

Phoenix Canada Oil Company Limited

Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2018

(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 May 28, 2018. 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 March 31, 2018 and December 31, 2017

	March 31 2018	December 31 2017
ASSETS		
Current assets		
Cash	\$ 3,723,591	\$ 3,845,094
Short-term investments	5,360,921	5,527,198
Other receivables	25,701	26,112
	9,110,213	9,398,404
Interest in oil and gas properties <i>(note 4)</i>	1	1
	\$ 9,110,214	\$ 9,398,405
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 5)</i>	\$ 239,238	\$ 199,452
Equity		
Share capital <i>(note 6)</i>	4,423,202	4,423,202
Warrants <i>(note 6)</i>	36,196	36,196
Contributed surplus reserve <i>(note 7)</i>	434,589	431,897
Accumulated other comprehensive income	1,058,587	1,955,028
Retained earnings	2,918,402	2,352,630
	8,870,976	9,198,953
	\$ 9,110,214	\$ 9,398,405

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 March 31, 2018 and 2017

	Share Capital				Accumulated		
	Number of	Paid up		Contributed	Other	Retained	
	Shares	Amount	Warrants	Surplus	Comprehensive	Earnings	Total
					Income		
Balance, December 31, 2016	4,886,694	\$ 4,423,202	\$ 36,196	\$ 401,594	\$ 2,236,791	\$ 1,973,005	\$ 9,070,788
Share based payments	-	-	-	7,486	-	-	7,486
Other comprehensive income for the period	-	-	-	-	98,424	-	98,424
Net income for the period	-	-	-	-	-	44,944	44,944
Balance, March 31, 2017	4,886,694	4,423,202	36,196	409,080	2,335,215	2,017,949	9,221,642
Share based payments	-	-	-	22,817	-	-	22,817
Other comprehensive loss for the period	-	-	-	-	(380,187)	-	(380,187)
Net income for the period	-	-	-	-	-	334,681	334,681
Balance, December 31, 2017	4,886,694	4,423,202	36,196	431,897	1,955,028	2,352,630	9,198,953
Reclassification upon adoption of IFRS 9 (note 3)	-	-	-	-	(676,075)	676,075	-
Share based payments	-	-	-	2,692	-	-	2,692
Other comprehensive loss for the period	-	-	-	-	(220,366)	-	(220,366)
Net loss for the period	-	-	-	-	-	(110,303)	(110,303)
Balance, March 31, 2018	4,886,694	\$ 4,423,202	\$ 36,196	\$ 434,589	\$ 1,058,587	\$ 2,918,402	\$ 8,870,976

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

(Stated in Canadian Dollars)

For the three month periods ended March 31

	2018	2017
Revenue		
Oil and gas income	\$ 426	\$ 539
Direct Costs		
Operating expenses (recovered)	429	(2,412)
Gross (loss) income	(3)	2,951
Expenses		
Administrative (notes 5 and 8)	126,765	60,884
Foreign exchange (gain) loss	(152)	441
Project development costs	-	707
Share based payments (notes 5 and 7)	2,692	7,486
	129,304	69,518
Loss before investment income, sale of investments and impairment	(129,307)	(66,567)
Investment income	51,932	59,822
Gain on sale of investments	-	98,949
Impairment of short-term investments	-	(61,967)
(Loss) income before provision for income taxes	(77,375)	30,237
(Provision for) recovery of income taxes ñ deferred (note 9)	(32,928)	14,707
Net (loss) income for the period	\$ (110,303)	\$ 44,944
(Loss) earnings per common share		
Basic	\$ (0.03)	\$ 0.01
Fully diluted	\$ (0.03)	\$ 0.01
Weighted average number of shares		
Basic	4,886,694	4,886,694
Fully diluted	4,886,694	\$ 4,900,115
Comprehensive Loss		
To not be subsequently reclassified to net income:		
Unrealized loss on short-term investments	\$ (253,294)	\$ -
Deferred taxes	32,928	-
To be subsequently reclassified to net income:		
Unrealized income on short-term investments	-	326,676
Unrealized loss on long-term investments	-	(470,197)
Reclassification of gains included in net income for the period	-	(115,326)
Deferred taxes	-	33,650
Other comprehensive loss for the period	(220,366)	(225,197)
Net (loss) income for the period	(110,303)	106,362
Net comprehensive loss for the period	\$ (330,669)	\$ (118,835)

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 three month periods ended March 31

	2018	2017
Operating activities		
Net (loss) income for the period	\$ (126,432)	\$ 44,944
Items not affecting cash:		
Impairment of short term investments	18,539	61,967
Gain on sale of investments	-	(98,949)
Share based payments	2,692	7,486
Income tax provision (recovery) - deferred	30,518	(14,707)
	(74,683)	741
Other sources of cash from operations:		
Other receivables	411	6,880
Accounts payable and accrued liabilities	39,786	3,292
	(34,486)	10,913
Cash flow from investing activities:		
Purchase of investments	(94,778)	(46,500)
Return of capital on investments	7,761	7,123
Proceeds from disposal of investments	-	298,360
	(87,017)	258,983
(Decrease) increase in cash	(121,503)	269,896
Cash, beginning of period	3,845,094	2,685,813
Cash, end of period	\$ 3,723,591	\$ 2,955,709

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)

March 31, 2018

1. Business of the Company

Phoenix Canada Oil Company Limited ("the Company") was incorporated on November 25, 1944 pursuant to the Canada Business Corporation Act. The Company's address is 3219 Yonge Street, Box 307, Toronto, Ontario, Canada M4N 3S1. It is a Canadian company that maintains non-controlling equity investment positions in public companies. It also holds minority interest investments in several mature gas fields in Western Canada, the carrying value of which is \$1. The Company previously announced that it 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 May 28, 2018.

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, 2017, with the exception of the changes arising from the adoption of IFRS 9 Financial instruments with a date of initial application of January 1, 2018.

The notes to these unaudited interim condensed financial statements are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since December 31, 2017. 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, 2017.

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 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.

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2018

2. Basis of presentation and statement of compliance - continued

Functional currency

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

3. Change in accounting policy

The Company's accounting policies will typically change only when there is a change in IFRS. Effective January 1, 2018 the Company has adopted IFRS 9 which uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is generally based on how an entity manages its financial assets in the context of its business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income or loss. Impairment of financial assets are determined using a single impairment model that requires entities to recognize expected credit losses without requiring a triggering event to occur. The new impairment model applies to financial assets measured at amortized cost or fair value through other comprehensive income, except for equity instruments. IFRS 9 largely retains the existing requirements under IAS 39 for the classification and measurement of financial liabilities.

This standard has been applied retrospectively using the available transitional provisions that allow an entity not to restate comparative period information. The Company has recognized the effects of applying this standard as an adjustment to opening retained earnings as at January 1, 2018.

The Company has applied the irrevocable option for each of our equity investments resulting in measurement of gains and losses in other comprehensive income or loss. Upon the adoption of IFRS 9, the Company recorded a reclassification of impairment charges previously recognized in the consolidated statement of earnings from retained earnings to accumulated other comprehensive income as at January 1, 2018.

We have assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS39, as follows:

Financial Assets	IFRS 9	IAS39
Cash	Amortized cost	Loans and receivables
Short-term investments	Fair value through other comprehensive income	Available for sale
Other receivables	Amortized cost	Loans and receivables
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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3. Change in accounting policy - continued

Initial recognition ñ A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Fair value through other comprehensive income ñ Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through profit and loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Amortized cost ñ 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.

4. Interest in Oil and Gas Properties

	March 31 2018	December 31 2017
Oil and gas leases and/or permits	\$ 1	\$ 1

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

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):

- \$15,067 (Mar. 2017 - \$21,187) for services rendered by its Chief Executive Officer.
- \$14,000 (Mar. 2017 - \$11,000) for services rendered by its Chief Financial Officer.
- \$6,500 (Mar. 2017 - \$Nil) for Directors' fees.

The Company incurred share based payment expense of \$2,692 (Mar. 2017 - \$7,486) relative to stock options granted to officers and directors during prior periods which had not vested prior to the start of the current financial reporting period.

At March 31, 2018, \$162,194 was payable to the related parties noted above and is included in accounts payable and accrued liabilities (December 31, 2017 - \$141,479). The amount due is unsecured, non-interest bearing, and is due on demand.

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6. Share capital

Authorized

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

Activity

During the period ended March 31, 2017 there were no transactions involving the Company's common shares, warrants, or stock options.

Warrants

	Number of warrants	Amount
Balance, March 31, 2018 and December 31, 2017	200,000	\$ 36,196

	Number of Warrants	Exercise Price	Expiry Date
Issued Apr 29, 2016	200,000 ⁽¹⁾	\$ 1.50	Apr. 26, 2018

⁽¹⁾ Directors and/or Officers of the Company hold these warrants. Subsequent to the end of the reporting period 142,500 warrants were exercised and 57,500 warrants expired.

There were no warrants issued during the period ended March 31, 2018 or during the year ended December 31, 2017.

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:

	March 31 2018	December 31 2017
Balance, beginning of period	\$ 431,897	\$ 401,594
Compensation expense related to stock options	2,692	30,303
Balance, end of period	\$ 434,589	\$ 431,897

Details of options outstanding:

	Common Shares Under option	Number of Options Vested	Exercise Price	Expiry Date
Granted May 21, 2013	50,000 ⁽¹⁾	50,000	\$ 2.00	May 21, 2018
Granted Dec. 30, 2015	345,000 ⁽¹⁾	258,750 ⁽²⁾	\$ 1.40	Dec. 30, 2022

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

⁽²⁾ 75% of these options have vested and the remainder will vest on December 30, 2018. The Company currently anticipates that all options will vest.

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8. Administrative Expenses

	March 31 2018	March 31 2017
Management and corporate services (note 5)	\$ 35,567	\$ 32,187
Shareholder services	13,217	8,890
Professional fees	75,621	14,742
Insurance	1,512	1,512
Office and general	800	954
Travel	48	2,599
	\$ 126,765	\$ 60,884

9. Income Taxes

Deferred tax liability

The following table summarizes the components of the deferred tax liability:

	March 31 2018	December 31 2017
Deferred tax assets:		
Non capital losses carried forward	147,132	177,650
Deferred tax liabilities:		
Unrealized gains on available for sale financial instruments	(147,132)	(177,650)
Deferred tax liabilities - net	\$ -	\$ -

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.

	March 31 2018	December 31 2017
Balance, beginning of period	\$ -	\$ -
Recognized in profit and loss	(30,518)	(42,049)
Recognized in other comprehensive income	30,518	42,049
Balance, end of period	\$ -	\$ -

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:

	March 31 2018	December 31 2017
Non-capital losses carried forward	\$ 1,098,326	\$ 1,333,080
Interest in oil and gas properties	341,910	341,910
Equipment and other	36,420	36,420

Phoenix Canada Oil Company Limited

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2018

9. Income Taxes - continued

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

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, and makes adjustments to it, in order to have funds available to support its corporate activities.

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

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

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 \$540,000 in comprehensive loss.

A 10% increase or decrease in the Canadian dollar relative to the US dollar could result in an increase or decrease of approximately \$10,650 in other comprehensive loss and an increase or decrease of approximately \$10 in net income.

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