CANADIAN PHOENIX RESOURCES CORP.

Consolidated Interim Financial Statements

For the three and six months ended June 30, 2010 and 2009

Unaudited

CANADIAN PHOENIX RESOURCES CORP.
Consolidated Balance Sheets
(unaudited)

	June 30, 2010 $	December 31, 2009 $
Assets		
Current assets		
Cash	66,933,618	459,207
Accounts and other receivables	457,532	4,467,988
Prepaid expenses	36,125	203,576
	67,427,275	**5,130,771**
Cash held in trust	-	234,751
Property and equipment (note 4)	2,687,094	61,224,188
Equity investment (note 5)	-	32,875,493
	70,114,369	**99,465,203**
Liabilities		
Current liabilities		
Bank loan (note 6)	-	9,979,259
Loan payable (note 6)	-	2,100,000
Accounts payable and accrued liabilities	1,582,889	6,277,269
	1,582,889	**18,356,528**
Asset retirement obligation (note 7)	998,532	4,850,525
Future income tax liability (note 8)	-	3,363,475
	2,581,421	**26,570,528**
Non-controlling interest (note 9)	**-**	**18,229,659**
Shareholders' Equity		
Share capital (note 10a,10b)	119,397,580	119,397,580
Warrants (note 10d)	31,054,963	31,054,963
Contributed surplus (note 10c)	4,922,715	4,922,715
Deficit	(87,842,310)	(100,710,242)
	67,532,948	**54,665,106**
	70,114,369	**99,465,203**
Commitments (note 11)		

See accompanying notes to the consolidated interim financial statements

CANADIAN PHOENIX RESOURCES CORP.

Consolidated Statement of Operations, Comprehensive Income (Loss) and Deficit

(unaudited)

	Three months ended June 30, 2010 $	Three months ended June 30, 2009 $	**Six months ended June 30, 2010 $**	Six months ended June 30, 2009 $
Revenue				
Oil and natural gas	2,627,986	4,278,273	8,279,645	7,682,610
Royalties	(574,840)	(1,103,675)	(2,065,880)	(1,696,837)
	2,053,146	3,174,598	**6,213,765**	5,985,773
Expenses				
Operating costs	1,277,244	1,349,418	3,383,447	2,961,656
Depletion, depreciation and accretion (note 4)	1,316,048	3,614,624	4,332,220	9,367,025
Impairment of property and equipment (note 4)	5,000,000	7,663,921	5,000,000	7,663,921
Stock based compensation (note 10e)	701,698	620,765	1,495,158	1,271,244
General and administrative	4,537,858	1,896,309	5,889,598	3,399,922
Bad debts expense	–	–	39,000	–
Interest accretion on borrowings	–	70,000	–	70,000
Interest expense	97,589	16,158	270,582	20,679
Impairment of goodwill	–	–	–	213,939
	12,930,437	15,231,195	**20,410,005**	24,968,386
Net loss before other items	**(10,877,291)**	(12,056,597)	**(14,196,240)**	(18,982,613)
Other items				
Other income	7,538	281,484	129,423	293,351
Net loss – equity investment (note 5)	(1,542,644)	(836,347)	(1,026,088)	(5,780,452)
Gain on disposal of equity investment (Note 5)	12,841,983	–	12,841,983	–
Gain on disposal of subsidiary (Note 3)	13,161,409	–	13,161,409	–
Net loss – non-controlling interest (note 9)	1,842,428	935,479	456,709	2,022,975
Net income (loss) before taxes	**15,433,423**	(11,675,981)	**11,367,195**	(22,446,739)
Current income tax expense	–	(44,908)	–	(44,908)
Future income tax recovery (Note 8)	956,000	637,792	1,500,737	2,199,181
Net income (loss) and comprehensive income (loss) for the period	**16,389,423**	(11,083,097)	**12,867,932**	(20,292,466)
Deficit, beginning of period	(104,231,733)	(79,467,504)	(100,710,242)	(70,258,135)
Deficit, end of period	**(87,842,310)**	(90,550,601)	**(87,842,310)**	(90,550,601)
Net income (loss) per share				
Basic (note 10f)	0.35	(0.24)	0.28	(0.45)
Diluted (note 10f)	0.35	(0.24)	0.28	(0.45)

See accompanying notes to the consolidated interim financial statements

CANADIAN PHOENIX RESOURCES CORP.

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended June 30, 2010 $	Three months ended June 30, 2009 $	**Six months ended June 30, 2010 $**	Six months ended June 30, 2009 $
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	16,389,423	(11,083,097)	12,867,932	(20,292,466)
Items not affecting cash				
Non-controlling interest	(1,842,428)	(935,479)	(456,709)	(2,022,975)
Depletion, depreciation & accretion	1,316,048	3,614,624	4,332,220	9,367,025
Impairment of property, plant and equipment	5,000,000	7,663,921	5,000,000	7,663,921
Net loss - equity investment	1,542,644	836,347	1,026,088	5,780,452
Stock-based compensation	701,698	620,765	1,495,158	1,271,244
Bad debts expense	–	–	39,000	–
Gain on sale of subsidiary	(13,161,409)	–	(13,161,409)	–
Gain on sale of equity investment	(12,841,983)	–	(12,841,983)	–
Interest accretion on borrowings	–	70,000	–	70,000
Impairment of goodwill	–	–	–	213,939
Future tax recovery	(956,000)	(637,792)	(1,500,737)	(2,199,181)
	(3,852,007)	149,289	(3,200,440)	(148,041)
Change in non-cash working capital	(1,664,364)	(1,517,749)	(1,574,606)	(3,961,896)
	(5,516,371)	(1,368,460)	**(4,775,046)**	(4,109,937)
Financing activities				
Increase/(decrease) in bank loan	–	3,162,003	(9,979,259)	3,162,003
Decrease in loan payable	(2,100,000)	–	(2,100,000)	–
	(2,100,000)	3,162,003	**(12,079,259)**	3,162,003
Investing activities				
Acquisition of petroleum and natural gas assets	(84,815)	(1,070,460)	(566,548)	(8,036,143)
Disposal of petroleum and natural gas assets	–	750,000	20,748,791	750,000
Disposal of subsidiary (net of cash disposed of $5,628,342 and transaction costs)	19,069,284	–	19,069,284	–
Disposal of equity investment, net of costs	44,691,364	–	44,691,364	–
Movement in restricted cash/cash held in trust	–	314	–	1,773,877
Change in non-cash working capital	(429,949)	(7,067,053)	(614,175)	(3,468,615)
	63,245,884	(7,387,199)	**83,328,716**	(8,980,881)
Increase/(decrease) in Cash	**55,629,513**	(5,593,656)	**66,474,411**	(9,928,815)
Cash, beginning of period	11,304,105	6,067,511	459,207	10,402,670
Cash, end of period	**66,933,618**	473,855	**66,933,618**	473,855
Supplemental Cashflow Information				
Taxes paid	–	–	–	–
Interest paid	49,192	75,714	222,018	75,714

See accompanying notes to the consolidated financial statements

1. BASIS OF PREPARATION

Canadian Phoenix Resources Corp. (the "Corporation") is engaged in the exploration, development and production of oil and natural gas in Western Canada. The consolidated interim financial statements as at and for the three and six months ending June 30, 2010 are comprised of the Corporation and its controlled entities (the "Group"). The Corporation disposed of its subsidiary Serrano Energy Ltd ("Serrano") on May 26, 2010 and therefore the revenues and expenses of Serrano are included in the consolidated statement of operations to that date only. Refer to Note 3 for details of the Serrano disposition. The Corporation also disposed of its significant equity investment in Teine Energy Ltd (formerly Marble Point Energy Ltd, "Marble Point") on June 25, 2010 – refer to Note 5 for details.

The financial statements of the Group are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated interim financial statements have been prepared on the same basis as the annual consolidated financial statements for the year ended December 31, 2009. These interim consolidated financial statements do not contain all the note disclosure required for annual financial statements and therefore should be read in conjunction with the December 31, 2009 annual audited consolidated financial statements. A copy of those financial statements is available on SEDAR (www.sedar.com).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Key sources of judgment and estimation uncertainty relate to the amounts recorded for depletion and depreciation of property, plant and equipment, the provision for asset retirement obligations, and the amounts used for the impairment test calculations. These amounts are based on estimates of reserves, future commodity prices, royalties, operating costs, development costs, abandonment costs, and the fair value of unproven properties, all of which are inherently uncertain.

2. CHANGE IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

a) In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

b) In January 2009, the CICA issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption on the results of operations or financial position.

c) IFRS Adoption

In February 2008, the Canadian Accounting Standards Board confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the results operations, financial position and financial statement disclosures.

3. DISPOSAL OF SUBSIDIARY

On May 26, 2010, the shareholders of the Corporation and the shareholders of Serrano approved the sale of all of Serrano's shares to an intermediate oil and gas producer. The disposition of the Corporation's 10,981,000 shares in Serrano yielded gross proceeds of $24.8 million, of which $2.1 million were immediately used to repay the Corporation's mezzanine loan. Michael Atkinson, a director of the Corporation, acts as a consultant to the mezzanine lender and provided strategic advice for this lending transaction. Mr. Atkinson had also participated in funding (as to $95,000) the loan.

The deconsolidation of Serrano was effected by derecognizing the May 26, 2010 carrying value of Serrano's assets, liabilities and the non-controlling interest from the consolidated balance sheet, and the difference between the net carrying values and the $24.7 million net cash proceeds was recognized as a gain in the Statement of Operations, as follows:

Gross proceeds	$24,773,136
Less transaction costs	$75,509
Less net asset carrying value	$29,676,395
Less non-controlling interest carrying value	($18,140,177)
Gain on disposal of Serrano	**$13,161,409**

4. PROPERTY AND EQUIPMENT ("PP&E")

	June 30, 2010			December 31, 2009		
	Cost	Accumulated depletion/depreciation	Net Book Value	Cost	Accumulated depletion/depreciation	Net Book Value
Petroleum and Natural Gas properties and equipment	47,505,932	44,958,720	2,547,212	120,648,253	59,639,926	61,008,327
Office Furniture/equipment/ leasehold improvements	383,288	243,406	139,882	481,862	266,001	215,861
Total PP&E	**47,889,220**	**45,202,126**	**2,687,094**	**121,130,115**	**59,905,927**	**61,224,188**

During the second quarter, the Corporation deconsolidated its interest in Serrano (refer Note 3). In the first quarter of 2010, Serrano closed the sale of its 20% working interest in the Blackrod SAGD oil sands project for net proceeds of just under $21 million. Proceeds were recorded as a reduction in the cost of property and equipment.

An impairment charge of $5 million (2009: $7.6 million) was recorded at June 30, 2010 as the carrying value of the Corporation's property and equipment exceeded the future discounted cashflows associated with proved and probable reserves.

5. EQUITY INVESTMENT – MARBLE POINT ENERGY LTD

On April 27, 2010 the Corporation entered into a voting agreement with Marble Point (now Teine Energy Ltd) and a third party pursuant to which the Corporation agreed to vote its shares held in Marble Point in favor of an amalgamation between Marble Point and the third party, subject to receipt of requisite shareholder and regulatory approval. The Corporation's shareholders approved the transaction at a special meeting of shareholders held on May 26, 2010, while the shareholders of Marble Point approved the transaction (under slightly modified terms, none of which impacted the cash consideration available to the Corporation) on June 25, 2010.

Total proceeds on the sale of the Corporation's 90 million shares in Marble Point were $45 million or $44.7 million after transaction costs. A gain on sale of $12.8 million was recorded, being the excess of net proceeds over the carrying value of the equity investment in Marble Point as at June 25, 2010 of $31.9 million.

Prior to the disposition, the Corporation's investment in Marble Point contributed a loss of $1.5 million and $1.0 million for the three and six months ended June 30, 2010 (2009 – loss of $0.8 and $5.8 million) as summarized below.

	Three months ended June 30, 2010	Three months ended June 30, 2009	**Six months ended June 30, 2010**	Six months ended June 30, 2009
Revenue	$	$	$	$
Oil and gas	5,872,056	5,370,675	12,482,034	12,523,726
Royalties	(540,202)	(473,294)	(1,265,453)	(1,346,604)
Realized/unrealized gains – commodity derivatives	178,152	1,420,478	3,150,171	816,478
	5,510,006	**6,317,859**	**14,366,752**	**11,993,600**
Expenses				
Operating costs	1,560,694	1,263,359	3,322,856	2,756,229
Transportation	301,407	333,983	619,053	688,058
Depletion, depreciation and accretion	4,433,421	4,562,663	8,618,578	9,552,806
General and administrative	977,103	996,045	1,730,734	2,360,500
Stock-based compensation	290,400	214,380	387,623	1,969,909
Interest charges	630,438	488,560	1,183,280	794,210
Interest accretion – financing costs	8,906	-	18,533	-
Other income	(88,164)	(774,310)	(233,226)	(1,026,688)
Net loss before taxes	**(2,604,199)**	**(766,821)**	**(1,280,679)**	**(5,101,424)**
Tax recovery	-	-	-	-

Net loss after taxes	**(2,604,199)**	**(766,821)**	**(1,280,679)**	**(5,101,424)**
Proportional share of loss at 58.1% (2009:56.5%)	**(1,513,892)**	**(433,135)**	**(744,494)**	**(2,881,515)**
Consolidation adjustment – increased depreciation/depletion	(28,752)	(403,212)	(281,594)	(2,898,937)
Total equity loss – Marble Point investment	**(1,542,644)**	**(836,347)**	**(1,026,088)**	**(5,780,452)**

6. BANK LOAN & LOAN PAYABLE

The bank loan that existed at December 31, 2009 related to Serrano and was repaid at March 31, 2010.

As outlined in Note 3, the Corporation repaid its $2.1 million loan payable to a private, arm's length mezzanine lender following the closing of the Serrano transaction.

7. ASSET RETIREMENT OBLIGATION

Asset retirement obligations were estimated by management based on the Corporation's working interest in its wells, estimated costs to remediate, reclaim and abandon the wells and the estimated timing of the costs to be incurred. The net present value of the Corporation's estimated asset retirement obligation was $1.0 million at June 30, 2010 (December 31, 2009 - $4.9 million). Undiscounted cash flows required to settle the obligation over the estimated reserve life of the underlying assets (adjusted for inflation), is estimated at $1.1 million (December 31, 2009: $6.3 million).

Remediation costs are expected to be incurred over the next 2 to 6 years. A credit-adjusted risk-free rate of 7.5% and an inflation rate of 2% were used to calculate the net present value of the Corporation's asset retirement obligation.

The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	June 30 2010	Dec 31 2009
Asset retirement obligation, beginning of the period	$4,850,525	$4,551,669
Liabilities disposed	(3,589,398)	(158,135)
Liabilities incurred	-	73,432
Changes to estimates	(410,580)	26,912
Accretion expense	147,985	356,647
Asset retirement obligation, end of period	**$998,532**	$4,850,525

8. INCOME TAX

The tax recovery of $1.0 and $1.5 million for the three and six months ended June 30, 2010 relates to the operating loss incurred by Serrano. As such, the realization of future tax benefits on losses incurred in the Corporation is not considered more likely than not.

9. NON CONTROLLING INTEREST ("NCI")

The following details the movement in the non-controlling interest in Serrano to the point of its disposal on May 26, 2010:

	June 30, 2010	December 31, 2009
Balance - beginning of the period	$ 18,229,659	$26,777,183
NCI share of Serrano loss for the period	(456,709)	(3,725,723)
NCI share of Serrano transactions impacting share capital during the period (recognition of future tax liability on flow-through shares)	–	(872,083)
Increase in NCI in relation to Serrano stock-based compensation	322,602	1,742,091
Decrease in NCI due to Serrano share cancellation	–	(7,806,346)
Increase in NCI due to Serrano shares issued to settle accounts payable	–	1,280,758
Increase in NCI due to Serrano shares issued to private lender	–	720,668
Increase in NCI due to Serrano shares issued to directors/consultants	44,625	113,111
Derecognition of NCI on sale of investment in Serrano	(18,140,177)	
Balance, end of the period	**$ -**	$ 18,229,659

10. SHAREHOLDERS' EQUITY

a) Authorized

Unlimited number of common voting shares of no par value
Unlimited number of preferred shares of no par value

b) Issued and outstanding

	# Shares	**$ Value**
Balance- December 31, 2008	**1,131,893,771**	**118,977,580**
Share consolidation 25 for 1 November 2009	(1,086,618,020)	—
Shares issued – financing fees	976,744	420,000
Balance- December 31, 2009	**46,252,495**	**119,397,580**
Shares returned to Treasury	(175)	—
Balance- June 30, 2010	**46,252,320**	**119,397,580**

c) Options

Below is a summary of the options issued under the Corporation's stock option plan as at June 30, 2010:

	Number*	Weighted average exercise price* ($)
Outstanding – December 31, 2008	**247,440**	**4.25**
Granted	—	—
Expired	(2,000)	17.00
Forfeited	(123,040)	4.20
Outstanding – December 31, 2009	**122,400**	**3.13**
Expired	(97,600)	3.13
Outstanding – June 30, 2010	**24,800**	**3.13**

*Options have been decreased by a factor of 25 following the Corporation's 25 for 1 share consolidation in November 2009. The exercise price has correspondingly been adjusted upward by a factor of 25.

The following table summarizes information about stock options outstanding at June 30, 2010:

Exercise price	Outstanding June 30, 2010	Weighted average remaining contractual life in years	Weighted average exercise price	Number vested and exercisable	Weighted average exercise price – exercisable options
$3.13	24,800	2.5	$3.13	24,800	$3.13

d) Warrants

The following table is a summary of the Corporation's outstanding warrants as at June 30, 2010. Each warrant entitles the holder to purchase one common share in the Corporation at the relevant exercise price.

Date	Warrants*	Weighted Average Exercise Price*	Weighted Average Value per Warrant*	Total $ Value
Outstanding – Dec 31, 2008	**30,424,602**	**$4.48**	**$1.05**	**32,087,679**
Expired	(2,254,867)	$2.90	($0.63)	(1,416,295)
Modifications	—	—	—	383,579
Outstanding – Dec 31, 2009 and June 30, 2010	**28,169,735**	**$1.25**	**$1.10**	**31,054,963**

*Warrants have been decreased by a factor of 25 following the Corporation's 25 for 1 share consolidation in November 2009. The exercise price and value has correspondingly been adjusted upward by a factor of 25.

The following table is a summary of information about warrants outstanding at June 30, 2010:

Outstanding June 30, 2010	Weighted average remaining contractual life in years	Exercise price*	Number exercisable
8,904,712	0.6	$1.25	8,904,712
17,365,023	1.1	$1.25	17,365,023
1,900,000	1.2	$1.25	1,900,000
28,169,735	**1.0**	**$1.25**	**28,169,735**

*refer discussion above regarding changes to exercise price in 2011

(e) Stock Appreciation Rights

During the year ended December 31, 2009, the Corporation granted 66 million SARs at a strike price of $0.03 per SAR (post share consolidation: 2,640,000 SARs, exercise price $0.75). During 2009, 80,000 (post share consolidation) rights expired unexercised, and in the six months ended June 30, 2010 200,000 (post share consolidation) rights expired unexercised.

On March 30, 2010, 220,000 SARs were exercised, and on June 30, 2010 a further 220,000 SARs were exercised.

As at June 30, 2010, the fair value of total outstanding SARs (1,920,000), determined with reference to the Corporation's share price at June 30, 2010 of $1.27, was determined to be $1.0 million. This amount has been recorded as a financial liability, with a corresponding charge to stock-based compensation expense.

(f) Per share amounts

As described in Note 10(b) above, effective November 16, 2009 the Corporation consolidated its outstanding share capital on a 25:1 basis. The weighted average number of outstanding shares for 2009 has been adjusted to assume the consolidation occurred at the beginning of that year, for the purposes of all comparative per share disclosures.

For the three and six months ended June 30, 2010 the weighted average number of shares outstanding was 46.3 million (2009 – 45.3 million), yielding a basic net income per share of $0.35 and $0.28 (2009: loss of $0.24 and $0.45 per share respectively). Diluted earnings per share assumes the exercise of options and warrants as if issued at the later of the date of grant or the beginning of the year. This calculation takes into account only the options and warrants that are considered in-the-money over the three and six months ended June 30, 2010. Based on the Corporation's average share price over the three and six months periods ended June 30, 2010, no options or warrants were considered to be dilutive and therefore the weighted average number of dilutive shares outstanding is the same as the weighted average number of shares outstanding.

11. COMMITMENTS & CONTINGENCIES

a) At June 30, 2010, the Corporation had a $1.3 million commitment regarding the drilling of a well in central Alberta. This commitment was extinguished in July 2010 following the termination of the related joint venture agreement.

b) Future minimum lease payments relating to the operating lease for the Corporation's office space are as follows:

Year	Payments
2010	$7,900

The lease expires August 31, 2010 but can be renewed on a month-month basis.

c) Indemnifications
From time to time, the Corporation may be involved in litigation or have claims sought against it in the normal course of business operations. The Corporation is not currently aware of any claims or actions that would materially affect the reported financial position or results from operations.

Under the terms of certain agreements and the by-laws of the Corporation, the Corporation indemnifies individuals who have acted at the request of the Corporation to be a director and/or officer to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

12. RELATED PARTY TRANSACTIONS

Refer to Note 3 regarding the repayment of the Corporation's mezzanine loan during 2010.

13. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts and other receivables, accounts payable and accrued liabilities. All financial assets (except for cash and cash equivalents which are classified as held for trading), are classified as either loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There are no financial assets on the balance sheet that have been designated as available-for-sale. There have been no changes to the aforementioned classifications during the three and six months ended June 30, 2010.

The nature of these instruments and its operations expose the Corporation to market risk, credit risk and liquidity risks. The Corporation manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors of the Corporation has the overall responsibility for the establishment and oversight of the Corporation's risk management framework.

Market risk

Market risks are those risks that are outside of the control of the Corporation, the key ones being unfavorable movements in commodity prices, interest rates, and foreign exchange rates. The objective of the Corporation is to mitigate exposure to these risks, while maximizing returns.

(a) Commodity price risk

Due to the volatility of commodity prices, the Corporation is exposed to adverse consequences such as declining revenue and asset recoverability risks in the event of declining oil and gas prices. The Corporation manages commodity price risk by updating and monitoring forecast cash flows and profitability and making appropriate actions as needed. To date, the Corporation has not used hedging strategies, such as forward oil and natural gas sale contracts to lock in prices with respect to future deliveries, to counter commodity price risk. The Corporation may consider utilizing these types of derivative contracts in the future to protect its revenue cash flow.

(b) Interest Rate risk

At June 30, 2010 the Corporation's exposure to movements in interest rates was limited to an interest-earning (floating rate) bank account. The Corporation had no interest rate swaps or financial contracts to manage interest rate risk in place at year end, nor were any utilized during the period.

For the three and six months ended June 30, 2010, a difference in the interest rate of one percent would have an insignificant impact on net earnings, assuming all other variables are constant. Movements in interest rates are monitored.

(c) Foreign exchange risk

Although the Corporation's product revenues are denominated in Canadian dollars, the underlying market prices are affected by the exchange rate between the Canadian and the United States dollar. The Corporation does not make any significant foreign currency denominated payments. Foreign exchange rates movements are monitored. As at June 30, 2010 the Corporation had no contracts in place to manage foreign exchange risk and no such contracts were utilized during the year.

Credit Risk

Credit risk is the risk of default on payment by counterparties to financial assets held by the Corporation. Virtually all of the Corporation's accounts receivables are concentrated with a limited number of customers and joint venture partners in the oil and gas industry. Management considers this concentration of credit risk to be acceptable, as customers are major industry participants, and receivables from partners are protected by effective industry standard legal remedies. The Corporation requires cash calls from its partners on major field projects in advance of commencement.

Accounts receivable at June 30, 2010 were \$0.8 million, from trade customers and joint venture partners. Receivables related to the sale of production are normally collected on the 25^{th} day of the month following delivery. As at June 30, 2010, an impairment allowance of \$0.3 million is carried. No other receivables are considered impaired. At June 30, 2010, the Corporation had \$0.6 million in receivables outstanding for greater than 90 days, and with the exception of the \$0.3 million balance noted above, no collection issues with the remaining balances are expected.

The Corporation has an amount of \$0.2 million due from a joint venture partner which is past due but not considered impaired. The Corporation has been in negotiations with the debtor and a third party who may acquire the recievable, and settlement of the amount due is expected in September, 2010.

The maximum exposure to credit risk is therefore represented by the carrying amount of accounts receivable on the balance sheet.

The Corporation is potentially exposed to a risk with respect to cash amounts held in individual banking institutions for balances that are in excess of nominal guaranteed amounts. Cash balances at June 30, 2010 were held with one banking institution in Canada. Subsequent to June 30, 2010 another account was opened with another Canadian financial institution to spread some credit risk. The Corporation periodically monitors published and available credit information of all its banking institutions.

Liquidity risk

Liquidity risk is the risk that the Corporation is not able to meet its financial obligations as they come due. As the oil and gas industry is very capital intensive, the majority of the Corporation's spending and hence liquidity risk is related to funding its capital programs. The Corporation's goal is to prudently make capital expenditures while maintaining a strong credit reputation amongst its suppliers.

From time to time the Corporation enters into agreements which require expenditure commitments, such as the raising of flow-through equity capital and farm-in agreements with joint venture partners in the oil and gas industry. As disclosed in Note 11, as at June 30, 2010 the Corporation had a $1.3 million capital expenditure commitment, which was extinguished subsequent to period end.

The Corporation has established a standard of ensuring that it has enough available resources to meet its ongoing financial expenditure requirements. The Corporation also manages its available resources to ensure it can sustain a downturn in the oil and gas industry in which revenue streams contract and external financing may not be readily available.

Fair Values of Financial Assets and Liabilities

The fair values of the Corporation's financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those instruments.

14. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Corporation defines capital as shareholder equity, working capital and credit facilities when available. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth.

The Corporation manages the capital structure primarily through monitoring current and forecast working capital levels. This is coupled with ongoing assessments of the risk-reward profile of its exploration and development projects and economic indices including oil and natural gas prices. Cashflow and working capital forecasts are presented to and reviewed by the Board of Directors on a monthly basis.

There have been no changes in the Corporation's capital management strategies and processes from the previous year.

The Corporation has no externally imposed capital requirements.

CANADIAN PHOENIX RESOURCES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2010 and 2009

DATE

The following discussion and analysis is dated August 27, 2010.

OVERALL PRESENTATION

This Management's Discussion and Analysis ("MD&A") regarding Canadian Phoenix Resources Corp. ("the Corporation" or "Canadian Phoenix") and its controlled entities (the "Group") reflects information known to management as at August 27, 2010. This MD&A provides a discussion of the financial performance of the Group thus far in 2010, an overview of the Corporation's financial position, an outlook for the remainder of 2010 and is intended to supplement our unaudited consolidated interim financial statements for the three and six months ended June 30, 2010 and 2009.

The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes therein for the three and six months ended June 30, 2010 and 2009. The results reported are in accordance with accounting principles generally accepted in Canada ('GAAP'), and are presented in Canadian dollars unless otherwise stated. The information in this MD&A was approved by the Corporation's Board of Directors on August 27, 2010.

Forward-looking statements

Forward-looking statements are based on current expectations that involve a number of risks and uncertainties. These risks and uncertainties, many of which are beyond the control of the Corporation, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, stock market volatility and ability to access sufficient capital from internal and external sources. The Group's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits the Corporation can derive there from.

BOE Presentation

Per barrel of oil equivalent ("BOE") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil ("6:1"). The 6:1 conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. BOE disclosure may be misleading, particularly if used in isolation.

Non-GAAP Measurements

The terms "funds from operations", "funds from operations per share", "netbacks" and "netbacks per BOE" do not have any standardized meaning prescribed by GAAP and therefore might not be comparable with similarly described measures for other companies. The term "funds from operations", which is presented in the consolidated Statement of Cash Flows, is used by the

Corporation to analyze operating performance and liquidity. Netbacks equal total revenue less royalties and operating costs calculated on a commodity and BOE basis. Total BOE is calculated by multiplying the daily production by the number of days in the year or the quarter, as relevant.

BUSINESS OBJECTIVES AND STRATEGY

The Corporation has a strategy of being a consolidator of undervalued oil and gas assets in the Western Canadian Sedimentary Basin while also being involved in the exploration and development of oil and natural gas properties in certain high potential multi-zone areas in Western Canada. The Corporation strives to maintain a risk balance between exploration, development and exploitation projects combined with strategic acquisition opportunities that meet its business parameters.

In seeking to maximize value for its shareholders, the Corporation constituted a Special Committee of independent directors in mid 2009 to investigate and evaluate strategic alternatives available to the Corporation, including opportunities to divest certain of its oil and gas assets. During the second quarter of 2010, two significant divestments occurred:

- On May 26, 2010, the shareholders of the Corporation and the shareholders of the Corporation's subsidiary Serrano Energy Ltd ("Serrano") approved the sale of all of Serrano's shares to an intermediate oil and gas producer. The disposition of the Corporation's 10,981,000 shares in Serrano yielded gross proceeds of $24.8 million, of which $2.1 million were immediately used to repay the Corporation's mezzanine loan.

- On April 27, 2010 the Corporation entered into a voting agreement with its 58% owned investee Marble Point Energy Ltd ("Marble Point") and a third party, pursuant to which the Corporation agreed to vote its shares held in Marble Point in favor of an amalgamation between Marble Point and the third party, subject to receipt of requisite shareholder and regulatory approval.

  The Corporation's shareholders approved the transaction at a special meeting of shareholders held on May 26, 2010, while the shareholders of Marble Point approved the transaction (under slightly modified terms, none of which impacted the cash consideration available to the Corporation) on June 25, 2010. Gross proceeds on the sale of the Corporation's 90 million shares in Marble Point were $45 million.

With the closing of these transactions, the Corporation now has significant cash holdings (approximately $67 million) to go along with approximately $61 million of tax pools, and is positioned for a significant re-investment into the oil and gas sector when the right opportunity arises.

EXECUTIVE OVERVIEW

The second quarter of 2010 saw oil prices remain at levels consistent with the past two quarters at around US$78/bbl (WTI), but poorer natural gas prices which averaged $3.86 (AECO spot) compared to $5.36 in the first quarter of 2010. While oil prices are expected to remain in the $75-$90 range for the remainder of the year, natural gas prices are likely to remain at the current low levels due primarily to excess supply in the North American market. With the disposal of the Corporation's investments in Serrano and Marble Point, movements in oil and natural gas prices are more relevant to the Corporation's re-investment strategies and opportunities than their impact on the Corporation's financial performance.

Consolidated Financial Performance – three and six months ended June 2010

Note - the results of Serrano are included to the disposition date of May 26, 2010, and the equity results of Marble Point are included to the disposition date of June 25, 2010.

For the three and six months ended June 30, 2010 the Corporation recorded income after tax of $16.4 million and 12.9 million. Heavily impacting these results were the accounting gains recorded on the dispositions of Serrano ($13.2 million) and Marble Point ($12.8 million). These are discussed below in more detail. Excluding these gains, and also excluding a $5 million impairment charge on property, plant and equipment, a loss of $4.6 million was realized in the second quarter, and a loss of $8.1 million year-to-date.

Netbacks from oil and gas sales were approximately $0.8 million and $2.8 million for the three and six months ended June 30, 2010. After general and administrative costs of $4.5 million and $5.9 million, funds from operations were negative at $3.9 million and $3.2 million for the respective three and six month periods.

The gain on disposition of Serrano of $13.2 million reflects the difference between the May 26, 2010 carrying value of Serrano's assets, liabilities and the non-controlling interest in the consolidated balance sheet, and the $24.7 million net cash proceeds received. For tax purposes, a capital gain of $4.1 million was realized, being the difference between the tax cost of the Corporation's investment in Serrano of $20.8 million, and the net proceeds received. The discrepancy between the tax and accounting outcomes is due primarily to an $8.6 million lower tax cost than accounting (due to a tax election made in 2008 to transfer the Freemont property to Serrano at its tax cost in order to defer a capital gain), as well as Serrano's losses since acquisition and the write-off in 2008 of goodwill relating to the Serrano purchase (the latter two items only affect the accounting carrying values).

The gain on disposition of Marble Point of $12.8 million represents the excess of net cash proceeds of $44.7 million over the carrying value of the equity investment in Marble Point as at June 25, 2010 of $31.9 million. For tax purposes, a capital loss of $23.6 million was recorded – again, the large discrepancy between the tax and accounting outcomes represents the Corporation's equity share of Marble Point's losses since acquisition, and an impairment charge of $19 million in 2008.

The $5 million impairment charge recorded at June 30, 2010 was in relation to the Corporation's property, plant and equipment, as the carrying value exceeded the future cash flows associated with proved and probable reserves discounted at 10 percent.

Financial Position

At June 30, 2010, the Corporation had cash on hand of $66.9 million, net assets of $67.5 million, and no debt. As noted previously, the significant increase in cash on hand is due to the dispositions of Serrano and Marble Point.

KEY FINANCIAL HIGHLIGHTS – CONSOLIDATED

($000's except as indicated)	For the three months ended June 30		For the six months ended June 30	
	2010	2009	2010	2009
Total P&NG Production (boe)	48,222	80,304	137,791	176,386
Avg P&NG Production (boe/d)	530	882	761	975
Avg realized price - ($/boe)	54.50	53.27	60.09	43.55
P&NG revenue	2,628	4,278	8,280	7,683
Netbacks	776	1,826	2,831	3,025
Netbacks - $/boe	16.09	22.74	20.54	17.15
MPE Investment loss	(1,543)	(836)	(1,026)	(5,780)
Income (Loss) for the period	16,389	(11,083)	12,868	(20,292)
Per share - basic & diluted	$0.35	($0.24)	$0.28	($0.45)
Funds from Operations	(3,898)	149	(3,200)	(148)
Capital Expenditure	85	1,070	566	8,036
Cash on hand	66,934	474	66,934	474
Working Capital (Deficiency)	65,844	(11,533)	65,844	(11,533)
Total assets	70,114	107,795	70,114	107,795
Total long-term debt	-	-	-	-
Commitments	-	1,600	-	1,600
Weighted Average Number of Shares Outstanding - Basic & Diluted*	46,252,320	45,275,760	46,252,320	45,275,760
Number of Shares Outstanding*	46,252,320	45,275,760	46,252,320	45,575,760
Number of Shares Outstanding - Diluted*	74,446,855	73,634,120	74,446,855	73,634,120

*all figures have been adjusted to reflect the 25 for 1 share consolidation effective Nov 16, 2009

The disposition of Serrano on May 26, 2010 is evident in the lower second quarter and year-to-date production volumes compared to 2009. There has also been lower production in Corporation – refer *Consolidated Operational Highlights* below. Higher realized prices year-to-date in 2010 has driven the greater year-to-date revenue.

As noted previously, the dispositions of Serrano and Marble Point are the primary reason for the profitable overall result, and also surplus of working capital and cash at June 30, 2010.

The Corporation has 24,800 options outstanding with a weighted-average exercise price of $3.13 per share and the latest expiring in 2012. The Corporation has 28.2 million warrants outstanding with an exercise price of $1.25 (adjusts to $2.50 in 2011) and expiring in 2011.

CONSOLIDATED OPERATIONAL HIGHLIGHTS

Petroleum and Natural Gas Revenue

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Revenue				
Heavy Oil	2,555	4,116	8,123	7,054
Light Oil	30	94	56	353
Natural Gas	43	68	101	275
Total	**2,628**	**4,278**	**8,280**	**7,682**
Production volumes	48,222	80,304	137,791	176,386
BOE/day	530	882	761	975
Average Realized Selling price -oil/bbl	$55.66	$53.27	$60.95	$43.55
Average Realized Selling-nat. gas price/mcf	$4.06	$3.41	$4.67	$4.61

For the three months ended June 30, 2010 petroleum and natural gas revenue of $2.6 million reflected volumes of 48,222 boe and an average realized selling price of $54.50 per boe ($55.66/bbl oil and $4.06/mcf gas as shown above). For the six months ended June 30, 2010, petroleum and natural gas revenue of $8.3 million reflected volumes of 137,791 boe and an average realized selling price of $60.09 per boe ($60.95/bbl oil and $4.67/mcf gas).

The majority of the Group's revenue, up until the May 26, 2010 disposal of Serrano, is from heavy oil produced at Serrano's Freemont and Lloydminster (Saskatchewan) properties. Serrano's second quarter production was 46,022 boe (506 boe/day), while the Corporation produced and sold 2,200 boe (24 boe/day). Sales volumes for the second quarter and year-to-date 2010 were down from the same periods in 2009 due to only two months production from Serrano (five months year-to-date), and lower volumes in the Corporation (down 2,600 boe in the second quarter, down 13,000 year-to-date) as its primary producing well (Campbell area) has been shut in since December 2009 due to a pipeline problem.

Average realized selling prices for oil in the second quarter of 2010 were comparable to the same period in 2009. For the six months, prices are significantly higher, as oil prices were very low in the first quarter of 2009 due to the global financial crisis that began in the latter half of 2008.

Royalties

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Royalties	(575)	(1,103)	(2,066)	(1,696)
Royalties ($/boe)	(11.92)	(13.74)	(14.99)	(9.62)

Royalties per boe have decreased slightly in the second quarter of 2010 as compared to the same period in 2009. The decrease is primarily due to the receipt of a capital cost rebate in April 2010.

The main reason for higher royalties per boe for the six months ended June 30, 2010 compared to the prior year is higher average realized prices.

Operating Costs

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Operating costs	(1,277)	(1,349)	(3,383)	(2,961)
Operating costs($/boe)	(26.48)	(16.80)	(24.55)	(16.79)

Operating costs in the second quarter and year-to-date in 2010 were higher than in the prior year reflecting remedial work conducted on various wells, and the impact of lower volumes on non-variable costs. Operating costs relate largely to Serrano's heavy oil operations and consist primarily of propane, contract operator fees, trucking charges, and maintenance costs.

General and Administrative Expenses

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
General and administrative	(4,538)	(1,896)	(5,890)	(3,399)
Stock based compensation	(702)	(620)	(1,495)	(1,271)
Total G&A ($/boe)	**(108.66)**	**(31.33)**	**(53.60)**	**(26.48)**

General and administrative costs consist primarily of labor costs (internal and external consultants), directors' fees, and professional services. G&A costs were abnormally high in the second quarter of 2010 due to approximately $3.7 million of transaction costs in Serrano (severance, option buy-out, and legal fees). G&A costs in the second quarter were lower by about $0.6 million in the Corporation due to reduced overheads from lower staff numbers and cheaper office rent.

Stock-based compensation for the current quarter of $0.7 million relates primarily to the movement in the fair value of unexercised stock appreciation rights ("SARs") in the Corporation (up $0.5 million). The year-to-date increase in the value of the unexercised SARs is $1 million (reflecting the upward movement in the Corporation's share price over that time), with the remainder of stock-based compensation relating to exercised SARs ($0.2 million) and option vesting in Serrano ($0.3 million).

Impairment & Depletion, Depreciation and Accretion

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Impairment - PP&E	(5,000)	7,664	(5,000)	7,664
Depletion, depreciation and accretion	(1,316)	(3,615)	(4,332)	(9,367)
DDA/boe	(27.29)	(45.02)	(31.44)	(53.11)

At June 30, 2010, an impairment charge of $5 million was recorded in relation to the Corporation's property, plant and equipment. Previously, the impairment test was done on a consolidated basis (including Serrano and the Corporation's 58.1% interest in Marble Point), and without the benefit of production and reserves from those entities, a write-down in the carrying value of the Corporation's PP&E was required.

Depletion, depreciation and accretion charges for the second quarter and year-to-date in 2010 of $1.3 million and $4.3 million respectively are down significantly on the prior year in total and on a per boe basis, due mainly to a combination of the impairment charge at June 30, 2009 ($7.7 million - which reduced the depletable base), and increased proved reserves at December 31, 2009 in Serrano.

Interest and Financing Expense

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Interest expense	(98)	(16)	(271)	(21)
Interest accretion - borrowings	-	(70)	-	(70)
Total interest/financing	**(98)**	**(86)**	**(271)**	**(91)**

Interest expense in the second quarter of 2010 relates to the Corporation's $2.1 million mezzanine loan (to the repayment date of May 26, 2010), as well as interest charges on some payables in Serrano. The six monthly figure also includes interest on Serrano's bank line of credit which was repaid March 31, 2010. In the prior year there was no debt of significance in the Group.

Other Items

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
MPE equity investment loss	(1,543)	(836)	(1,026)	(5,780)
Impairment of receivables	-	-	39	-
Gain on disposition of MPE	12,842	-	12,842	
Gain on disposition of Serrano	13,161	-	13,161	
Legal settlement accrual	-	-	-	-
Other income	8	281	129	293
	24,468	**(555)**	**25,145**	**(5,487)**

The Corporation's 58.1% share of Marble Point's loss after tax for the second quarter of 2010 (to June 25, 2010), including consolidation adjustments to depletion and depreciation, was $1.5 million compared to a loss of $0.8m in 2009. Year-to-date (to June 25, 2010), the equity loss on Marble Point was $1 million compared to $5.8 million in 2009 reflecting improved financial results in Marble Point; in particular lower stock-based compensation and general and administrative charges, as well as realized and unrealized income from hedge contracts on natural gas sales.

As noted previously, the Corporation's sale of investments in Marble Point and Serrano resulted in gains on disposition of $12.8 million and $13.2 million respectively.

Income Taxes

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Income Taxes				
Current income tax recovery (expense)	-	(44)	-	(44)
Future income tax recovery	956	638	1,501	2,199
	956	**594**	**1,501**	**2,155**

The recovery of future income taxes relates to the operating loss (after consolidation adjustments) in Serrano, as no tax benefit has been recorded on the loss in the Corporation, consistent with prior periods.

The Corporation's tax pools at June 30, 2010 totaled $60.7 million, as follows:

	$
Canadian oil and gas property expense	4,030,407
Canadian development expense	741,086
Canadian exploration expense	6,669,416
Undepreciated capital cost	3,711,757
Non-capital losses	23,343,951
Capital losses	19,838,138
Share Issue costs	2,392,623

As noted previously, a capital gain of $4.1 million and a capital loss of $23.6 million were realized on the respective sales of Serrano and Marble Point.

Non-controlling Interest

($000's)	3 Months Ended Jun. 30, 2010	3 Months Ended Jun. 30, 2009	6 Months Ended Jun. 30, 2010	6 Months Ended Jun. 30, 2009
Non-controlling Interest	(1,842)	935	(457)	2,022

The 46% non-controlling interest in Serrano's $4 million after-tax loss for the second quarter (to May 26, 2010) of 2010 was $1.8 million, while the non-controlling interest in Serrano's $1 million loss for the 5 months ended May 26, 2010 was $0.4m.

CAPITAL EXPENDITURES

Capital expenditure for the second quarter of 2010 were $0.1 million, and $0.6 million year-to-date. Capital expenditure will be relatively low in the near future, until such time as a significant asset or corporate transaction is undertaken.

QUARTERLY HIGHLIGHTS

SELECTED QUARTERLY HIGHLIGHTS (unaudited) ($000's)	2010 Q2 2010	Q1 2010	2009 Q4 2009	Q3 2009	Q2 2009	Q1 2009	2008 Q4 2008	Q3 2008
P&NG net revenue	2,053	4,161	5,793	3,736	3,175	2,811	2,607	2,504
Production expense	1,277	2,106	2,170	1,681	1,349	1,612	1,882	737
DDA/impairment	6,316	3,016	3,294	3,089	11,279	5,752	30,714	1,735
G&A net other income	5,232	2,062	2,022	1,466	2,236	2,356	2,420	2,692
Financing fees/interest	98	173	1,361	1,281	86	5	3,981	1,851
Equity investment loss/impairment	1,543	517	2,144	2,330	836	4,944	21,812	136
Income tax recovery	956	544	81	827	593	1,561	5,046	153
Net (Income) Loss for the period	(16,389)	3,521	5,583	4,576	11,083	9,209	52,768	3,515
Net (income) loss per share	($0.35)	$0.08	$0.66	$0.00	$0.01	$0.01	$0.05	$0.00
Working Capital/(Deficiency)	65,844	7,350	(13,226)	(11,395)	(11,533)	(13,192)	(5,870)	(29,250)

The sale of the Corporation's investments in Serrano and Marble Point in the second quarter of 2010 resulted in gains on disposition totaling $26.0 million, which is the reason for the profitable result and strong working capital position at June 30, 2010.

LIQUIDITY & SOURCES OF CAPITAL

The Corporation's working capital consists of cash and accounts receivable net of accounts payable. As at June 30, 2010 there was a surplus in working capital of $65.8 million, including cash of $66.9 million. In addition, total tax pools available to the Corporation are approximately $61 million.

The Board will continue to seek conventional and alternative methods of financing as part of future asset or corporate transactions within the oil and gas industry.

Share Capital

At the annual general and special meeting of shareholders held on November 12, 2009, the shareholders approved the consolidation of shares on the basis of 25 old shares for one new share. The share consolidation took effect November 16, 2009, and shares began trading on the TSX Venture Exchange under the symbol of "CXP".

At June 30, 2010, and at the date of this report, the Corporation had 46,252,320 common shares outstanding, 24,800 stock options outstanding and 28,169,735 warrants outstanding.

Contractual Obligations and Contingencies

In the course of its business, the Corporation enters into various contractual obligations, including the following:

- purchase of services;
- royalty agreements;
- processing agreements;
- right of way agreements;
- lease obligations for accommodation, office equipment; and
- business acquisition and Corporate Governance agreements.

At June 30, 2010, the Corporation had a $1.3 million commitment regarding the drilling of a well in central Alberta. This commitment was extinguished in July 2010 following the termination of the related joint venture agreement.

Future minimum lease payments relating to operating leases for office space are as follows:

Year	**Payments**
2010	$7,900
2011	-
2012	-
2013	-
2014	-

RELATED PARTY TRANSACTIONS

As disclosed in Note 6 to the interim consolidated financial statements, the Corporation repaid its $2.1 million loan facility from an arm's length mezzanine lender on May 26, 2010. Michael Atkinson, a director of the Corporation, acts as a consultant to the mezzanine lender and provided strategic advice for this lending transaction. Mr. Atkinson had also participated in funding (as to $95,000) the loan.

There were no other related party transactions of significance.

OFF BALANCE SHEET ARRANGEMENTS

Disclosure is required regarding all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect the liquidity of or the availability of, or requirements for, capital resources. The Corporation had no such off-balance sheet arrangements as at June 30, 2010.

BUSINESS RISKS & RISK MANAGEMENT

The Corporation is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. The Corporation is exposed to a number of business risks, some of which are beyond its control, as are all companies in the oil and natural gas exploration and production industry. These risks can be categorized as operational, regulatory, liquidity, credit, and market.

Operational risks include finding, developing and/or acquiring oil and natural gas reserves on an economical basis (including acquiring land rights or gaining access to land rights); managing reservoir production performance; managing production processes and costs; marketing effectively; hiring and retaining skilled employees; and accessing contract services on a cost-effective basis. The Corporation manages these risks by employing highly qualified staff and focusing on oil and gas projects where employees have expertise. In addition, the Corporation outsources certain activities to be able to lever industry expertise, such as the marketing and certain engineering and land functions.

The Corporation’s growth strategy requires the acquisition of oil and natural gas operations and associated capital-raising, which can be difficult especially given the relatively smaller size of the

Corporation. The Corporation's strategy in this regard is to utilize existing relationships with its customers and suppliers, and create opportunities through relationships held by its directors and officers. The Corporation's intent is to use prudent levels of debt and equity to fund capital programs and acquisition projects.

Regulatory risks to which the Corporation is subject are principally environmental in nature. The Corporation hires third-party consultants to monitor environmental regulations, and develop and manage programs to help the Corporation comply with current environmental legislation. The Corporation has also put in place a corporate safety program and a site-specific emergency response program to help manage these risks.

Increased public and political concern regarding climate change issues will likely result in increased regulation regarding emissions standards. Given that the Corporation produces hydrocarbons, such regulation could cause the Corporation to alter its growth strategy and operating practices, and also result in additional costs and taxes associated with climate change regulation. Climate change matters and their potential impact on the Corporation are monitored by management.

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they come due. This risk is managed by closely monitoring its financial position and forecasting future cashflows on at least a monthly basis, such that an additional need for capital can be identified as soon as possible. As the oil and gas industry is very capital intensive, the majority of the Corporation's spending is related to capital expenditure programs. The objective of the Corporation is to prudently spend its capital while maintaining its credit reputation amongst its suppliers. The Corporation attempts to maintain aged payables of less than 90 days.

At June 30, 2010, accounts payable and accrued liabilities were $1.6 million of which $0.03 million was greater than 90 days.

Credit risk is primarily associated with the collectability of accounts receivable from customers, joint venture partners and oil and natural gas marketers. These parties and related receivables are subject to normal industry credit risks. Receivables from customers and joint venture partners are generally collected within two to three months. Collection risk occurs with venture partners as disagreements occasionally arise and may increase the potential for non-collection. At June 30, 2010, the Corporation's accounts receivable was $0.8 million of which $0.6 million was over 90 days. With the exception of a $0.3 million allowance in relation to receivables from joint venture partners, there is no indication that amounts are non-collectible.

Receivables related to oil and gas marketers are normally collected on the 25th day of the month following production. To mitigate the risk of default on these receivables, the Corporation predominately deals with large marketers who have strong credit ratings and solid reputations. Historically, there have been no issues in collecting from oil and gas marketers.

Market risks include unfavourable movements in commodity prices, the Canadian/US dollar exchange rate and interest rates, all of which are beyond the Corporation's control. Management monitors movements in prices and rates. Currently the Corporation does not use any financial instruments such as forward sale contracts or interest rate swaps to mitigate these risks. Management will consider using these financial instruments depending on the operating environment.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

While the first year of reporting under IFRS will be December 31, 2011, comparative financial statements for the year ending December 31, 2010 will be required, implying that Canadian reporting issuers will need to prepare an IFRS-compliant balance sheet dated January 1, 2010 prior to 2011 interim and annual reporting.

Management has performed a high-level assessment of the impact of the convergence of Canadian GAAP with IFRS on the results of operations, financial position and disclosures. The IFRS assessment process has been lead by the Chief Financial Officer, who has five years experience reporting under IFRS, and oversight from the Audit Committee. The most significant impact relates to the accounting for property, plant and equipment, in particular the impairment assessment process and depletion calculations.

In particular, accounting for oil and gas PP&E under IFRS will require a lower level of asset grouping for depletion/depreciation and impairment testing purposes. Assets will need to be divided into ‘exploration and evaluation’ and ‘development/production’ pools, (‘cash generating units’) and tested for impairment at January 1, 2010 (the opening balance sheet for the first comparative reporting year under IFRS). Cash generating units are defined as the lowest asset grouping able to generate independent cash inflows, for example a group of wells in the same geographical area sharing common infrastructure and the same marketing function.

Ongoing impairment testing of development/production assets is required only when there is an impairment indicator. Impairment testing requires an estimate of recoverable amount, which is defined as the greater of ‘value in use’ and ‘fair value less costs to sell’. Value in use will be based on a discounted cashflow assessment based on proved and probable reserves, and cannot include revenues and costs associated with future development.

Depreciation of development/production asset pools can be calculated utilizing proved and probable reserves – an accounting policy choice is available.

The Corporation has not yet quantified the impact of transitioning to IFRS.

Management will be working to quantify the impact of conversion to IFRS on its January 1, 2010 balance sheet during the latter half of 2010, and will work with its external auditors in this regard. The Corporation will update its stakeholders with more detailed quantitative information regarding the impact of transitioning to IFRS in its 2010 annual financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

On November 23, 2007, the ASC and the securities commissions in the other jurisdictions in which the Corporation is registered exempted Venture Issuers from certifying disclosure controls and procedures as well as Internal Controls over Financial Reporting. As the Corporation is a Venture Issuer, it is now required to file "basic certificates", which it has done for the three months ended June 30, 2010.

ADDITIONAL INFORMATION

Further information on the Corporation can be found on SEDAR's website at www.sedar.com and Corporation's website at www.canadian-phoenix.com

CORPORATE DIRECTORY

DIRECTORS & OFFICERS

Michael Atkinson
President & CEO
Director

Harry Knutson
Chairman & Director

Daryl Clark
Director

Bryce Rhodes
Director

David Tuer
Director

Tim Moran
Chief Financial Officer
& Corporate Secretary

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600, 205 – 5th Avenue SW
Calgary, AB T2P 2V7

CORPORATE ADDRESS:
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CORPORATE WEB SITE:
www.canadian-phoenix.com

LEGAL ADVISORS:

Davis LLP
Calgary, Alberta

Borden Ladner Gervais LLP
Calgary, Alberta

AUDITORS:
Deloitte & Touche LLP
Calgary, Alberta

RESERVE ENGINEERS:
GLJ Petroleum Consultants
Calgary, Alberta

BANKER:
National Bank of Canada
Calgary, Alberta

REGISTRAR & TRANSFER AGENT:
Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING:
TSX Venture Exchange: Symbol “CXP”

SHARES OUTSTANDING (COMMON):

46,252,320

SHARES OUTSTANDING (COMMON):
(Fully diluted if all stock options and warrants are exercised as of the date of this report)

74,446,855