CANUC RESOURCES CORPORATION

Consolidated Financial Statements

(in Canadian dollars)

For the years ended December 31, 2015 and 2014

Management's Responsibility for

Consolidated Financial Statements

The accompanying consolidated financial statements of Canuc Resources Corporation (the "Company" or "Canuc") are the responsibility of management. The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)

"Hubert Mockler"

Hubert Mockler
Chief Executive Officer

(signed)

"Robert Lelovic"

Robert Lelovic
Chief Financial Officer

Toronto, Canada
April 26, 2016

S & W LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Canuc Resources Corporation:

We have audited the accompanying consolidated financial statements of Canuc Resources Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canuc Resources Corporation as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which discloses conditions that indicate the existence of a material uncertainty that may cast significant doubt about Canuc Resources Corporation's ability to continue as a going concern.

S+W LLP

April 26, 2016 S&W LLP
Toronto, Canada Chartered Professional Accountants, Licensed Public Accountants

CANUC RESOURCES CORPORATION

Consolidated Statements of Financial Position
(in Canadian Dollars)

As at,		**December 31, 2015**		**December 31, 2014**
ASSETS				
Current				
Cash	**$**	**41,072**	$	11,739
Accounts receivable		**54,303**		83,978
Prepaid expenses and deposits		**7,287**		17,865
		102,662		113,582
Non-current				
Oil and gas properties *(*Note 6)		**-**		234,749
Investment in oil and gas interests *(*Note 7)		**201,812**		459,284
	$	**304,474**	$	807,615
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**170,181**	$	162,351
Loan payable (Note 9)		**-**		60,000
		170,181		222,351
SHAREHOLDERS' EQUITY				
Share capital *(*Note 10*)*		**54,132,689**		53,959,698
Shares to be issued		**7,000**		-
Warrants *(*Note 10*)*		**15,750**		55,750
Contributed surplus		**2,913,359**		2,838,159
Cumulative translation reserve		**101,541**		-
Deficit		**(57,036,046)**		(56,268,343)
		134,293		585,264
	$	**304,474**	$	807,615

Going Concern and Commitments (Notes 1 and 16)
On behalf of the Board,

"Signed"
Hubert Mockler
Hubert Mockler
Director

"Signed"
Chris Berlet
Chris Berlet
Director

See accompanying Notes to the Financial Statements

CANUC RESOURCES CORPORATION

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(in Canadian Dollars)

For the years ended December 31,	2015	2014
Sales of Petroleum Products		
Sales	**$ 248,618**	$ 642,894
Less: Landowner royalties	**14,927**	28,300
	233,691	614,594
Operating costs	**145,964**	139,825
Depletion (*Note 6*)	**69,058**	68,520
	215,022	208,345
Expenses		
Management fees *(*Note 14*)*	**102,837**	143,480
Professional fees	**64,331**	45,284
Office and general costs	**39,691**	40,946
Shareholder and investor relations	**37,680**	23,254
Stock Based compensation (Note 14)	**35,200**	-
Evaluation expenses	**372**	384
Interest expense	**40**	53
Gain on write-down of long-term payable *(*Note 9*)*	**-**	(40,000)
Foreign exchange	**(27,510)**	2,719
Gain on settlement of loan payable (Note 9)	**(36,000)**	-
Write-down of oil and gas interests *(*Note 7*)*	**364,391**	48,071
Write-down of oil and gas property (Note 6)	**205,340**	**-**
Gain on the sale of oil and gas property *(Note 6)*	-	(17,211)
	786,372	246,980
Net (loss) income before the undernoted:	**$ (767,703)**	**$** 159,269
Operating loss of subsidiary sold during the year	**-**	58,071
Gain on disposal of subsidiaries (*Note 11*)	-	(73,427)
Net (loss) Income	**$ (767,703)**	$ 174,625
Other Comprehensive Income:		
Currency translation differences	**101,541**	-
Comprehensive (loss) income	**$ (666,162)**	$ 174,625
Basic and diluted (loss) income per common share *(Note 15)*	(**0.09)**	0.03
Weighted average number of shares outstanding during the period - basic and diluted *(Note 15)*	**7,328,179**	6,767,099

See accompanying Notes to the Financial Statements

CANUC RESOURCES CORPORATION

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2015 and 2014
(in Canadian Dollars)

	Number of common shares issued	Share Capital	Shares to be issued	Warrants	Contributed Surplus	Cumulative Translation Reserve	Deficit	Total Equity
		$	$	$	$	$	$	$
As at Dec. 31, 2013	6,766,751	53,959,698	-	112,918	2,780,991	-	(56,442,968)	410,639
Income and comprehensive income for the period		-		-	-	-	174,625	174,625
Warrants expired		-	-	(57,168)	57,168	-	-	-
As at Dec. 31, 2014	6,766,751	53,959,698	-	55,750	2,838,159	-	(56,268,343)	585,264
Net Loss		-	-	-	-	-	(767,703)	(767,703)
Warrants expired		-	-	(40,000)	40,000	-	-	-
Other Comprehensive income		-	-	-	-	101,541	-	101,541
Issuance of stock options		-	-	-	35,200	-	-	35,200
Common shares issued on settlement of debt	120,000	24,000	-	-	-	-	-	24,000
Common shares issued on private placement	3,060,000	153,000	-	-	-	-	-	153,000
Common shares to be issued on private placement		-	7,000	-	-	-	-	7,000
Share issue costs		(4,009)	-	-	-	-	-	(4,009)
As at Dec. 31, 2015	9,946,751	54,132,689	7,000	15,750	2,913,359	101,541	(57,036,046)	134,293

See accompanying Notes to the Consolidated Financial Statements

CANUC RESOURCES CORPORATION

Consolidated Statements of Cash Flows
(in Canadian Dollars)

For the years ended December 31,		2015		2014
Net (loss), income including discontinued operations	$	(767,703)	$	174,625
Items not affecting cash:				
Depletion *(*Note 6*)*		69,058		75,650
Gain on the sale of oil and gas property *(*Note 6*)*		-		(17,211)
Write-down of oil and gas interests *(*Note 7*)*		364,391		48,071
Write-down of oil and gas property (Note 6)		205,340		
Net gain on the disposal of subsidiaries *(*Note *11)*		-		(73,427)
Gain on the write-down of long-term payable *(*Note 9*)*		-		(40,000)
Gain on settlement of loan payable (Note 9)		(36,000)		-
Share based compensation		35,200		-
Net change in non-cash working capital balances:				
Accounts receivable		39,279		(17,856)
Prepaid expenses and deposits		10,578		(6,219)
Accounts payable and accrued liabilities		(17,045)		(25,801)
Cash (used in) provided by operations	$	(96,902)	$	117,832
INVESTING ACTIVITIES				
Acquisition of oil and gas properties (Note 6*)*		(31,522)		(1,412)
Sale of oil and gas property (Note 6)		-		17,211
Investment in oil and gas interests (Note 7)		-		(184,930)
Cash used by financing activities	$	(31,522)	$	(169,131)
FINANCING ACTIVITIES				
Issuance of common shares		153,000		-
Common shares to be issued		7,000		-
Share issue costs		(4,009)		-
Cash provided by investing activities	$	155,991	$	-
Impact of foreign exchange on cash	$	1,766	$	-
Net increase (decrease) in cash	$	29,333	$	(51,299)
Cash, beginning of the year		11,739		63,038
Cash, end of the year	$	41,072	$	11,739

See accompanying Notes to the Consolidated Financial Statements

1. Nature of Operation and Going Concern

Canuc Resources Corporation (the "**Company**" or "**Canuc**") is the corporation resulting from the amalgamation, under the laws of the Province of Ontario, of Canuc Resources Corporation and Nova Beaucage Resources Limited pursuant to Articles of Amalgamation dated January 1, 1997. The Company was originally incorporated under the laws of the Province of Ontario by Letters Patent dated November 3, 1956. By Articles of Amendment dated June 12, 1996, the name of the Company was changed from Canuc Resources Inc. to Canuc Resources Corporation. The Company is engaged in the acquisition, exploration and development of natural resources. The address of the registered office is Suite 402, 121 Richmond Street West, Toronto, Ontario, M5H 2K1. The Company is listed on the TSX-V under the symbol CDA.

The consolidated financial statements of the Company for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the directors dated April 26, 2016.

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.

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 financial statements, such adjustments could be material. The Company has a need for 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 may cast significant doubt as to the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern.

2. Basis of Preparation

Statement of Compliance:

The consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

Basis of Measurement:

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention.

2. Basis of Preparation (cont'd)

Use of Estimates and Judgments:

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.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been adopted for the year ended December 31, 2015 and have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Basis of Consolidation

These consolidated financial statements include the accounts of Canuc and its controlled subsidiary Midtex Oil & Gas Corporation ("**Midtex**"). Control is achieved when Canuc has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Its subsidiary is wholly-owned. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statements of (loss) income and comprehensive (loss) income from the effective date of acquisition or to the date of disposal. Intergroup balances and transactions are eliminated on consolidation.

Midtex is a wholly owned subsidiary which was incorporated under the laws of Ontario. In 2014, the consolidated financial statements included the accounts of the Company's wholly owned subsidiaries Midtex and Sonocan Explorations Limited ("**Sonocan**"). Effective December 31, 2014, the Company chose to dissolve Sonocan, as an outstanding lawsuit related to Sonocan was dismissed during 2013 and there was no subsequent appeal. The consolidated financial statements for the first 9 months of 2014 also included Compania Minera Miningandos S.A. ("**MiningAndos**"), a company incorporated under the laws of Ecuador, which was sold on October 9, 2014.

b) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Canuc Resources Corporation's functional currency is the Canadian dollar however, during the year, the Company judgmentally reassessed the functional currency of Midtex and determined that is was the US dollar as compared to the previous year's Canadian dollar functional currency. See Note 4.

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

c) Non-derivative Financial Instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

3. Summary of Significant Accounting Policies (cont'd)

c) Non-derivative Financial Instruments (cont'd)

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

i) Held to Maturity

Held to Maturity assets are measured at amortized cost using the effective interest method.

ii) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or are designated as such by management. Such assets are held for trading if acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statements of (loss) income and comprehensive (loss) income. Transaction costs are expensed as incurred. The Company does not have any financial assets classified as FVTPL.

iii) Loans and Receivables

Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include accounts receivables and cash and cash equivalents.

iv) Available-For-Sale Investments

Financial assets classified as available for sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income (loss), except for losses considered to be other than temporary which are recognized in net income. The Company has not classified any financial assets as available for sale.

Purchases and sale of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive income (loss) is reclassified from accumulated other comprehensive(loss) income to net (loss) income.

v) Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include trade and other payables and the loan payable.

d) Impairment

i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statements of (loss) income and comprehensive (loss) income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

ii) Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an

3. Summary of Significant Accounting Policies (cont'd)

d) Impairment (cont'd)

ii) Non-Financial Assets (cont'd)

asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to net (loss) income, except to the extent that it would reverse gains previously recognized in other comprehensive (loss) income.

e) 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 income (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) income. 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.

f) Property, Plant and Equipment

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) income and comprehensive (loss) income.

3. Summary of Significant Accounting Policies (cont'd)

g) Oil and Gas Properties

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 tested for impairment on an individual basis and 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.

h) Exploration and Evaluation Assets (E&E)

i) 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.

3. Summary of Significant Accounting Policies (cont'd)

h) Exploration and Evaluation Assets (E&E cont'd)

ii) 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) income and comprehensive (loss) income.

iii) 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) income. 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.

i) Investment in Oil and Gas Interests

This investment represents participation agreements with a third party operator of oil and gas wells in Texas, USA. The Company does not exercise joint control or significant influence over the operator of the oil and gas participations. Accordingly, this investment has been classified as an available for sale financial instrument. As this investment has no quoted market price in active markets and its fair value cannot be reliably measured, it is recorded at cost, unless there is an indication of impairment.

j) 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.

3. Summary of Significant Accounting Policies (cont'd)

k) 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.

l) 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 (loss) income and comprehensive (loss) income 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 (loss) income and comprehensive (loss) income.

m) 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) income and comprehensive (loss) income. Management is not aware of any significant decommissioning liabilities at December 31, 2015 and 2014.

3. Summary of Significant Accounting Policies (cont'd)

n) Revenue Recognition

The operations of the Company's producing wells is 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.

o) 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.

p) Taxes

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

i) 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.

ii) 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 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.

iii) 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;
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes;
- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and

3. Summary of Significant Accounting Policies (cont'd)

p) Taxes (cont'd)

iii) Deferred Tax Liabilities (cont'd)

- 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.

q) 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.

r) 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) income and comprehensive (loss) income at the time the resource expenditures are incurred.

s) 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 financial information unless their occurrence is remote.

t) 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, 2015, the Company operates in two geographical segments: Canada and the United States.

u) Assets Held for Sale and Discontinued Operations

Assets and liabilities held for disposal are no longer depreciated and are presented separately in the statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if it's carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

A discontinued operation represents a major line of business or geographic area of operations for the

3. Summary of Significant Accounting Policies (cont'd)

u) Assets Held for Sale and Discontinued Operations (cont'd)

Company that either has been disposed of or is classified as held for sale. The items in the consolidated statement of financial position related to these discontinued operations are presented on specific lines in the annual consolidated financial statements. Profit or loss items related to these discontinued operations are shown separately in the consolidated financial statements for all periods presented if they are material to the Company.

4. Critical Judgments and Accounting Estimates

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgments made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

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 financial statements, can have a significant effect on earnings, 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.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the net income (loss) in the period the new information becomes available.

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

4. Critical Judgments and Accounting Estimates

Taxes (cont'd)

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 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 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.

During the year, the Company made a determination that the functional currency for Midtex should be US dollars. Prior to 2015, management has judgmentally determined the functional currency to be Canadian dollars. Management, in its determination considered all of the relevant primary and secondary factors however, the deciding factor which led to the change in functional currency was that Midtex became self-sustaining. Management, in its judgement determined that the switch over date for Midtex should be the beginning of the fiscal year. The change in functional currency has been applied prospectively since January 1, 2015.

5. Future Accounting Changes

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 9 Financial Instruments ("IFRS 9") was issued by the IASB in its final form in July 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 on its effective date and has not reviewed the effects of this future policy change.

(in Canadian dollars)

5. Future Accounting Changes (cont'd)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May, 2014. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company intends to adopt IFRS 15 on its effective date and has not reviewed the effects of this future policy change.

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 statement 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 Company has not yet assessed the impact of this standard.

6. Oil and Gas Properties

Dec. 31, 2014	Additions	Depletion	Foreign Exchange	Write-offs	Dec. 31, 2015
$ 234,749	$ -	$ (69,058)	$ 39,649	$ 205,340	$ -

Dec. 31, 2013	Additions	Depletion		Write-offs	Dec. 31, 2014
$ 301,857	$ 1,412	$ (68,520)	$ -	$ -	$ 234,749

At December 31, 2015, the Company's oil and gas properties consist 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. During the fourth quarter of 2015, management decided that low gas prices which in its judgement have been prolonged and observable, were impacting revenue generated from this asset. Management determined that production should cease until gas prices restore to more favorable levels. The impairment as a result is $205,340 and was charged through the consolidated statements of (loss) income and comprehensive (loss) income.

In December 2013, the other well on the lease was capped and its remaining value of $2,287 was written off. During the first quarter of 2014, oil and gas equipment from this well was sold for $17,211.

(in Canadian dollars)

7. Investment in Oil and Gas Interests

		Dec. 31, 2014		Investments		Foreign Exchange		Write-offs		Dec. 31, 2015
Texas USA Investments	$	459,284	$	31,522	$	75,397	$	(364,391)	$	201,812

		Dec. 31, 2013		Investments		Foreign Exchange		Write-offs		Dec. 31, 2014
Texas USA Investments	$	322,425	$	184,930	$	-	$	(48,071)	$	459,284

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

(a) Thompson Lease

A 20% working interest (16% net revenue interest) in an oil and gas lease and five producing gas wells. The lease is located in Stephens County, Texas, USA. The operating manager drilled three new wells in 2013 and one new well in the first quarter of 2014. All four new wells are now in production. A sixth well, initiated late in the second quarter of 2014, was completed and began producing late in the third quarter of 2014.

The Thompson leases are part of the US reportable segment. Management in the fourth quarter of 2015, determined that there was observable and prolonged indicators of impairment. Management judgmentally performed a value in use calculation, estimating the life of each gas producing well, the expected sales price, costs to run the wells, and the natural decline curve of production. In arriving at these estimates, geological formations around the wells as well as historical patterns were evaluated. As a result, impairment charges of $308,972 were recorded in the consolidated statements of (loss) income and comprehensive (loss) income.

(b) Walker Buckler Lease

A 15% working interest (11.25% net revenue interest), in an oil and gas lease and one producing gas well. The lease is located in Shackelford County, Texas, USA. In 2013, the operating manager drilled two new wells and both were written off during the year at a cost of $71,373.

The Walker Buckler lease is part of the US reportable segment. Management in the fourth quarter of 2015, determined that there was observable and prolonged indicators of impairment. Management judgmentally performed a value in use calculation, estimating the life of each gas producing well, the expected sales price, costs to run the wells, and the natural decline curve of production. In arriving at these estimates, geological formations around the wells as well as historical patterns were evaluated. As a result, an impairment charge of $55,419 was recorded in the consolidated statements of (loss) income and comprehensive (loss) income.

(c) 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. In 2014, a well on the Nickell lease was drilled and the well was dry, resulting in a $48,071 write-off and one property that was previously written off was sold for $8,355.

Due to falling natural gas prices, there are currently no plans for new wells in 2016 on any of the leases.

(in Canadian dollars)

8. Exploration Properties

Nambija Project

In the 1990's the Company acquired 2 contiguous mining concessions (the "Concessions") and 634 mining rights within the Concessions which comprise approximately 85% of the total mining rights in the Concessions. The Gold Star Project is located within the Concessions and is comprised of 11 mining rights and tunnels. A 2.5% gross overriding royalty on the production of gold subject to a cumulative cap of US$2,000,000 was granted on this part of the Concessions. The mining rights entitle the Company to operate the existing tunnels with an area of influence of approximately 15 metres in circumference.

In the fourth quarter of 2014, Canuc completed the sale of all of its shares in its wholly-owned subsidiary, MiningAndos, to Mr. Jorge Guzman of Quito, Ecuador. The agreement requires for Mr. Guzman to pay to Canuc a 10% royalty after stabilized production is reached. The Company has retained the right to acquire a 49% interest in Mr. Guzman's operations by paying 200% of his costs to achieve stabilized production, in the event that investing in Ecuador becomes more attractive. See Note 11 for more details.

Cumulative costs relating to the exploration assets have been incurred on the following projects:

	Dec. 31, 2013	Expenditures	Write downs	Dec. 31, 2014
Nambija Project, Ecuador	**$ 1**	**$ -**	**$ 1**	**$ -**
	$ 1	**$ -**	**$ 1**	**$ -**

9. Loan Payable

As of October 2014, the Company's former President agreed to write-off $120,000 of the amount that he billed to the Company during past years, to reduce his future consulting fee to $60,000 per annum and to transfer $127,980 of what he was owed at December 31, 2013 from accounts payable to a long-term payable. During 2014, a net number of $27,980 was transferred to accounts payable, reducing the total to $100,000 At the end of 2014, an agreement was reached that resulted in $40,000 of the long-term payable being written-off. In March 2015, the balance of $60,000 was converted into 120,000 common shares of the Company. As a result of the conversion, the Company recognized a gain on settlement of debt of $36,000.

10. Share Capital

On August 17th, 2015, the shareholders of the Company approved a share consolidation on a ten (10) for one (1) basis. Under the approved consolidation, any fractional shares would be rounded down to the nearest whole share. The share consolidation took effect on September 3, 2015. The then common shares outstanding were consolidated into 6,886,751 common shares. These consolidated financial statements have been retrospectively restated including loss per share and any share, warrant or option transaction issued and or otherwise convertible into shares to account for the Company's share consolidation.

(in Canadian dollars)

10. Share Capital (cont'd)

Authorized

Unlimited number of Common shares
Unlimited number of Class A shares

Common Shares issued:

	Number of Shares	Amount
Balance, Dec. 31, 2013	**6,766,751**	**$ 53,959,698**
Balance, December 31, 2014	**6,766,751**	**$ 53,959,698**
Balance, December 31, 2014	**6,766,751**	**$ 53,959,698**
Common shares issued upon settlement of loan payable	120,000	**24,000**
Common shares issued on private placement	3,060,000	**153,000**
Share issuance costs	**-**	**(4,009)**
Balance December 31, 2015	**9,946,751**	**54,132,689**

Warrants

As at December 31, 2015 the following share purchase warrants are outstanding:

Number of Warrants	Exercise Price	Estimated Fair Value ("EFV")	Expiry Date
350,000 [1]	$ 0.50 / 1.00	15,750	October 9, 2017
3,200,000	$ 0.10	-	November 4, 2017
3,550,000		$ 15,750	

Notes

[1] These warrants are exercisable at $0.50 per share on or before October 9, 2015 and then at $1.000 per share on or before October 9, 2017.

On February 13, 2015, 100,000 share purchase warrants exercisable at $1.50 per share with an estimated fair value of $40,000 expired.

Share-based Payments

The Company's Stock Option Plan (the "Plan") provides for the granting of options to employees, officers, directors and consultants of a maximum of 10% of the issued and outstanding common shares at an exercise price equal to or greater than the market price of the Company's common shares on the date of the grant. Options granted under the Plan may have a life of up to 5 years. At the discretion of the Board of Directors, these options may vest immediately or vest over time or based on achieving certain performance targets. Each stock option is exercisable to purchase one common share of the Company at the price specified in the terms of the option.

(in Canadian dollars)

10. Share Capital (cont'd)

As at December 31, 2015 and the Company had the following incentive stock options outstanding:

Stock Options	Exercise Price	Estimated Fair Value	Expiry Date
595,000	$0.06	$35,200	October 5, 2018

On July 31, 40,000 options expired due to terms as set out in the Company's option plan.

On October 6, 2015, the board of directors approved and the Company issued 595,000 options in accordance with its stock option plan. The options have a strike price of $0.06, have a term of three years and vested immediately.

The assumptions used to value the options were a stock price of $.06, an expected life of 3 years, an interest rate without risk of .52%, no expected dividend yield, and an estimated volatility of 248.34% which results in a fair value of $35,200

11. Disposal of Subsidiaries

On October 9, 2014 the Company sold all of the shares in its wholly-owned subsidiary, Compania Minera Miningandos S.A. ("**MiningAndos**"), to Mr. Jorge Guzman of Quito, Ecuador. The agreement requires Mr. Guzman to pay to Canuc a 10% royalty after stabilized production is reached. The Company has retained the right to acquire a 49% interest in Mr. Guzman's operations by paying 200% of his costs to achieve stabilized production, in the event that investing in Ecuador becomes more attractive.

The loss from discontinued operations in MiningAndos included in loss and comprehensive loss is presented below.

MiningAndos		2015		2014
Revenue	$	-	$	-
Expenses		-		58,071
Loss before taxes		-		(58,071)
Income taxes		-		-
Post-tax loss from discontinued operations	$	-	$	(58,071)
Gain on measurement to fair value less costs to sell	$	-	$	-
Gain on disposal of assets		-		1,443,136
Income tax expense related to the disposal of assets		-		-
Basic loss per share (in Canadian cents)	$		$	(0.00)
Diluted loss per share (in Canadian cents)				(0.00)

Cash flows from discontinued operations		2015		2014
Net operating cash flows	$	-	$	(46,584)
Net investing cash flows		-		(42,850)
Net financing cash flows		-		-
Net cash flows for the year	$	-	$	(89,434)

(in Canadian dollars)

11. Disposal of Subsidiaries (cont'd)

The Company has chosen to dissolve Sonocan Explorations Limited ("**Sonocan**"), effective December 31, 2014, as the outstanding lawsuit related to Sonocan was dismissed during 2013 with no subsequent appeal.

Sonocan		2015		2014
Revenue	$	-	$	-
Expenses		-		1,516,564
Loss before taxes		-		(1,516,564)
Income taxes		-		-
Post-tax loss from discontinued operations	$	-	$	-
Loss on measurement to fair value less costs to sell	$	-	$	-
Loss on disposal of assets		-		-
Income tax expense related to the disposal of assets		-		-
Basic loss per share (in Canadian cents)	$		$	(0.00)
Diluted loss per share (in Canadian cents)				(0.00)

Cash flows from discontinued operations		2015		2014
Net operating cash flows	$	-	$	-
Net investing cash flows		-		-
Net financing cash flows		-		-
Net cash flows for the year	$	-	$	-

The net result of these transactions was a gain on disposal of $73,427, calculated as follows:

MiningAndos;		
Write-off receivables	$	(1,400,286)
Write-off of equipment		(42,850)
Write-off of exploration asset		(1)
Loss on disposition of MiningAndos	$	(1,443,137)
Sonocan:		
Write-off of payables	$	1,516,564
Net gain on disposal of subsidiaries	$	73,427

12. Capital Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying mining, petroleum and natural gas assets. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Company considers its capital structure to include cash, cash equivalents and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its

(in Canadian dollars)

12. Capital Management (cont'd)

capital spending to manage current and projected debt levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital.

13. Financial Instruments and Risk Management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents are considered level 1.

Categories of Financial Instruments

	Dec. 31, 2015	**Dec. 31, 2014**
Financial Assets - cash and receivables		
Cash	**$ 41,072**	$ 11,739
Accounts receivable	**54,303**	83,978
Financial Liabilities - other financial liabilities		
Trade and other payables	**$ 170,181**	$ 162,351
Loan payable	**$ -**	$ 60,000

The fair values of all the Company's financial instruments approximate the carrying value due to the short term nature of the financial instrument. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

13. Financial Instruments and Risk Management (cont'd)

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer is unable to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company's receivables are the receipt of oil and gas revenues from one customer and refundable sales taxes issued by the government of Canada. The Company has not experienced any credit loss in the collection of its accounts receivable on oil and gas revenues or refundable sales taxes. The Company's cash and equivalents are held with Canadian financial institutions with an "AA" credit rating.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough resources available to withstand any downturn in the industry. As the Company's industry is very capital intensive, the majority of its spending is related to its capital programs. The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates and commodity and equity prices will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of the Canadian chartered bank.

Foreign Exchange Risk

The Company engages in transactions and activities in currencies other than its reported currency. The Company's exploration activities are primarily in Ecuador and the United States of America, ongoing exploration expenses, assets and liabilities are exposed to foreign exchange fluctuations. The Company's revenues and part of its expenses are transacted in US dollars.

Commodity and Equity Risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices, as they relate to precious and base metals, oil and gas and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and oil and gas. Precious and base metals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

(in Canadian dollars)

13. Financial Instruments and Risk Management (cont'd)

Sensitivity Analysis

Based on Management's knowledge and experience of the financial markets, the Company believes the following assumptions are reasonable for the year ended December 31, 2015: (i), while cash and cash equivalents are subject to floating interest rates, a plus or minus one percentage point change in interest rates would not have a material impact on the Company's reported net (loss) income and comprehensive (loss) income; (ii), if the US dollar appreciated/depreciated by 10%, the Company's net (loss) income would decrease/increase by approximately $1,000; and (ii), if the gas price appreciated/depreciated by 10%, the Company's net loss would decrease/increase by approximately $22,000.

14. Related Party Transactions

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties). The following is a summary of the Company's related party transactions for the periods ended December 31, 2015 and 2014.

Rental Payments and Receipts

For the year ended December 31, 2015 sublease rental revenue of $nil (2014 - $41,275) was earned from a corporation where the former president of Canuc was a director. Rent expense in the consolidated statements of (loss) income and comprehensive (loss) income is shown net of sublease revenue.

For the year ended December 31, 2015 sublease rental revenue of $27,284 (2014 – $11,101) was earned from a corporation, of which a director of Canuc is the President. At December 31, 2015 there is $16,183 (2104 - $nil) included in accounts receivable. Rent expense in the consolidated statements of (loss) income and comprehensive (loss) income is shown net of sublease revenue.

Private Placement Financings

In 2015, a director of the Company subscribed for 140,000 Units of an offering at $0.05 per Unit. Each Unit consisted of one common share and one common share purchase warrant, each warrant is exercisable at $0.10 per share on or before November 4, 2017. The value assigned to the warrants using a modified Black-Scholes Option pricing calculation was $nil.

Compensation of Key Management Personnel and Directors

The remuneration of directors and key management personnel during the period was as follows:

For the periods ended December 31,	**2015**	**2014**
Cash-based remuneration	**$ 87,000**	$ 126,000
Share-based remuneration	**$ 35,200**	$ -
	$ 122,200	$ 126,000

During 2013, due to market conditions, the Company's former President (as of October 2014) agreed to write-off $120,000 of the amount that he billed to the Company during 2012 and 2013, to reduce his future consulting fee to $60,000 and to transfer $127,980 of what he was owed at December 31, 2013 from accounts payable to a long-term payable.

During 2014, a net number of $27,980 was transferred to accounts payable, reducing the total to $100,000. At year end, an agreement was reached with the Company's former President to write off a further $40,000 of the payable and to convert the balance of $60,000 into common shares, subject to TSX-V approval. As a result

(in Canadian dollars)

14. Related Party Transactions (cont'd)

the remaining $60,000 became a short-term loan payable. There was $27,100 in accounts payable at December 31, 2015 (December 31, 2014 - $37,100) owed to the former President for consulting fees.

There was $nil (2014 -$6,000) in accounts payable at December 31, 2015 owed to the Chairman and CEO.

There is $8,000 payable to the former Chief Financial Officer of the Company as at December 31, 2015 (December 31, 2014–$nil) due to the change of this corporate officer during the year.

15. Loss Per Share

Basic and diluted income (loss) per share

The calculation of basic (loss) income per share for the years ended December 31, 2015 was based on total comprehensive loss attributable to common shareholders of $666,161 (income in 2014 - 174,625) and a weighted average number of common shares outstanding of 7,328,179 (2014 – 6,767,099). The exercise of the Company's outstanding warrants and options would be anti-dilutive and therefore the basic income (loss) and the diluted income (loss) per share are the same.

16. Commitments

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

2016	$	24,788
	$	24,788

17. Income Taxes

The following is a reconciliation of income taxes calculated at the combined Federal and Provincial rates with the income tax expense in the consolidated statements of (loss) income and comprehensive (loss) income:

		2015		**2013**
Net (loss) income for the year	**$**	**(767,703)**	$	174,626
Expected income tax (recovery) expense at 26.5% (2014 – 26.5%)		**(203,441)**		46,276
Stock based compensation		**9,328**		-
Other		**9,540**		-
Write-down of oil and gas interests and property		**150,979**		**-**
Share issue costs		**9,595**		-
Tax asset not recognized		**(23,999)**		(46,276)
Deferred income tax recoverable	**$**	**-**	$	-

(in Canadian dollars)

17. Income Taxes (cont'd)

The significant components of the Company's future tax assets and future tax liabilities are as follows:

	2015	2014
Future income tax assets		
Non capital loss carryforwards	**1,703,083**	1,244,863
Capital loss carryforwards	**2,724,919**	2,724,919
Exploration Properties	**414,329**	437,816
Equipment	**6,054**	5,711
Financing Costs	**10,577**	9,867
Other	**10,012**	-
Valuation allowance	**(4,868,973)**	(4,423,176)
Net future income tax asset	**$ -**	$ -

Net future income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

The Company has non-capital losses of approximately $4,938,565 (2014 - $4,943,000) available for deduction. The Company's non-capital losses will expire as follows:

2026	$ 157,000
2027	1,184,000
2028	320,000
2029	395,000
2030	786,000
2031	875,000
2032	443,000
2033	265,000
2034	423,000
2035	90,565
	$ 4,938,565

As at December 31, 2015, the Company has capital losses of approximately $21,799,352 (2014 - $21,799,352) available against future taxable gains.

18. Segment 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, 2015, the projects are located in the United States.

As of December 31, 2015, the Company's oil & gas wells in Texas represent 100% of its revenues (2014 - 100%) and 66% of its assets (2014 - 87%). Management makes decisions by considering exploration potential and results on a project-by-project basis.

(in Canadian dollars)

18. Segment Information (cont'd)

A geographic breakdown by segment follows:

	Dec. 31, 2015	Dec. 31, 2014
Canada		
Corporate	$ **102,662**	$ 113,582
	102,662	113,582
United States - Texas		
Oil and Gas Properties	**-**	234,749
Investment in Oil and Gas Interests	**201,812**	459,284
	201,812	694,033
Total Assets	$ **304,474**	$ 807,615

19. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.