Phoenix Canada Oil Company Limited
Management's Discussion and Analysis
For the Six Month Period Ended June 30, 2016

Basis of Presentation

Phoenix Canada Oil Company Limited (the ñCompanyò) has prepared the following managementôs discussion and analysis (ñMD&Aò) of the financial condition and results of operations of the Company. This MD&A constitutes managementôs review of the factors that affected the Companyôs unaudited interim condensed consolidated financial and operating performance for the six month period ended June 30, 2016. The MD&A was prepared as of August 29, 2016 and was approved by the Board of Directors on August 29, 2016.

This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the six month period ended June 30, 2016 and the audited consolidated financial statements for the year ended, December 31, 2015, 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.** Interested readers are also suggested to refer to the corporate website -- **www.phoenix-pco.com.**

The Company

The management of the Company, which is unchanged since the end of the last fiscal year, is comprised of the following individuals:

Charlotte Moore Hepburn [3, 5] MD., FRCPC., FAAP	Director, Interim CEO
Michael Detlefsen [1, 2, 3, 4]	Director
Greg Nuttall [1, 2, 3, 4]	Director
Charles Burns [1, 2]	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 science committee
(4) Denotes an independent director
(5) The Company is currently negotiating a service contract with the Interim CEO which is expected to establish the service term and corresponding compensation, including incentives tied to the future performance of the Company.

Corporate Performance

Throughout the first half of the 2016 fiscal year the Company continued to be in strong cash and liquidity positions. During the period it completed a private placement while deriving income from short term investments, holding long-term investments with significant opportunity for growth, and evaluating its scientific prospects and oil and gas properties.

The Company completed a private placement transaction in April 2016 whereby it issued 200,000 working capital units for gross proceeds of $280,000 and net proceeds of $274,225. This private placement was offered exclusively to directors of the Company with the intent of aligning the interests of the Companyôs directors with the interests of its shareholders.

Corporate Performance - continued

The Company maintains non-operated, minority (averaging less than 10%) working and royalty interests in mature Western Canada gas production properties which are generally nearing the end of their economic life. Although the Company is not in possession of any projections it is anticipated that the relatively nominal royalties will continue for the foreseeable future. The Company is not aware of any environmental liabilities arising from, or relating to, the ownership or operation of any of the properties in which it holds an interest.

The Company is engaged in research initiatives aimed at testing the viability of efficiently manufacturing and harvesting energy from low-cost, renewable, alternative sources.

The Hydrogen Project, which involves a proprietary technology focused on the light-powered generation of low cost Hydrogen gas from an ordinary water feedstock, was being developed under a contract with a Canadian university that specializes in research and development projects. During the latter part of the contract period a key individual left the university and replacement personnel suitable to the Company was not put in place by the university prior to the end of the contract term in May 2014. The Company withheld payment of $100,625 based on its determination that the terms of the contract were not fulfilled. Negotiations regarding the settlement of this contract dispute are ongoing.

Phoenix also holds exclusive commercial rights to its proprietary Synfuel Technology to produce a full range of conventional liquid transportation fuels now in commercial use. The Company continues to support Synfuel research at University of Ottawa and embarked on a new research project in late 2015 which continues as at the date of this document. This new project explores the transition of this innovative technology from lab-scale to a commercial pilot production plant.

To date, the Company has invested seed capital in early stage research, usually augmented by government funding, to test and further develop the science underpinning these initiatives. As with all research at this stage of development, there is no guarantee that these efforts will be successful and lead to commercialization or a return on invested capital.

The Company retained the services of two well-regarded independent scientific evaluators to complete assessments of the scientific status of the Hydrogen Project and the Synfuel Technology. The original timeline to complete the independent scientific reviews was extended in order to develop and analyze the results of a comprehensive RWGS syngas production model, as well as a fully inclusive techno-economic assessment. The reports from these evaluators, which each contain multiple recommendations, were received shortly in advance of the release of this document. The Science sub-committee of the Board of Directors will meet and explore the recommendations contained in these reports with the objective of determining the most appropriate next steps for the Company.

The Company holds two long-term investments, representing positions of less than 3% in each company, which are not revenue producing and are quite volatile. During the three month period ended June 30, 2016 the aggregate market value of these investments rose by $121,000 to partially offset a decline of $470,000 incurred during the previous quarter. The Company continuously evaluates the buy-hold-sell prospects for each of these investments and during the six month period it sold shares for proceeds of $7,543 resulting in gains of $6,961.

Corporate Performance - continued

The Companyӧs portfolio of short-term investments performed reasonably well during the quarter ended June 30, 2016 as gains of $129,000 were realized through sales, the aggregate market value of investments held rose by $20,000, and the monthly income provided by these investments rose marginally to over $65,000. The Company also acquired one new revenue producing investment at a cost of $73,200. Thus far in 2016 the Company has sold investments valued at $495,000 for gains of $349,000 and reinvested $785,000. At the end of each financial reporting period the Company completes a valuation review of each of its investments whereby the cost to acquire each investment, less any return of capital and impairment provisions recorded, is compared to market value. The review completed at June 30, 2016 determined that certain investments were subject to significant or prolonged declines in fair value. An impairment provision of $15,014 was recognized by removing the unrealized losses from other comprehensive income and charging them against net income for the quarter. Total impairment charges for the six month period are $93,673.

Selected Financial Data

The following selected financial information may provide additional insights relative to the Companyӧs operating performance and financial position:

	For the fiscal years ended:		
	Dec. 15	Dec. 14	Dec. 13
Oil and gas revenues	6,016	38,972	48,637
Net (loss) from operations	(377,547)	(356,243)	(1,821,068)
Per share	(0.08)	(0.07)	(0.38)
Net income (loss) for the year	(986,288)	47,106	(1,549,622)
Per share	(0.21)	0.01	(0.32)
Total assets	8,811,505	9,688,099	8,999,976
Total long-term financial liabilities	-	-	-
Total liabilities	175,243	443,765	349,591

	For the three month periods ended:			
	June 16	Mar. 16	Dec. 15	Sep. 15
Oil and gas revenues	6,095	136	796	543
Net (loss) from operations	(112,955)	(65,496)	(172,018)	(54,094)
Per share	(0.02)	(0.01)	(0.04)	(0.01)
Net income (loss) for the period	71,037	106,362	(1,114,483)	31,145
Per share	0.01	0.02	(0.24)	0.01

	For the three month periods ended:			
	June 15	Mar. 15	Dec. 14	Sep. 14
Oil and gas revenues	2,798	1,879	29,153	7,784
Net (loss) from operations	(103,663)	(47,712)	(57,609)	(61,023)
Per share	(0.02)	(0.01)	(0.01)	(0.02)
Net income (loss) for the period	57,202	39,848	98,581	43,463
Per share	0.01	0.01	0.02	0.01

The Company did not declare, or pay, any cash dividends during any of the periods noted above.

Results of Operations

	Six months ended		Three months ended	
	June 16	June 15	June 16	June 15
Oil and gas revenues	$ 6,231	$ 4,677	$ 136	$ 136
Oil and gas expenditures	1,065	(4,341)	(224)	(224)
Gross profit (loss)	$ 5,166	$ 336	$ (88)	$ (88)

The oil and gas interests consist primarily of mature wells with limited production. The Company is not the operator of any of the wells in which it holds interests and is reliant upon the operators to report revenues and expenses in a timely and accurate manner. Due to the age and inconsistency of these assets the revenues and gross profit (loss) derived in one period should not be construed as predictive of future periods.

Expenses incurred were as follows:

	Six months ended		Three months ended	
	June 16	June 15	June 16	June 15
Administrative expenses	$ 92,183	$ 137,653	$ 45,447	$ 64,784
Research and development	53,959	2,915	53,959	2,260
Project development costs	-	31,807	-	31,807
Share based payments	36,615	3,979	18,307	1,426
Foreign exchange (gain) loss	860	(27,125)	496	(55)
Depreciation	-	2,541	-	2,148
Total expenses	$ 183,617	$ 151,770	$ 118,209	$ 102,370

Additional details with respect to Administrative expenses are provided below.

Research and development expenses incurred during the quarter ended June 30, 2016 represent the fees to date relative to two independent assessments of the scientific status of the Hydrogen Project and the Synfuel Technology. Costs incurred during the three and six month periods ended June 30 2015 were incidental scientific expenditures not specifically related to the Companyôs projects.

The Company did not incur any expenditures relating specifically to its scientific projects during the periods presented. Near the end of the 2015 fiscal year the Company satisfied its financial obligation relative to a research project at University of Ottawa, related to its Synfuel Technology. That research work is expected to be completed over the next three months. The Companyôs financial obligation, which was charged to income at the time of payment, needed to be satisfied at the projects inception as a condition of the government grant program that is helping to fund this undertaking. This research is expected to provide significant guidance relative to the potential for a commercial pilot production plant.

Share based payments in the 2016 periods relate to 345,000 options granted to directors and officers of the Company in December 2015 for which 25% of the options vested on the date of grant with an additional 25% vesting on each of the first three annual anniversaries of the grant. Share based payments in the 2015 periods relate to 50,000 options that were granted to one of the Companyôs directors in May 2013, which became fully vested May 2015. The Company utilizes the Black-Scholes model to determine the value of stock options and that value is then accreted to income over the vesting periods.

Results of Operations - continued

The foreign exchange amounts realized during each period represents the impact of changes in foreign exchange rates relative to cash and accounts payable denominated in US funds. The Company receives incidental investment income, and incurs certain expenses, in US dollars. During the first quarter of 2015 the Company held US cash in excess of its operating requirements which was converted into Canadian dollars thereby reducing future exposure to these gains and losses.

Administrative expenses incurred were as follows:

	Six months ended		Three months ended	
	June 16	June 15	June 16	June 15
Management and corporate services	$ 47,374	$ 67,843	$ 24,772	$ 38,319
Shareholder services	16,725	17,314	5,373	2,643
Professional fees	21,506	21,248	11,596	9,290
Insurance	3,510	-	1,755	-
Occupancy costs	-	21,243	-	8,497
Office and general	3,062	9,192	1,945	5,629
Travel	6	813	6	406
Total administrative expenses	$ 92,183	$ 137,653	$ 45,447	$ 64,784

Management and corporate services, for the current period, are comprised of fees for services rendered by the Companyós Interim Chief Executive Officer (CEO) and its Chief Financial Officer (CFO). For the periods ended June 2015 these costs include fees for services rendered by the Companyós CEO, the CEOós administrative assistant, and the CFO, including fees arising prior to his appointment as CFO April 2015.

Shareholder services encompasses any and all costs associated with dealings with regulators or in relation to the Company`s shareholders and securities, including fees charged by the Company`s transfer agent. Costs rose in the fiscal quarter ended June 2016 as a consequence of the private placement that was completed but remain lower for the six months then ended due to costs avoided when the Company opted to not renew its Normal Course Issuer Bid.

Professional fees include legal fees and fees charged by the Companyós auditors in relation to the annual financial statement audit and tax compliance services. The 2015 expense was almost exclusively comprised of costs related to services from the Companyós auditors. The 2016 expense includes reduced fees for auditor services plus legal fees arising from securities based transactions and from continuing attempts to achieve settlement with the party previously contracted to conduct research in relation to the Companyós Hydrogen Project.

Insurance costs represent the cost of insurance to support the Company`s indemnification of its Directors and officers. There were no similar costs during the 2015 periods as the company opted to self-insure from March 2014 until a new policy was initiated September 2015.

Occupancy costs related to the corporate office that the Company maintained until its lease expired at the end of May 2015. It was determined prior to lease expiry that the Companyós management could conduct their business through their personal facilities. This has also contributed to the decline in office and general expenses. The Company will entertain the prospect of a new venue when business volumes warrant it.

Liquidity

The Company continues to have a strong liquidity position as it holds cash in the amount of $2,238,994 (June 2015 ï $1,880,547) that is available to settle current liabilities in the amount of $179,621 (June 2015 - $175,943).

The Company is currently negotiating a resolution to an outstanding research contract, related to the Hydrogen Project, for which services were not provided, causing the Company to withhold final payments amounting to $100,625. The liability was recorded by the Company in accordance with generally accepted accounting principles. Negotiations are ongoing but the timing and terms of any outcome are uncertain.

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 return of capital along with proceeds of sale whenever a sale is considered prudent. During the six months ended June 30, 2016 the Company realized sale proceeds of $495,477 which resulted in realization of gains in the amount of $349,206. New short-term investments of $784,592 were acquired during the period. For the comparable period ended June 30, 2015 the Company generated sale proceeds of $324,872, realized gains of $82,246, and did not acquire any new investments.

Capital Resources and Off-Balance Sheet Arrangements

The Company has no long-term obligations as at the date of this document. Furthermore, the Company has made no commitments for capital expenditures, leases, or contractual commitments in relation to its operations or its scientific endeavors.

The Company believes it is well positioned, as a result of its short term and long term investments, to fund expenditures of this nature, if any, that may arise in the foreseeable future.

Transactions with Related Parties

The Company has incurred the following transactions with related parties:

	Six months ended		Three months ended	
	June 16	June 15	June 16	June 15
Services rendered by the CEO	$ -	$ 25,000	$ -	$ 12,500
Services rendered by the Interim CEO	30,374	-	16,272	-
Services rendered by the CFO	17,000	4,500	8,500	-
	$ 47,374	$ 29,500	$ 24,772	$ 12,500
Share based payments	$ 36,615	$ 3,979	$ 18,307	$ 1,426

At June 30, 2016, $50,920 (Dec. 2015 - $33,987) was payable to the related parties noted above and is included in accounts payable and accrued liabilities. The amounts due are unsecured, non-interest bearing, and due on demand.

Transactions with Related Parties - continued

During the period the Company completed a private placement transaction whereby it issued 200,000 working capital units, at a price of $1.40 per unit for gross proceeds of $280,000. Costs of $5,775 were incurred in relation to this offering resulting in net proceeds of $274,225. Each working capital unit was comprised of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $1.50 until April 26, 2018. This private placement was offered exclusively to directors of the Company with the intent of aligning the interests of the Companyǿs directors with the interests of its shareholders.

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. The value attributed to these options, using the Black Scholes valuation model, is accreted to income over the vesting period for the options. The Company has granted the following options to related parties:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted May 2013	50,000	50,000	$	2.00	May 21, 2018
Granted December 2015	345,000	86,250	$	1.40	Dec. 30, 2022

Financial Instruments

The Companyǿs financial instruments consist of the following:

Financial Assets	*Classification*
Cash	Loans and receivables
Short-term investments	Available-for-sale
Other receivables	Loans and receivables
Long-term investments	Available-for-sale

Financial Liabilities	*Classification*
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable to related party	Other financial liabilities

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Available-for-sale - Non-derivative financial assets not included in the above category are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of an impairment that is other than temporary, the amount of the loss is removed from accumulated other comprehensive income and recognized in net income or loss.

Other financial liabilities - These instruments are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial Instruments - continued

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.

Changes in Accounting Policy

The Companyǿs accounting policies will typically change only when there is a change in IFRS. There were no changes in IFRS during the current fiscal year that were required to be adopted by the Company. The following change in IFRS has been approved and will take effect in future periods:

IFRS 9 - Financial Instruments
Effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of future cash flows. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning January 1, 2018 and has not yet considered the potential impact of its adoption.

Convertible Instruments and Other Securities

The Company has the following securities issued:

	Quantity	Amount
Common shares at December 31, 2014	4,746,294	$ 4,238,395
Shares repurchased under normal issuer bid	(1,400)	(1,250)
Common shares at June 30, 2015	4,744,894	4,237,145
Shares repurchased under normal issuer bid	(58,200)	(51,972)
Common shares at December 31, 2015	4,686,694	4,185,173
Shares issued under private placement (1)	200,000	238,029
Common shares at June 30, 2016	4,886,694	$ 4,423,202

(1) The amount presented is comprised of the gross proceeds from the offer of $280,000 less direct costs incurred of $5,775 and $36,196 allocated to the warrants issued as an element of this placement.

The Company has the following securities reserved for potential future issuance:

	Quantity
Warrants, exercisable at $1.50 until April 26, 2018	200,000
Stock options, exercisable at $2.00 until May 18, 2018	50,000
Stock options, exercisable at $1.40 until December 30, 2022	345,000
Common shares reserved as at June 30, 2016 and as at the date of this document	595,000

Convertible Instruments and Other Securities - continued

The Company’s fully diluted position is as follows:

	Quantity
Common shares at June 30, 2016	4,886,694
Common shares reserved at June 30, 2016	595,000
Fully diluted position as at June 30, 2016 and as at the date of this document	5,481,694

Financial Risk Factors

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. 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 and long-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 a short term investment that is denominated in US dollars and the potential impact because of changes in foreign exchange rates.

Sensitivity to Market Risk

A 15% increase or decrease in the fair values of the Company's short-term and long-term investments could result in an increase or decrease of approximately $1,025,000 in comprehensive income (loss).

A 15% increase or decrease in the Canadian dollar relative to the US dollar could result in an increase or decrease of approximately $12,500 in comprehensive 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 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.

Significant Accounting Estimates and Judgements

The preparation of 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. The 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 current and future periods.

Significant estimates and judgments include, but are not limited to, the assessment as to whether investments may be impaired and the recognition and valuation of deferred tax amounts.

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 the Company's ongoing hydrogen gas generation project and on 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.