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**CANUC RESOURCES CORPORATION**  
(FORMERLY SANTA ROSA SILVER MINING CORP.)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**PERIOD ENDED DECEMBER 31, 2018 AND 2017**  
(EXPRESSED IN CANADIAN DOLLARS)

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## Independent Auditor's Report

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To the Shareholders of Canuc Resources Corporation (Formerly Santa Rosa Silver Mining Corp.):

### Opinion

We have audited the consolidated financial statements of Canuc Resources Corporation (Formerly Santa Rosa Silver Mining Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year ended December 31, 2018 and for the 15 month period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and for the 15 months ended December 31, 2017 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$2,768,893 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its total current assets by \$380,629. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

Mississauga, Ontario

April 29, 2019

*MNP* LLP

Chartered Professional Accountants

Licensed Public Accountants

**Canuc Resources Corporation**  
(Formerly Santa Rosa Silver Mining Corp)  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 658,440	\$ 221,923
Receivables and prepaids	144,767	94,578
<b>Total current assets</b>	<b>803,207</b>	<b>316,501</b>
<b>Non-current assets</b>		
Property and equipment	4,348	4,460
Oil and gas interest (note 9)	263,117	267,933
<b>Total assets</b>	<b>\$ 1,070,672</b>	<b>\$ 588,894</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 15)	\$ 1,178,836	\$ 347,631
Loans	5,000	5,000
<b>Total current liabilities</b>	<b>1,183,836</b>	<b>352,631</b>
<b>Equity</b>		
Share capital (note 10)	8,528,199	6,428,644
Warrants (note 11)	778,669	500,495
Options (notes 12)	414,847	433,149
Contributed surplus	106,542	74,970
Accumulated other comprehensive income (loss)	(8,377)	(36,844)
Deficit	(9,933,044)	(7,164,151)
<b>Total equity</b>	<b>(113,164)</b>	<b>236,263</b>
<b>Total equity and liabilities</b>	<b>\$ 1,070,672</b>	<b>\$ 588,894</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

Contingent liability (note 17)

**Approved on behalf of the Board:**

"Hubert Mockler", Director

"Chris Berlet", Director

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**Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

**Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)**

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	Twelve Months Ended December 31, 2018	Fifteen Months Ended December 31, 2017
<b>Sales of petroleum products</b>		
Sales	303,703	215,840
Operating costs	(95,527)	(97,000)
Depletion	(39,732)	(85,155)
	<b>168,444</b>	<b>33,685</b>
<b>Operating expenses</b>		
Management and consulting (note 15)	\$ 241,295	\$ 688,069
Investor and shareholder relations	373,968	437,863
Professional fees	209,763	441,573
General and administrative	85,473	66,832
Evaluation costs (note 8)	2,013,274	812,814
Share-based payments (note 12)	-	375,220
Goodwill Impairment (note 7)	-	2,454,110
Foreign exchange	13,186	31,700
Interest expense	1,815	8,238
Write down of oil interest	-	(2,084)
Write offs	(10,511)	-
Value added tax (note 4)	9,074	69,522
Total operating expenses	<b>2,937,337</b>	<b>5,383,857</b>
<b>Net loss for the period</b>	<b>\$ (2,768,893)</b>	<b>\$ (5,350,172)</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will be reclassified subsequently to income</b>		
Foreign operation	\$ (194,625)	\$ (162,598)
Currency translation difference	223,092	120,647
<b>Other comprehensive income (loss) for the period</b>	<b>28,467</b>	<b>(41,951)</b>
<b>Total comprehensive loss for the period</b>	<b>\$ (2,740,426)</b>	<b>\$ (5,392,123)</b>
<b>Basic and diluted net loss per share (note 13)</b>	<b>\$ (0.05)</b>	<b>\$ (0.15)</b>
<b>Weighted average number of common shares outstanding</b>	<b>51,510,780</b>	<b>36,218,539</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Canuc Resources Corporation**  
(Formerly Santa Rosa Silver Mining Corp)  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

	Twelve Months Ended December 31, 2018	Fifteen Months Ended December 31, 2017
<b>Operating activities</b>		
Net loss for the period	\$ (2,768,893)	\$ (5,350,172)
Adjustments for:		
Goodwill	-	2,454,110
Evaluation Expense	1,449,411	-
Share-based payments	-	375,220
Depletion	39,732	85,155
Write down of oil interest	-	(2,084)
Changes in non-cash working capital items:		
Receivables and prepaid expenses	18,181	(41,141)
Accounts payable and accrued liabilities	327,416	(110,103)
<b>Net cash used in operating activities</b>	<b>(934,153)</b>	<b>(2,589,015)</b>
<b>Investing activities</b>		
Capital expenditures on oil and gas properties	(13,585)	(17,433)
Cash acquired from Former Canuc	-	1,267
Cash acquired from Full Circle Energy	373,834	-
Legal Expenses to acquire Full Circle Energy	(88,726)	-
<b>Net cash used in investing activities</b>	<b>271,523</b>	<b>(16,166)</b>
<b>Financing activities</b>		
Private placements	1,105,000	2,464,934
Cost of issuance	(14,301)	(173,781)
Proceeds from warrants exercised	-	280,000
Proceeds from share-based payments exercised	1,200	143,250
Loans	-	5,000
<b>Net cash provided by financing activities</b>	<b>1,091,899</b>	<b>2,719,403</b>
Impact of foreign exchange on cash	7,248	(30,467)
<b>Net change in cash</b>	<b>436,517</b>	<b>83,755</b>
<b>Cash, beginning of period</b>	<b>221,923</b>	<b>138,168</b>
<b>Cash, end of period</b>	<b>\$ 658,440</b>	<b>\$ 221,923</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Canuc Resources Corporation**  
(Formerly Santa Rosa Silver Mining Corp)  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Share Capital	Warrants	Options	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
<b>Balance, September 30, 2016</b>	<b>\$ 1,700,112</b>	<b>\$ 63,868</b>	<b>\$ 51,000</b>	<b>\$ 28,600</b>	<b>\$ 5,107</b>	<b>\$ (1,813,979)</b>	<b>\$ 34,708</b>
Acquisition of Former Canuc (note 7)	2,037,350	363,610	103,095	-	-	-	2,504,055
Private placements (note 10)	2,090,634	374,300	-	-	-	-	2,464,934
Cancellation warrants	-	(46,370)	-	46,370	-	-	-
Share issue cost	(236,108)	62,327	-	-	-	-	(173,781)
Exercise of warrants	597,240	(317,240)	-	-	-	-	280,000
Exercise of options	239,416	-	(96,166)	-	-	-	143,250
Share-based payments (note 10)	-	-	375,220	-	-	-	375,220
Foreign exchange gain (loss) on net investment in a foreign operation	-	-	-	-	(162,598)	-	(162,598)
Cumulative translation adjustment	-	-	-	-	120,647	-	120,647
Net (loss) for the period	-	-	-	-	-	(5,350,172)	(5,350,172)
<b>Balance, December 31, 2017</b>	<b>\$ 6,428,644</b>	<b>\$ 500,495</b>	<b>\$ 433,149</b>	<b>\$ 74,970</b>	<b>\$ (36,844)</b>	<b>\$ (7,164,151)</b>	<b>\$ 236,263</b>
Acquisition of Full Circle Energy (note 7)	1,299,100	-	-	-	-	-	1,299,100
Private placements (note 10)	792,506	312,494	-	-	-	-	1,105,000
Expiry of warrants	-	(16,320)	-	16,320	-	-	-
Expiry of options	-	-	(15,252)	15,252	-	-	-
Share issue cost	(14,301)	-	-	-	-	-	(14,301)
Exercise of warrants	18,000	(18,000)	-	-	-	-	-
Exercise of options	4,250	-	(3,050)	-	-	-	1,200
Foreign exchange gain (loss) on net investment in a foreign operation	-	-	-	-	(194,625)	-	(194,625)
Cumulative translation adjustment	-	-	-	-	223,092	-	223,092
Net (loss) for the period	-	-	-	-	-	(2,768,893)	(2,768,893)
<b>Balance, December 31, 2018</b>	<b>\$8,528,199</b>	<b>\$778,669</b>	<b>\$414,847</b>	<b>\$106,542</b>	<b>(\$8,377)</b>	<b>(\$9,933,044)</b>	<b>\$113,164</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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## **Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

### **Notes to Consolidated Financial Statements**

**Period Ended December 31, 2018 and December 31, 2017**

**(Expressed in Canadian Dollars)**

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#### **1. Nature of operations and going concern**

Canuc Resources Corporation is a company incorporated under the Business Corporation Act (Ontario), and its wholly-owned subsidiaries are engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals.

On February 21, 2017, Santa Rosa Silver Mining Corp. ("Santa Rosa") and Canuc Resources Corporation ("Former Canuc") completed a reverse takeover transaction (the "Transaction" (note 7)) and continued as one company, Canuc Resources Corporation (the "Company" or "Canuc"), . The Company is listed on the TSX-V under the symbol CDA. The registered office is located at 25 Adelaide Street East, Suite 1612, Toronto, Ontario, M5C 1Y2.

The Company currently has one project in the state of Sonora, Mexico where it is assembling and exploring, through its subsidiary Minera Stramin S. de R.L. de C.V. ("Minera Stramin"), a package of prospective silver-lead-gold properties. The Company's project presently has no NI 43-101 resources or reserves of minerals. The Company also has oil and gas interests in Texas, U.S.A. owned through its subsidiary Midtex Oil & Gas Corporation ("Midtex").

During the year, The Company acquired a subsidiary called Full Circle Energy Ltd ("Full Circle Energy") which owns an oil exploration property in Saskatchewan, Canada and is in the process of exploring and developing the oil asset.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory, or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

#### **Going concern**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements, such adjustments could be material.

The Company does not generate sufficient revenue from operations. The Company incurred net losses in previous periods, with a current net loss of \$2,768,893 for the twelve months ended December 31, 2018 (fifteen months ended December 31, 2017 - loss of \$5,350,172) and had an accumulated deficit of \$ 9,933,044 as at December 31, 2018 (December 31, 2017 - \$7,164,151). The Company had working capital deficiency of \$380,629 at December 31, 2018 (December 31, 2017 - \$36,130). There is uncertainty as to whether the Company will be able to meet its committed exploration expenditures for its exploration and evaluation assets and to meet its corporate administrative expenses for the next 12 months without additional financing.

The Company has a need for equity capital and financing for working capital, and the exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These circumstances create material uncertainty that indicates significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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## **Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

### **Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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## **2. Basis of presentation**

### **Statement of compliance**

These consolidated financial statements are prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretation of the IFRS Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

These consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors dated April 29, 2019.

### **Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries, Minera Stramin (incorporated in Mexico), Full Circle Energy (Incorporated in Ontario) and Midtex (incorporated under the laws of Ontario). Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The Company's registered ownership in Minera Stramin is 2,999 out of a total of 3,000 (99.97%) of the voting rights. The single remaining voting right is held, due to Mexican regulatory requirements, by a director of Minera Stramin.

### **Functional and presentation currency**

The consolidated financial statements are presented in Canadian Dollars. The Canadian dollar is the functional currency of Canuc and Full Circle Energy. The Mexican peso is the functional currency of Minera Stramin. The United States Dollar is the functional currency of Midtex.

Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position. Income and expenses are translated at the exchange rates at the dates of the transactions. All resulting exchange differences are recognized in other comprehensive income (loss) and accumulated as a separate component of equity.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 4.

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## **Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

### **Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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### **3. Significant accounting policies**

#### **Financial instruments**

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

#### **Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

**Fair value through profit or loss** - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period. Cash is included in this category of financial assets.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, other than those at FVTPL, are subject to review for impairment at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets may not be recoverable. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

**Amortized Cost** -This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

**Financial assets at fair value through other comprehensive income** - Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

#### **Financial liabilities**

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

**Fair value through profit or loss** - This category comprises derivatives, or financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period.

**Other financial liabilities** - This category includes accounts payable and accrued liabilities.

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**Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

**Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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**3. Significant accounting policies (continued)**

recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

**Impairment**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Business combinations**

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses. Goodwill is reviewed annually for impairment or when there is an indication of potential impairment. If the fair value of the Company's share of the net identifiable assets exceeds the fair value of the consideration transferred and non-controlling interest at the acquisition date, the difference is immediately recognized in net loss. If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through net income loss. The Company does not currently have any goodwill.

Acquisition costs are expensed as incurred in net loss. Costs associated with the issuance of equity are charged to the relevant account within equity. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and attributed to the shareholders of the Company, through contributed surplus.

**Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation. They are depreciated over their estimated useful lives.

- Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in the consolidated statements of loss and comprehensive loss.

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## **Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

### **Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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### **3. Significant accounting policies (continued)**

#### **Oil and gas properties and interests**

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation associated with the asset and finance charges on qualifying assets.

Oil and gas properties are measured at cost less accumulated depletion and amortization and accumulated impairment losses. Oil and gas properties are depleted using the unit-of-production method over their reserve life, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Capital costs for assets under construction are excluded from depletion until the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

#### **Exploration and evaluation assets (E&E)**

- E&E Expenditures

The Company expenses the cost of its evaluation expenditures and capitalizes exploration expenditures which are the cost of acquiring interests in mineral rights, licenses and properties in business combinations, asset acquisitions or option agreements. Exploration assets acquired as a result of an asset acquisition or option agreement are initially recognized at cost, and those acquired in a business combination are recognized at fair value on the acquisition date. No depreciation is charged during the evaluation phase. The Company expenses the cost of evaluation activity related to acquired exploration assets.

Cash flows associated with acquiring exploration assets are classified as investing activities in the consolidated statements of cash flows; those associated with evaluation expenses are classified as operating activities.

Evaluation expenditures relate to costs incurred for and evaluation of potential mineral reserves and includes costs related to the following: conducting geological studies; exploratory drilling and sampling and; evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration expenditures, including costs of acquiring licenses, are capitalized as exploration assets on an area of interest basis which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favourable or has been proved to exist and, in most cases, comprises a single mine or deposit.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, exploration assets attributable to that project are first tested for impairment and then reclassified to mine property and development projects on the consolidated statements of financial position. Currently, there are no assets classified as mine property and development projects.

- Pre-E&E (project generation) expenditures

Pre-E&E (project generation) expenditures are incurred on activities that precede exploration for an evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area. Pre-E&E expenditures are expensed immediately through the consolidated statements of loss and comprehensive loss.

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## Canuc Resources Corporation

(Formerly Santa Rosa Silver Mining Corp)

### Notes to Consolidated Financial Statements

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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### 3. Significant accounting policies (continued)

#### Exploration and evaluation assets (E&E) (continued)

- Impairment

Exploration assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an Exploration asset may exceed its recoverable amount and any impairment loss is recognized as a write down of exploration projects through net loss. The following facts and circumstances indicate that Exploration assets must be tested for impairment:

- ◆ the term of exploration license for the project has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- ◆ substantive expenditure on further exploration for and evaluation of mineral resources in the project area is neither budgeted nor planned;
- ◆ evaluation of mineral resources in the project area have not led to the discovery of commercially viable quantities of mineral resources and there are plans to discontinue activities in the area; or
- ◆ sufficient data exists to indicate that while development activity is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full through such activity.

Exploration assets are tested for impairment on an individual project (area of interest) basis. As noted above, a project would also be tested for impairment before being transferred to mine property and development projects on the consolidated statements of financial position.

#### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

#### Share-based compensation and share purchase warrants

Share-based payments issued to directors, officers and employees are based on the estimated fair value of options granted at the time of the grant using the Black-Scholes option pricing model. The fair value is recognized in current earnings as stock-based compensation expense with a corresponding increase to contributed surplus using a graded vesting method of amortization over the vesting period of the options. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are forfeited, previously recognized compensation expense associated with such stock options is reversed.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Share purchase warrants are measured at fair value on the date of issue using the Black-Scholes option pricing model. Upon the exercise of share purchase warrants the consideration received and the related amount previously recognized in warrants is transferred to share capital. Upon the expiration of share purchase warrants, the value attributed to those unexercised warrants is transferred from warrants to contributed surplus.

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**Canuc Resources Corporation**

(Formerly Santa Rosa Silver Mining Corp)

**Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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**3. Significant accounting policies (continued)****Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the expense relating to any provision is presented in the consolidated statements of comprehensive loss net of the reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statements of comprehensive loss.

**Decommissioning liabilities**

The Company provides for the costs of decommissioning associated with long-lived assets, including the decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. The decommissioning liabilities are recognized in the consolidated statements of financial position at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. A corresponding amount is capitalized as part of tangible non-financial assets. Any further adjustment arising from a reassessment of estimated cost of the decommissioning liabilities also has a corresponding amount capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs in the consolidated statements of loss and comprehensive loss. Management is not aware of any significant decommissioning liabilities at December 31, 2018 and December 31, 2017.

**Revenue Recognition**

The Company's producing wells are managed by an independent third party. This process results in monthly reporting and submissions to the Company. The Company recognizes the earnings from its investment in oil and gas interests and oil and gas properties to the extent it is earned and receivable from these operations. The Company does not operate any of the interests it has in natural gas. As at January 1, 2018, the company has adopted IFRS 15 – Revenue from Contracts with Customers. There were no retrospective adjustments required as a result of this accounting policy change.

**Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues using the effective interest method. Finance income is considered an operating activity for cash flow purposes.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized using the effective interest method. Finance costs are considered an operating activity for cash flow purposes.

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## Canuc Resources Corporation

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### Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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### 3. Significant accounting policies (continued)

#### Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

- Current Income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

- Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statements of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized for the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

- Deferred Tax Liabilities:

- ◆ are generally recognized for all taxable temporary differences
- ◆ are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- ◆ are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

- Deferred Tax Assets:

- ◆ are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- ◆ are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination

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**Canuc Resources Corporation**

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**Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

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**3. Significant accounting policies (continued)****Earnings Per Share ("EPS")**

Basic EPS is calculated by dividing total comprehensive loss from continuing operations attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

**Flow-through Shares**

The resource expenditure deductions, for income tax purposes, related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. A liability is recognized in the amount of the premium paid for flow-through shares and is calculated as the excess over market value of the shares without the flow-through feature at the time of issuance.

A deferred tax liability is recognized through the consolidated statements of loss and comprehensive loss at the time the resource expenditures are incurred.

**Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Contingent liabilities are not recognized in the consolidated financial statements, if not estimable and probable, and are disclosed in notes to the consolidated financial statements unless their occurrence is remote.

**Segment Reporting**

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Company's operations are in two business segments, mineral exploration and investments in oil and gas interests. As at December 31, 2018, the Company operates in three geographical segments: Canada, United States of America and Mexico.

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## Canuc Resources Corporation

(Formerly Santa Rosa Silver Mining Corp)

### Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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#### 3. Significant accounting policies (continued)

##### New standards not yet adopted and interpretations Issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. None of these are expected to have a significant effect on the consolidated financial statements of the Company.

IFRS 16 - Leases ("IFRS 16") was issued by the IASB in January 2016 and will replace IAS 17 Leases ("IAS 17"). Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the consolidated statements of financial position of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for the annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this accounting standard change will effectively create a lease asset and obligation related to the Company's leased office space. The lease asset and leased obligation will have a balance of \$131,315 (respectively) on January 1, 2019 assuming a discount rate of 10%.

#### 4. Critical accounting estimates and judgments

##### Measurement Uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values are:

- Net investment in a foreign operations

As part of the normal course of operations, the Company advances funds to its subsidiaries in the form of loans repayable in Canadian dollars. Because Minera Stramin's functional currency is the Mexican peso it is exposed to foreign exchange risk on these loans. Any gains and losses are initially recognized through the statement of loss and comprehensive loss. However, the Company has determined that these loans are not expected to be repaid in the foreseeable future and are therefore considered to be part of its net investment in a foreign operation. Accordingly, in preparing the consolidated financial statements, an adjustment is made to reclassify any foreign exchange gains or losses from loss to accumulated other comprehensive loss.

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## Canuc Resources Corporation

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### Notes to Consolidated Financial Statements

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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#### 4. Critical accounting estimates and judgments (continued)

- Recoverability of value added taxes

The Company's expenditures in Mexico are subject to a value added tax ("VAT") which the Company is entitled to claim and recover from the Mexican government. Due to the timing and inherent uncertainty of the ultimate collection of these amounts, the Company expenses VAT as incurred and will recognize a recovery in the period when the amount can be reasonably determined and collectability has been reasonably assured.

VAT accrued in a given period are reflected as a separate line within expenses in the statement of loss. A summary of the cumulative VAT accrued is presented in (note 14).

- Reserve estimates

The estimation of oil and gas reserves is an inherently complex process requiring significant judgment. Proved and probable reserves are estimated based on geological data, geophysical data, engineering data, projected future rates of production estimated commodity prices, costs, discount rates, and the timing of future expenditures. Reserve estimates, although not reported as part of the Company's consolidated financial statements, can have a significant effect on earnings and assets as a result of their impact on depletion and impairment, decommissioning provisions and deferred taxes. Accordingly, the impact to the consolidated financial statements in future periods could be material.

- Share-based payment transaction

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

- Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations that have the most significant effect on the amounts recognized in the Company's consolidated financial statements, are related to the economic recoverability of its investments in oil and gas properties and interests, cash-generating units, definition of segments, functional currency and related parties, impairment of financial and non-financial assets, the provision for reclamation and obligation, when and if deferred taxes are recoverable and the assumption that the Company will continue as a going concern.

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## **Canuc Resources Corporation**

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### **Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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#### **5. Capital risk management**

The Company considers its capital structure to consist of equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable and appropriate.

There were no changes in the Company's approach to capital management during the period ended December 31, 2018. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt and is dependent on the capital markets to finance exploration and development activities.

#### **6. Financial instruments and risk management**

##### **Fair value of financial instruments**

Fair value estimates are made at the consolidated statements of financial position date based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for receivables, accounts payable and accrued liabilities, and loans approximate fair market value because of the limited term of these instruments.

##### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

- Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is remote

- Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company is not currently exposed to risks from changes in interest rates.

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## Canuc Resources Corporation

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### Notes to Consolidated Financial Statements

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#### 6. Financial instruments and risk management (continued)

##### Financial risk factors (continued)

- Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue operations and fund its exploration and evaluation expenditures is dependent on its ability to secure additional financing. See below for a summary of cash balance and current liabilities as at December 31, 2018 and December 31, 2017.

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	<b>December 31, 2018</b>	December 31, 2017
Cash	\$ <b>658,440</b>	\$ 221,923
Current liabilities	\$ <b>1,183,836</b>	\$ 121,309

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The Company is continuing to pursue various financing initiatives in order to provide sufficient cash to finance its exploration and evaluation activities as well as corporate operations. The Company's accounts payable and accrued liabilities as at December 31, 2018 and December 31, 2017 have contractual maturities of less than 30 days and are subject to normal trade terms. The loan is unsecured with no fixed term of repayment.

- Foreign currency risk

The Company's functional currency is the Canadian dollar and purchases of goods and services are transacted in Canadian dollars, Mexican pesos and US Dollars. The Company funds certain operations, exploration and administrative expenses in the United States and Mexico on a cash basis using US dollar and Mexican peso currencies converted from its Canadian dollar bank accounts held in Canada. At this time, Management does not believe it is practical to use hedging to reduce its exposure to foreign exchange on these transactions.

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	<b>December 31, 2018</b>		December 31, 2017	
	<b>US Dollar</b>	<b>MXN Peso</b>	US Dollar	MXN Peso
Cash held in foreign currency	<b>3,558</b>	<b>765</b>	26,156	27,374
Value of foreign currency in Canadian dollars	<b>4,854</b>	<b>53</b>	32,813	1,746

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- Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Even though it is only undertaking exploration and evaluation activities presently, the enthusiasm of investors necessary for funding of on-going work does move with the prices of gold and silver. The Company determines the appropriate course of action to be taken by the Company in relation to its monitoring of the commodity markets.

- Market risk

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is not materially exposed to market risk as it does not hold marketable securities.

##### Sensitivity analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

- As at December 31, 2018, the Company held \$4,854 and \$53 in cash balances denominated in US dollars and Mexican pesos respectively. A 10% change in the value of the Canadian dollar compared to those other foreign currencies would result in a foreign exchange gain/loss of approximately \$485 and \$5 respectively for the US dollars and Mexican pesos accounts.

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## Canuc Resources Corporation

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### Notes to Consolidated Financial Statements

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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#### 7. Mergers and Acquisitions

##### Full Circle Energy Amalgamation

On November 2, 2018 Canuc executed a business combination agreement dated September 25, 2018 (the "Transaction"). The Transaction involved the combination of Full Circle Energy Ltd by way of an amalgamation of Full Circle Energy and a wholly-owned subsidiary of Canuc, to form one company as a wholly owned subsidiary of Canuc. Pursuant to the amalgamation, all issued and outstanding securities in the capital of Full Circle Energy Ltd were converted into like issued and outstanding securities of Canuc on a one-for one basis. This Transaction resulted in 11,810,000 shares being issued to Full Circle Energy shareholders.

After evaluating all the facts surrounding this Transaction, Management has determined that IFRS 3, *Business Combinations*, is not applicable and the Transaction was accounted for as an asset purchase.

<b>Purchase Price</b>	<b>Quantity</b>	<b>Amount</b>
Common shares issued	11,810,000	\$ 1,299,100
Legal Expenses		88,726
<b>Total Purchase Price</b>		<b>\$ 1,387,826</b>
<b>Net Assets Acquired</b>		
Cash		\$ 373,834
Receivables and prepaids		126,328
Exploration Asset		1,391,453
Accounts payable and accrued liabilities		(503,789)
		<b>\$ 1,387,826</b>

The exploration asset acquired from Full Circle Energy was unable to support any future cashflow projections as at December 31, 2018 and the entire value of the asset was written off as Evaluation expenses.

##### Santa Rosa Amalgamation

On February 21, 2017 Canuc executed a business combination agreement dated August 26, 2016 (the "Transaction"). The Transaction involved the combination of Former Canuc and Santa Rosa by way of an amalgamation of Santa Rosa and a wholly-owned subsidiary of Canuc, to form one company as a wholly owned subsidiary of Canuc. Pursuant to the amalgamation, all issued and outstanding securities in the capital of Santa Rosa were converted into like issued and outstanding securities of Canuc on a two-for one basis. This Transaction resulted in 22,365,000 shares being issued to Santa-Rosa shareholders. All Santa Rosa options and warrants were converted to options and warrants of Canuc, on the same two-for-one basis.

The consolidated financial statements are a continuation of Santa Rosa's historical disclosures, combining Canuc's assets and liabilities as of December 31, 2017 and including transactions that flow through the Statements of Loss and Comprehensive Loss from February 21, 2017 through December 31, 2017. Revenues for the period ended December 31, 2017 represent oil and gas sales from February 21, 2017 through December 31, 2017.

After evaluating all the facts surrounding this Transaction, Management determined that IFRS 3, *Business Combinations*, is applicable and that the Transaction was accounted for as an business combination acquisition with Santa Rosa as the acquirer for accounting purposes.

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**Canuc Resources Corporation**

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**Notes to Consolidated Financial Statements**

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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**7. Mergers and Acquisitions (Cont.)**

The following table summarizes the fair value of the total consideration deemed issued by Santa Rosa to acquire Former Canuc and the fair value of identified assets acquired, and liabilities assumed.

<b>Purchase Price</b>	<b>Quantity</b>	<b>Amount</b>
Common shares issued	10,186,751	\$ 2,037,350
Stock-options	805,000	103,095
Warrants	3,550,000	363,610
<b>Total Purchase Price</b>		<b>\$ 2,504,055</b>
<b>Net Assets Acquired</b>		
Cash		\$ 1,267
Receivables and prepaids		35,588
Oil and gas properties and interests (CAD)(i)		349,519
Accounts payable and accrued liabilities		(336,429)
Goodwill		2,454,110
		<b>\$ 2,504,055</b>

(i) The Company used a discounted cash flow model to estimate the expected future cash flows from its oil and gas properties and interests. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecast capital expenditures based on the life of production as at the acquisition date.

Goodwill resulted from the acquisition of Former Canuc, and primarily relate to price paid over the net assets acquired was attributed to goodwill. The goodwill has been assessed as having "day 1 impairment" and has been expensed.

As a condition of closing the Transaction, the Company completed a concurrent financing of \$2,000,000, representing the maximum financing amount disclosed in the filing statement filed in connection with the Transaction. The closing of this financing results in the issuance of 8,000,000 units, with each unit comprised of one common share and one half of one common share purchase warrant. Each unit priced were priced at \$0.25. Each share purchase warrant has a life of two years from the date of issue and an exercise price of \$0.50. In connection with the financing, Canuc paid fees aggregating to \$150,617, 602,468 commission warrants and 75,064 commission units, with the commission units having the same terms and conditions as those units issued under the financing. The commission warrants have an exercise price of \$0.25 but otherwise have the same terms and conditions as the warrants issued under the financing. The funds are being used for the exploration and development of the Company's San Javier project in Sonora, Mexico and for general working capital purposes.

The Company issued 225,064 common shares valued at \$30,000.

**8. Exploration and evaluation assets properties and expenditures****San Javier Project**

The Company's exploration project, the San Javier Project in the State of Sonora, Mexico, involves assembling and exploring certain mineral lands containing known showings and old workings on silver - lead mineralized veins that also contain gold, copper and zinc in lesser quantities. The Company has assembled and maintained a consolidated land package on portions of which it has completed underground and surface mapping and sampling. The Company intends to carry out further surface and underground exploration along a four-kilometre-long structural zone that includes the El Polvorin, Santa Rosa and La Colorada underground workings and other mineralized surface showings within its properties with the goal of outlining commercial quantities of mineralization. During the past two years the Company's work was minimal due to limited capital.

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**Canuc Resources Corporation**

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**(Expressed in Canadian Dollars)**

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The property package of mineral concessions making up the Company's San Javier Project has changed since the most recent consolidated financial statements dated December 31, 2017. In 2018, the Company has withdrawn from two out of the nineteen claims that it owned. As at December 31, 2018, the company has a total of seventeen claims in the San Javier Project. Four net smelter revenue ("NSR") royalties totaling 2.5% apply to future production from all properties in the San Javier Project (note 15).

Exploration and evaluation expenditures were incurred during the periods ended September 30, 2016 and 2017 and the twelve months ended December 31, 2018 as outlined below:

	<b>Twelve Months Ended December 31, 2018</b>	<b>Fifteen Months Ended December 31, 2017</b>	<b>Twelve Months Ended September 30, 2016</b>	<b>Cumulative from inception to December 31, 2018 (unaudited)</b>
Option payments	\$ -	\$ 50,984	\$ 54,395	\$ 385,496
Renewal and staking fees	3,604	11,596	3,444	92,220
Labour and contractors	111,529	171,962	79,485	721,802
Field supplies and services	9,467	55,904	2,068	103,303
Drilling	-	295,838	-	295,838
Transportation	18,178	97,819	11,532	155,732
Assaying	13,103	71,300	409	156,443
Communications	-	-	20	396
Other	53,369	57,411	5,431	150,628
<b>Total for the period</b>	<b>\$ 209,250</b>	<b>\$ 812,814</b>	<b>\$ 156,784</b>	<b>\$ 2,061,858</b>

**Saskatchewan Project**

The Company through its wholly owned subsidiary Full Circle Energy is currently in the exploration phase of an oil reserve in Saskatchewan Canada (the "Saskatchewan Project"). Through interpretation of preliminary seismic data obtained, the Company's leased lands in Saskatchewan showed evidence of Hydrocarbon. The company intends to carry out further exploration activities in the area for the purpose of developing a producing oil asset. Full Circle Energy Ltd was acquired on November 2, 2018.

Exploration and evaluation expenditures incurred during 2018 after the acquisition of Full Circle Energy is listed as follows:

	<b>Twelve Months Ended December 31, 2018</b>	<b>Cumulative from Acquisition to December 31, 2018</b>
Site Preparation and Clean up	\$ 8,130	\$ 8,130
Equipment and Trucking	251,292	251,292
Labor and Contracting expenses	3,612	3,612
Field supplies and services	53,665	53,665
Onsite Supervision	36,367	36,367
Exploration Asset	1,449,411	1,449,411
Other	1,547	1,548
<b>Total for the period</b>	<b>\$ 1,804,024</b>	<b>1,804,024</b>

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## Canuc Resources Corporation

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### Notes to Consolidated Financial Statements

Period Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

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#### 9. Oil and gas properties and interests

At December 31, 2018, the Company's oil and gas properties consisted of the Coody Morales Lease, a 100% working interest (80% net revenue interest) in an oil and gas lease. The asset belongs to the US reportable segment.

The Company's oil and gas interests are comprised of the following:

- Thompson Lease

A 20% working interest (16% net revenue interest) in an oil and gas lease and five producing gas wells. The Thompson leases are part of the US reportable segment.

- Texas Oil and Gas prospect leases

The Company had purchased between a 15% and 20% working interest (12% and 16% net revenue interest), in several oil and gas leases located in Stephens and Shackelford Counties, Texas, USA.

	Thompson	Coody Morales	Total
<b>Balance, December 31, 2017</b>	\$ -	\$ -	\$ -
Acquisition of oil and gas properties and interests (note 7)	168,987	98,946	267,933
Additions	693	12,892	13,585
Depletion	(20,970)	(18,762)	(39,732)
Effect of changes in foreign exchange	13,670	7,661	21,331
<b>Balance, December 31, 2018</b>	<b>\$ 162,380</b>	<b>\$ 100,737</b>	<b>\$ 263,117</b>

#### 10. Share capital

a) Authorized share capital

- Unlimited number of Common shares
- Unlimited number of Class A shares

b) Common shares issued

	Number of common shares	Amount
<b>Balance, September 30, 2016</b>	<b>22,365,000</b>	<b>\$ 1,700,112</b>
Acquisition of Former Canuc (i)	10,186,751	2,037,350
Private placement (ii)(iii)	9,162,335	2,090,634
Share issue cost	225,064	(236,108)
Warrants exercised	2,800,000	597,240
Stock options exercised	975,000	239,416
<b>Balance, December 31, 2017</b>	<b>45,714,150</b>	<b>\$ 6,428,644</b>
Private placement (iv)	4,420,000	778,205
Warrants exercised	300,000	18,000
Stock options exercised	20,000	4,250
Acquisition of Full Circle Energy	11,810,000	1,299,100
<b>Balance, December 31, 2018</b>	<b>62,264,150</b>	<b>\$ 8,528,199</b>

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## Canuc Resources Corporation

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#### 10. Share capital

b) Common shares issued.

(i) On February 21, 2017 Former Canuc completed the reverse takeover transaction resulting in the combination of Former Canuc and Santa Rosa. Pursuant to the amalgamation, all issued and outstanding securities in the capital of Santa Rosa were converted into like issued and outstanding securities of Canuc on a two-for one basis.

All equity instruments of Santa Rosa have been retrospectively adjusted in these financial statements to give effect to the share 2-for-1 consolidation from the Transaction. To give effect to the purchase price Santa Rosa's 10,186,751 common shares valued at \$2,037,350; 3,550,00 share purchase warrants valued at \$363,610 (note 11); and 805,000 stock options valued \$103,095 (note 12) were deemed to be issued by Santa Rosa to holders of Former Canuc equity instruments.

(ii) On February 21, 2017 the Company closed a concurrent financing of \$2,000,000. The closing of this financing resulted in the issuance of 8,000,000 units, with each unit priced at \$0.25 and comprised of one common share and one half of one common share purchase warrant.

The Company incurred financing costs of \$150,617 (cash) and issued 225,064 common shares valued at \$30,000 and 602,468 broker warrants valued at \$59,102 (note 11) and 75,064 broker units. Each broker unit had the same terms as a unit in the financing; accordingly, 76,064 common share were valued at \$15,000 and the 37,532 warrants were valued at \$2,425. The net proceeds after all cash and share-based issuance costs of \$1,742,856 were allocated on a relative fair value basis between share capital (\$1,468,856) (note 11) and warrants reserve (\$274,000).

(iii) On November 27, 2017 the Company closed a financing of \$464,934. The closing of this financing resulted in the issuance of 1,162,335 units, with each unit priced at \$0.40 and comprised of one common share and one half of one common share purchase warrant.

The Company incurred financing costs of \$23,165 (cash) and issued 4,000 broker warrants valued at \$800 (note 11). Each Finder's warrant entitles the holder to purchase one additional common share at a price of \$0.40 per common share for two years from the closing date.

(iv) On March 5, 2018 the Company closed a non-brokered financing of \$1,105,000. The closing of this financing resulted in the issuance of 4,420,000 units, with each unit priced at \$0.25 and comprised of one common share and one half of one common share purchase warrant.

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**11. Warrants**

	Number of warrants	Weighted average exercise price
<b>Balance, September 30, 2016</b>	<b>1,050,500</b>	<b>\$ 0.10</b>
Issued	8,775,167	0.35
Exercised	(2,800,000)	0.10
Expired	(750,000)	0.52
<b>Balance, December 31, 2017</b>	<b>6,275,667</b>	<b>\$ 0.40</b>
Issued	2,210,000	0.40
Exercised	(300,000)	0.10
Expired	(272,000)	0.10
<b>Balance, December 31, 2018</b>	<b>7,913,667</b>	<b>\$ 0.44</b>

The following table reflects the actual warrants issued and outstanding as of December 31, 2018:

Expiry Date	Number of warrants	Exercised Price (\$)
February 21, 2019*	478,500	0.10
February 21, 2019	4,000,000	0.50
February 21, 2019	602,468	0.25
February 21, 2019	37,532	0.50
November 27, 2019	581,167	0.60
December 21, 2019	4,000	0.40
March 5, 2020	2,210,000	0.40
	7,913,667	0.44

\* The expiry date of these warrants was two years from a Liquidity Event, now known to be February 21, 2017.

The closing of the \$2,000,000 financing on February 21, 2017 resulted in the issuance of 4,000,000 common share purchase warrants, with each warrant having a life of two years from the date of issue and an exercise price of \$0.50.

The Company issued 602,468 broker warrants valued at \$59,102 and 75,064 broker units. Each broker unit had the same terms as a unit in the financing; accordingly 75,064 common share were valued at \$15,000 and the 37,532 warrants were valued at \$2,425. The net proceeds after all cash and share-based issuance costs of \$1,742,856 were allocated on a relative fair value basis between share capital (\$1,468,856) and warrants reserve (\$274,000).

The closing of the \$464,934 financing on November 27, 2017 resulted in the issuance of 581,167 common share purchase warrants, with each warrant having a life of two years from the date of issue and an exercise price of \$0.40.

The closing of the \$1,105,000 financing on March 5, 2018 resulted in the issuance of 2,210,000 common share purchase warrants, with each warrant having a life of two years from the date of issue and an exercise price of \$0.40.

The estimated fair value of the warrants transferred from Former Canuc as a result of the Transaction was determined using the Modified Black-Scholes option-pricing model with the following weighted average assumptions:

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	<b>February 2017</b>
Risk-free rate	0.90%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	100%
Expected life (in years)	0.63 – 0.71
Forfeiture rate	---
Weighted-average grant date price	\$0.25

(1) Based upon the Company's historical volatility.

The estimated fair value of the warrants as a result of the concurrent financing was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<b>February 2017</b>
Risk-free rate	0.90%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	100%
Expected life (in years)	2
Forfeiture rate	---
Weighted-average grant date price	\$0.25

(1) Based upon the Company's historical volatility.

The estimated fair value of the \$100,300 for the warrants and \$800 for the broker warrants was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<b>November 2017</b>
Risk-free rate	1.43%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	127%
Expected life (in years)	2
Forfeiture rate	---
Stock price	\$0.335

(1) Based upon the Company's historical volatility.

The estimated fair value of the \$312,494 for the warrants was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<b>March 2018</b>
Risk-free rate	1.73%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	138%
Expected life (in years)	2
Forfeiture rate	---
Stock price	\$0.24

(1) Based upon the Company's historical volatility.

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**12. Share-based payments**

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price
<b>Balance, September 31, 2016</b>	<b>950,000</b>	<b>\$ 0.10</b>
Issued	3,405,000	0.41
Expired	(975,000)	0.15
<b>Balance, December 31, 2017</b>	<b>3,380,000</b>	<b>\$ 0.40</b>
Exercised	(20,000)	0.06
Expired	(100,000)	0.06
<b>Balance, December 31, 2018</b>	<b>3,260,000</b>	<b>\$ 0.41</b>

The original Company granted 805,000 options as part of the RTO to replace options for former company option.

The options granted February 21, 2017 are the options carried over from Former Canuc, having the same terms as at their grant date but revalued as part of the purchase price on February 21, 2017. The estimated fair value of these options of \$103,095 was determined using the Modified Black-Scholes option-pricing model with the following weighted average assumptions:

	February 2017
Risk-free rate	1.00%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	90%
Expected option life (in years)	1.6 – 2.2
Forfeiture rate	0
Weighted-average grant date price	\$0.25

(1) Based upon the Company's historical volatility.

On March 8, 2017, the Company issued 2,200,000 incentive stock options to Officers, Directors and consultants of the Company. These options have a 3 year term, a \$0.50 exercise price and vested immediately. In April 2017, an additional 400,000 options were granted on the same terms. The estimated fair value of the options granted during March and April 2017 of \$375,220 was determined using the Modified Black-Scholes option-pricing model with the following weighted average assumptions:

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### Notes to Consolidated Financial Statements

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#### 12. Share-based payments (continued)

	March and April 2017
Risk-free rate	1.00%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	100%
Expected option life (in years)	3
Forfeiture rate	0
Weighted-average grant date price	\$0.25 and \$0.46

(1) Based upon the Company's historical volatility.

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

Expiry date	Exercise price (\$)	Weighted average contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 17, 2019	0.25	0.38	185,000	185,000
May 30, 2019	0.10	0.41	580,000	580,000
March 3, 2020	0.50	1.17	2,095,000	2,095,000
April 6, 2020	0.50	1.27	400,000	400,000
	0.41	1.00	3,260,000	3,260,000

#### 13. Loss per share

The calculation of basic and diluted loss per share for the twelve months ended December 31, 2018 was based on the loss attributable to common shareholders of \$2,768,893 (fifteen month ended December 31, 2017 - \$5,350,172) and the weighted average number of common shares outstanding of 51,510,780 for the twelve months ended December 31, 2018 (fifteen months ended December 31, 2017 – 36,218,539). Diluted loss per share did not include the effect of 3,260,000 options outstanding and 7,913,667 warrants as their effect is anti-dilutive.

#### 14. Value added taxes

The Company expenses refundable value added taxes ("VAT") incurred in Mexico until such a time as it is reasonably certain that the VAT will be collected. If in a future period the VAT are collected, the Company will recognize the refund as a recovery of the expense through the consolidated statements of loss and comprehensive loss. The following table presents the approximate VAT base at the end of each reporting period. The balances are carried in Mexican pesos (MXN) and a translation to Canadian dollars (CAD) has been presented using the exchange rate at the end of the respective reporting period.

	December 31, 2018		December 31, 2017	
	CAD Dollar	MXN Peso	CAD Dollar	MXN Peso
VAT held in foreign currency	139,537	2,010,039	119,656	1,875,491

The company expensed \$9,074 during the year (fifteen months ended December 31, 2017 - \$69,522)

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#### 15. Related party transactions

Related parties include officers of the Company and its subsidiaries, its Board of Directors, key management personnel, their close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS24, key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director (executive and non-executive) of the Company.

The agreement under which Minera Stramin may acquire the Santa Rosa and Ampliación de Santa Rosa concessions is with two estates whose beneficiaries include an individual who is a director of Minera Stramin and therefore a key management person.

One former director and executive officer hold NSR royalties totaling 1% of the total 2.5% on production from the San Javier project (Note 8).

(a) The Company entered into the following transactions with related parties:

(i) For the year ended December 31, 2018, the Company received \$nil (fifteen months ended December 31, 2017 - \$26,580) from corporations with a common director and officer, as rent. As at December 31, 2018, the amount of \$21,589 (December 31, 2017 – payable \$12,003) is due from two corporation with a common director and officer.

(b) Remuneration of directors and key management personnel of the Company was as follows:

	<b>Twelve Months Ended December 31, 2018</b>	<b>Fifteen Months Ended December 31, 2017</b>
Cash based remuneration	\$ 165,874	\$ 438,839
Share-based payments (Black-Scholes value)	\$ -	\$ 321,286

As at December 31, 2018, the amount of \$nil (December 31, 2017 - \$5,970) is payable to a corporation with director of the Company is the President.

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#### 16. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%) to the effective tax rate is as follows:

	2018	2017
(Loss) for the period before income taxes	\$ (2,768,893)	\$ (5,350,172)
Expected income tax (recovery) expense	(733,760)	(1,417,800)
Other non-deductible expenses	7,000	71,940
Share-based payments	-	99,430
Goodwill impairment	384,090	650,340
Foreign exchange rates	-	(16,350)
Difference in foreign tax rates	(18,320)	(27,220)
Share issue costs	(3,790)	(46,050)
Change in tax benefits not recognized	364,780	685,710
Deferred income tax provision (recovery)	\$ -	\$ -

The following table summarizes the components of deferred tax:

	2018	2017
<b>Deferred Tax Assets</b>		
Non-capital losses carried forward - US	\$ 36,630	\$ 39,100
Non-capital losses carried forward – Mexico	57,010	-
<b>Deferred Tax Liabilities</b>		
Property, plant and equipment - US	(28,770)	(28,510)
Property, plant and equipment - US	(7,850)	(10,590)
Unrealized gain on interco loan	(57,010)	-
Net deferred tax Asset	(10)	-
Unrecognized deferred tax assets	\$ -	\$ -

#### Unrecognized temporary differences

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:

	December 31, 2018	December 31, 2017
	\$	\$
Property, plant and equipment	10,930	22,840
Intangible Asset's	66,930	37,780
Unrealized FAX gain or losses	-	24,640
Financing costs	339,520	485,830
Non-capital losses carried forward - USA*	258,040	378,860
Non-capital losses carried forward - Canada	8,556,110	7,735,620
Non-capital losses carried forward - Mexico	1,361,230	1,071,270
Exploration properties	3,279,880	2,324,330

\* Pending assessment from tax authorities

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**16. Income taxes (continued)**

The Canadian non-capital loss carry forwards expire in tax years ending from 2025 through 2038.

Share issue and financing costs will be fully deducted by 2021

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 group can utilize the benefits therefrom.

The Company's non-capital income tax losses expire as follows:

	Canada	US	Mexico
2025	\$ -	\$ -	\$ -
2026	2,289,260	-	-
2027	320,450	-	-
2028	394,880	-	-
2029	786,450	-	-
2030	334,180	-	-
2031	543,450	-	-
2032	256,560	-	-
2033	266,600	-	-
2034	384,710	-	-
2035	803,760	294,660	-
2036	-	-	203,420
2037	1,135,760	-	867,850
2038	1,040,070	-	479,990
	<u>\$ 8,556,130</u>	<u>\$ 294,660</u>	<u>\$ 1,551,260</u>

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#### 17. Commitments and contingent liabilities

Leases:

The Company has certain optional property payments under property acquisition agreements. The Company also has entered into a lease for premises effective May 1, 2016. The lease has one renewal term of five years after the initial 5-year and 4-month term. The Company received a rent-free period from May 1, 2016 until August 31, 2016. As a result of the free rent period, the Company has recorded deferred charges on the balance sheet. The recording of the deferred charges results in a straight-line rent charge to the statement of loss and comprehensive loss.

The Company has entered into two sublease agreements, each for a term of 5 years. The expected minimum sublease rents to be received from October 1, 2017 to the end of the sublease agreements is \$40,675.

The Company leases its head office space with the following aggregate minimum lease payments:

Not later than 1 year	\$	24,593
Between 1 and 5 years		65,581
	\$	<b>90,174</b>

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Exploration and evaluation activities:

The Company's exploration and evaluation activities are subject to various international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### 18. SEGMENTED INFORMATION

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals and the development of oil and gas properties. The Company does not have formal operating segments. The corporate office operates to support the Company's projects. As of December 31, 2018, the projects are located in the United States of America and Mexico.

As of December 31, 2018, the Company's oil and gas wells in Texas represent 100% of its revenues and 29% of its assets. Although the Company's primary asset the San Javier Project in Mexico represents 1% of its assets on the Company's books at December 31, 2018 (December 31, 2017 – 1%) as the Company expenses exploration and evaluation expenditures as incurred. Management makes decisions by considering exploration potential and results on a project-by-project basis.

A geographic breakdown of assets by segment follows:

	December 31, 2018	December 31, 2017
Canada Corporate and Saskatchewan	749,085	226,054
United States - Texas	308,066	338,581
Mexico - Sonora	13,722	24,259
	\$ <b>1,070,672</b>	\$ <b>588,894</b>

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