CANUC RESOURCES CORPORATION

(FORMERLY SANTA ROSA SILVER MINING CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 31, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors’ 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, 2017 and September 30, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the fifteen-month period ended December 31, 2017 and the year ended September 30, 2016, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audits 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 auditors’ 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, 2017 and September 30, 2016 and its financial performance and cash flows for the fifteen-month period ended December 31, 2017 and the year ended September 30, 2016, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Canuc Resource Corporation's ability to continue as a going concern.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 30, 2018 — Licensed Public Accountants

MNP

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

	As at December 31, 2017	As at September 30, 2016
ASSETS		
Current assets		
Cash	**$ 221,923**	$ 138,168
Receivables and prepaids	**94,578**	17,849
Total current assets	**316,501**	156,017
Non-current assets		
Property and equipment	**4,460**	-
Oil and gas interest (note 9)	**267,933**	-
Total assets	**$ 588,894**	$ 156,017
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	**$ 347,631**	$ 121,309
Loans	**5,000**	-
Total current liabilities	**352,631**	121,309
Equity		
Share capital (note 10)	**6,428,644**	1,700,112
Warrants (note 11)	**500,495**	63,868
Options (notes 12 and 11)	**433,149**	51,000
Contributed surplus	**74,970**	28,600
Accumulated other comprehensive income (loss)	**(36,844)**	5,107
Deficit	**(7,164,151)**	(1,813,979)
Total equity	**236,263**	34,708
Total equity and liabilities	**$ 588,894**	$ 156,017

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)
Subsequent event (note 19)

Approved on behalf of the Board:

"Hubert Mockler", Director

"Chris Berlet", Director

Canuc Resources Corporation

(Formerly Santa Rosa Silver Mining Corp)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Fifteen Months Ended December 31, 2017	Twelve Months Ended September 30, 2016
Sales of petroleum products		
Sales	**215,840**	-
Operating costs	**(97,000)**	-
Depletion	**(85,155)**	-
	33,685	-
Operating expenses		
Management and consulting (note 15)	**$ 688,069**	$ 157,000
Investor and shareholder relations	**437,863**	-
Professional fees	**441,573**	181,693
General and administrative	**66,832**	27,276
Evaluation costs (note 8)	**812,814**	156,784
Share-based payments (notes 12 and 15)	**375,220**	-
Goodwill Impairment (note 7)	**2,454,110**	-
Foreign exchange	**31,700**	742
Interest expense	**8,238**	1,924
Write down of oil interest	**(2,084)**	-
Value added tax (note 14)	**69,522**	14,760
Total operating expenses	**5,383,857**	540,179
Net loss and comprehensive loss for the period	**$ (5,350,172)**	$ (540,179)
Other comprehensive income (loss)		
Items that will be reclassified subsequently to income		
Foreign operation	**$ (162,598)**	$ (149,218)
Currency translation difference	**120,647**	159,277
Other comprehensive income (loss) for the period	**(41,951)**	10,059
Total comprehensive loss for the period	**$ (5,392,123)**	$ (530,120)
Basic and diluted net loss per share (note 13)	**$ (0.15)**	$ (0.03)
Weighted average number of common shares outstanding	**36,218,539**	18,868,361

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)

	Fifteen Months Ended December 31, 2017	Twelve Months Ended September 30, 2016
Operating activities		
Net loss for the period	**$ (5,350,172)**	$ (540,179)
Adjustments for:		
Goodwill	**2,454,110**	-
Share-based payments	**375,220**	112,000
Depletion	**85,155**	-
Write down of oil interest	**(2,084)**	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	**(41,141)**	(13,761)
Accounts payable and accrued liabilities	**(110,103)**	58,684
Net cash used in operating activities	**(2,589,015)**	(383,256)
Investing activities		
Capital expenditures on oil and gas properties	**(17,433)**	-
Cash acquired from Former Canuc	**1,267**	-
Net cash used in investing activities	**(16,166)**	-
Financing activities		
Private placements ,	**2,464,934**	572,000
Cost of issuance	**(173,781)**	(60,700)
Proceeds from warrants exercised	**280,000**	-
Proceeds from share-based payments exercised	**143,250**	-
Loans	**5,000**	-
Net cash provided by financing activities	**2,719,403**	511,300
Impact of foreign exchange on cash	**(30,467)**	5,207
Net change in cash	**83,755**	133,251
Cash, beginning of period	**138,168**	4,917
Cash, end of period	**$ 221,923**	$ 138,168

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
Balance, September 30, 2015	**$ 1,148,132**	**$ 36,148**	**$ 36,000**	**$ -**	**$ (4,952)**	**$ (1,273,800)**	**$ (58,472)**
Private Placement (note 10)	572,000	-	-	-	-	-	572,000
Share issue cost	(95,020)	34,320	-	-	-	-	(60,700)
Share-based payments (note 12)	75,000	-	37,000	-	-	-	112,000
Cancellation of options and warrants	-	(6,600)	(22,000)	28,600	-	-	-
Foreign exchange gain (loss) on net investment in a foreign operation	-	-	-	-	(149,218)	-	(149,218)
Cumulative translation adjustment	-	-	-	-	159,277	-	159,277
Net loss for the period	-	-	-	-	-	(540,179)	(540,179)
Balance, September 30, 2016	**$ 1,700,112**	**$ 63,868**	**$ 51,000**	**$ 28,600**	**$ 5,107**	**$ (1,813,979)**	**$ 34,708**
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)
Balance, December 31, 2017	**$ 6,428,644**	**$ 500,495**	**$ 433,149**	**$ 74,970**	**$ (36,844)**	**$ (7,164,151)**	**$ 236,263**

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

1. Nature of operations and going concern

Canuc Resources Corporation 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” 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”).

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 $5,350,172 for the fifteen months ended December 31, 2017 (twelve months ended September 30, 2016 - loss of $540,179) and had an accumulated deficit of $7,164,151 as at December 31, 2017 (September 30, 2016 - $1,813,979). The Company had working capital deficiency of $36,130 at December 31, 2017 (September 30, 2016 - $34,708). 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.

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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these 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 30, 2018.

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.

After the Transaction, to align the Company's year end of all of its subsidiaries, the Company changed its reporting year-end from September 30 to December 31. As a result, during the transitional year, these consolidated financial statements are presented for the fifteen-month period ended December 31, 2017.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Santa Rosa (incorporated in Ontario), Minera Stramin (incorporated in Mexico), 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 Santa Rosa. 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 statements of financial position. Income and expenses are translated at the exchange rates at the dates of the transactions. All resulting exchanges 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.

3. Significant accounting policies

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.

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

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

- 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 and comprehensive loss. Transaction costs are expensed as incurred. The Company does not have any financial assets classified as FVTPL.

- 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.

- 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 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 income loss to net income loss.

- 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.

Impairment

- 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 and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

3. Significant accounting policies (continued)

Impairment (continued)

- 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 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 income loss, except to the extent that it would reverse the gains previously recognized in other comprehensive income 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.

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.

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.

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, 2017 and September 30, 2016.

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.

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.

3. Significant accounting policies (continued)

Taxes
Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of 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

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.

3. Significant accounting policies (continued)

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 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 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, 2017, the Company operates in three geographical segments: Canada, United States of America and Mexico.

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 9 – Financial Instruments ("IFRS 9") which proposes to replace IAS 39 Financial Instruments Recognition and Measurement. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held-to-maturity, available-for-sale and loans and receivable categories. Based on the Company's assessment, the Company has determined that this standard will not have a significant impact on its consolidated financial statements.

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. Based on the Company's assessment, the Company has determined that this standard will not have a significant impact on its consolidated financial statements.

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 is currently assessing the impact of this pronouncement.

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 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. 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.

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 (including Goodwill which was determined to be impaired during the current period), 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.

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, 2017. 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 statement 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 shareholder 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.

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, 2017 and September 30, 2016.

	December 31, 2017	**September 30, 2016**
Cash	**$ 221,923**	$ 138,168
Current liabilities	**$ 352,631**	$ 121,309

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, 2017 and September 30, 2016 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.

	December 31, 2017		September 30, 2016	
	US Dollar	**MXN Peso**	US Dollar	MXN Peso
Cash held in foreign currency	**26,156**	**27,374**	11,173	4,403
Value of foreign currency in Canadian dollars	**32,813**	**1,746**	15,003	299

- 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, 2017, the Company held $32,813 and $1,746 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 $3,281 and $175 respectively for the US dollars and Mexican pesos accounts.

(Expressed in Canadian Dollars)

7. Merger - Canuc and Santa Rosa

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.

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.

Purchase Price	**Quantity**	**Amount**
Common shares issued	**10,186,751**	**$ 2,037,350**
Stock-options	**805,000**	**103,095**
Warrants	**3,550,000**	**363,610**
Total Purchase Price		**$ 2,504,055**
Net Assets Acquired		
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**
		$ 2,504,055

(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.

Since the date of aquisition in 2017, Former Canuc has contributed $215,840 in revenue and $1,599,973 in net loss in 2017. The Company has used a significant amount of judgement in simplifying assumptions in estimating the revenue and net loss of Canuc had the business occurred at the begining of the period. If acquired at the beginning of the period, the Company has estimated that Former Canuc would have contributed approximately $244,194 in revenue and $1,719,148 in net loss

Goodwill was allocated among smallest identifiable groups of assets that generate cash flows independently (cash-generating unit or "CGU"). The Company has assessed that the Goodwill relates to the oil and gas exploration properties and mineral exploration projects. Because these properties generate low revenue and the projects are in the exploration stage, no reliable estimate can be made regarding their future cash flows resulting in impairment for the full value of the goodwill after acquisition.

(Expressed in Canadian Dollars)

7. Merger - Canuc and Santa Rosa (continued)

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 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

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.

The property package of nineteen mineral concessions making up the Company's San Javier Project has not changed since the most recent audited financial statements dated September 30, 2016. 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 2015 and the fifteen months ended December 31, 2017 as outlined below:

	Fifteen Months Ended December 31, 2017	Twelve Months Ended September 30, 2016	Twelve Months Ended September 30, 2015	Cumulative from inception to December 31, 2017 (unaudited)
Option payments	**$ 50,984**	$ 54,395	$ 121,717	$ 385,496
Renewal and staking fees	**11,596**	3,444	3,729	88,616
Labour and contractors	**171,962**	79,485	8,412	610,273
Field supplies and services	**55,904**	2,068	517	93,836
Drilling	**295,838**	-	-	295,838
Transportation	**97,819**	11,532	-	137,554
Assaying	**71,300**	409	-	143,340
Communications	**-**	20	-	396
Other	**57,411**	5,431	687	97,259
Total for the period	**$ 812,814**	**$ 156,784**	**$ 135,062**	**$ 1,852,608**

(Expressed in Canadian Dollars)

9. Oil and gas properties and interests

At December 31, 2017, 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
Balance, December 31, 2016	**$ -**	**$ -**	**$ -**
Acquisition of oil and gas properties and interests (note 7)	214,874	134,646	349,520
Additions	-	17,433	17,433
Depletion	(37,222)	(47,933)	(85,155)
Effect of changes in foreign exchange	(8,665)	(5,200)	(13,865)
Balance, December 31, 2017	**$ 168,987**	**$ 98,946**	**$ 267,933**

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
Balance, September 30, 2015	15,895,000	**$ 1,148,132**
Private placement (i)	5,720,000	572,000
Shares issued for service (ii)	750,000	75,000
Share issue cost	-	(95,020)
Balance, September 30, 2016	**22,365,000**	**$ 1,700,112**
Acquisition of Former Canuc (iii)	10,186,751	2,037,350
Private placement (iv)(v)	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
Balance, December 31, 2017	**45,714,150**	**$ 6,428,644**

(Expressed in Canadian Dollars)

10. Share capital

b) Common shares issued.
(i) Between March 24, 2016 and May 4, 2016, the Company completed a series of non-brokered private placement financing's in which investors subscribed for a total of 11,440,000 shares at a price of $0.05 per share (5,720,000 post RTO shares at a price of $0.10) resulting in gross proceeds to the Company of $572,000.

Legal and consulting fees included $60,700 paid in cash and 1,144,000 warrants valued at $34,320 and were included in share capital as share issue costs (572,000 post RTO warrants).

(ii) On May 30, 2016 the Company issued 750,000 shares (1,500,000 post RTO shares) in payment for past services to a director of the Corporation. The shares were deemed to have a value of $0.10 per share in keeping with the then most recently completed private placement financing.

(iii) 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.

(iv) 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 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) (note 11) and warrants reserve ($274,000).

(v) 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 chare at a price of $0.40 per common share for two years from the closing date.

11. Warrants

	Number of warrants		Weighted average exercise price
Balance, September 30, 2015	**808,500**	**$**	**0.46**
Issued	572,000		0.10
Expired	(330,000)		1.00
Balance, September 30, 2016	**1,050,500**	**$**	**0.10**
Issued	8,775,167		0.35

Exercised	(2,800,000)		0.10
Expired	(750,000)		0.52
Balance, December 31, 2017	**6,275,667**	**$**	**0.40**

(Expressed in Canadian Dollars)

11. Warrants (continued)

The following table reflects the actual warrants issued and outstanding as of December 31, 2017:

Expiry date	Number of warrants	Exercise price ($)
February 21, 2019*	478,500	0.10
May 9, 2018	572,000	0.10
February 21, 2019	4,000,000	0.50
February 21, 2019	602,468	0.25
February 21, 2019	37,532	0.50
December 21, 2019	581,167	0.40
December 21, 2019	4,000	0.40
	6,275,667	0.40

* 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 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:

	February 2017
Risk-free rate	0.90%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares (1)	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:

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

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

(Expressed in Canadian Dollars)

11. Warrants (continued)

The estimated fair value of $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:

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

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**	
Balance, September 30, 2015	**900,000**	**$**	**0.10**
Issued	600,000		-
Expired	(550,000)		-
Balance, December 31, 2016	**950,000**	**$**	**0.10**
Issued	3,405,000		0.41
Expired	(975,000)		0.15
Balance, December 31, 2017	**3,380,000**	**$**	**0.40**

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 $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[(1)]	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:

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[1]	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.

For the period ended December 31, 2016 $375,220 was expensed September 30, 2016 - $nil).
The following table reflects the actual stock options issued and outstanding as of December 31, 2017:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
October 5, 2018	0.06	0.76	120,000	120,000
May 17, 2019	0.25	1.38	185,000	185,000
May 30, 2019	0.10	1.41	580,000	580,000
March 3, 2020	0.50	2.17	2,095,000	2,095,000
April 6, 2020	0.50	2.27	400,000	400,000
	0.40	1.96	3,380,000	3,380,000

13. Loss per share

The calculation of basic and diluted loss per share for the fifteen months ended December 31, 2017 was based on the loss attributable to common shareholders of $5,350,172 (twelve months ended September 30, 2016 - $540,179) and the weighted average number of common shares outstanding of 36,218,539 for the fifteen months ended December 31, 2017 (twelve months ended September 30, 2016 - 18,868,361). Diluted loss per share did not include the effect of 3,380,000 options outstanding and 6,275,667 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. 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, 2017		September 30, 2016	
	CAD Dollar	**MXN Peso**	CAD Dollar	MXN Peso
VAT held in foreign currency	**119,656**	**1,875,491**	55,972	825,304

The company expensed $69,522 during the fifteen month period (twelve months ended September 30, 2016 - $14,760)

(Expressed in Canadian Dollars)

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 director and key management member hold NSR royalties totaling 1.25% of the total 1.25% on production from the San Javier project (Note 8).

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

(i) For the fifteen months ended December 31, 2017, the Company received $26,580 (twelve months ended September 30, 2016 - $nil) from corporations with a common director and officer, as rent. As at December 31, 2017, the amount of $497 is due from a corporation with a common director and officer.

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

	Fifteen Months Ended December 31, 2017	Twelve Months Ended September 30, 2016
Cash based remuneration	**$ 438,839**	$ 45,000
Share-based payments (Black-Scholes value)	**$ 321,286**	$ 112,000

As at December 31, 2017, the amount of $5,970 is payable to a corporation with director of the Company is the President.

(Expressed in Canadian Dollars)

16. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 - 26.5%) to the effective tax rate is as follows:

		2017		2016
(Loss) for the period before income taxes	$	(5,350,172)	$	(540,179)
Expected income tax (recovery) expense		(1,417,800)		(132,870)
Other non-deductible expenses		71,940		(77,306)
Share-based payments		99,430		9,593
Goodwill impairment		650,340		-
Foreign exchange rates		(16,350)		-
Difference in foreign tax rates		(27,220)		-
Share issue costs		(46,050)		-
Change in tax benefits not recognized		685,710		200,583
Deferred income tax provision (recovery)	$	-	$	-

The following table summarizes the components of deferred tax:

		2017		2016
Deferred Tax Assets				
Non-capital losses carried forward - US	$	39,100	$	-
Deferred Tax Liabilities				
Property, plant and equipment - US		(28,510)		-
Depletable assets - US		(10,590)		-
	$	-	$	-

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, 2017 $	September 30, 2016 $
Property, plant and equipment	22,840	-
Intangible Assets's	37,780	-
Unrealized FAX gain or losses	24,640	-
Financing costs	485,830	101,189
Non-capital losses carried forward - USA*	378,860	-
Non-capital losses carried forward - Canada	7,735,620	466,661
Non-capital losses carried forward - Mexico	1,071,270	203,420
Exploration properties	2,324,330	529,910

* Pending assessment from tax authorities

(Expressed in Canadian Dollars)

16. Income taxes (continued)

The Canadian non-capital loss carry forwards expire in tax years ending from 2025 through 2037.

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	$ 129,070	$ -	$ -
2026	2,374,190	-	203,420
2027	320,450	-	867,850
2028	394,880	-	-
2029	786,450	-	-
2030	334,170	-	-
2031	543,450	-	-
2032	256,560	66,260	-
2033	266,600	-	-
2034	384,710	-	-
2034	814,270	498,790	-
2037	1,130,820	-	-
	$ 7,735,620	$ 565,050	$ 1,071,270

There is a previously unrecognized risk regarding the completeness and valuation of tax liabilities associated with Midtex Oil & Gas. Midtex owns working interests in oil & gas properties which, under US tax law, are considered real property or economic interests and create a "permanent establishment" in the US. Having a permanent establishment in the US requires the Company to file US tax returns for its US operations.

The Company has engaged a US tax team to prepare these returns for the years ended 2011 to 2015. The returns are completed and will be issued to the IRS.

(Expressed in Canadian Dollars)

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 profit and 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 $57,383.

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
	$	**90,174**

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, 2017, the projects are located in the United States and Mexico.

As of December 31, 2017, the Company's oil and gas wells in Texas represent 100% of its revenues and 47% of its assets (calculated used on book value). Although the Company's primary asset the San Javier Project in Mexico represents less than 1% of its assets on the Company's books at December 31, 2017 (September 30, 2016 – 5%) 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, 2017		September 30, 2016
Canada Corporate	226,054		148,801
United States - Texas	338,581		-
Mexico - Sonora	24,259		7,216
	588,894	**$**	**156,017**

19. Subsequent event

On March 5, 2018, the Company closed on private placement financing for gross proceeds of $1,105,000. Canuc has issued 4,420,000 units ("Units") priced at $0.25 per Unit. Each Unit consists of one common share ("Common Share") and one-half of one warrant ("Warrant") to purchase one Common Share. Each whole Warrant is exercisable into one Common Share at a price of $0.40 for a period of two years from March 5, 2018.