comply with all relevant regulatory and environmental regulations.



Forward-Looking Statements

Certain statements contained or incorporated in this MD&A which deal with the Company's financial condition and operating results, including information analyses and projections as to certain ongoing and future corporate developments which are currently in the research and development stage, and projections on the operating financial performance of the Company, constitute forward-looking statements. Such forward-looking statements, made with special reference to merger and acquisition negotiations, involve known and unknown risks and uncertainties that could cause actual events and results to differ materially from those estimated or anticipated and which may have been implied or expressed in such forward-looking statements. No conclusions as to the successful outcome of the ongoing and planned business and research and development projects in which the Company is involved are intended nor implied nor can they be foreseen or predicted prior to definitive corporate announcements as to their successful outcome, or otherwise.

Furthermore, the forward-looking statements contained in this MD&A are made as of the date hereof. The Company does not undertake any obligation to update publicly, or to revise any of the said forward-looking statements, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.