

CANUC RESOURCES CORPORATION
(Formerly Santa Rosa Silver Mining Corp.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

INTRODUCTION

The following discussion of the results of operations and financial condition ("MD&A") of Canuc Resources Corporation ("Canuc" or "the Company") prepared as of April 30th, 2026, consolidates Management's review of the factors that affected the Company's financial and operating performance for the year ended December 31st, 2025, and factors reasonably expected to impact future operations and results. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31st, 2025, together with the notes thereto. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the year ended December 31st, 2025 are not necessarily indicative of the results that may be expected for any future period.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Canuc's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The Company's financial statements, as well as additional information, are available at www.sedar.com. The Company's reporting currency is the Canadian dollar and all amounts disclosed herein are in Canadian dollars, unless otherwise stated.

The Company is listed on the TSX-V under the symbol CDA. The registered office is located at 130 Queens Quay East, Suite 607, Toronto, Ontario, M5A 3Y5.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of base and precious metals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-

looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; future prices of precious metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in precious metals exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

DESCRIPTION OF THE BUSINESS

The Company is a junior resource corporation focused, through its subsidiary Minera Stramin S. de R.L. de C.V. ("Minera Stramin"), on the acquisition, exploration and development of the San Javier Project, a silver-gold-copper exploration project located in the state of Sonora in northwest Mexico, roughly 134 km southeast of the Sonora capital city of Hermosillo. This project presently has no NI 43-101 resources or reserves. As a result of its business combination with the Former Canuc, the Company also has natural gas interests in Texas, U.S.A. held through its subsidiary Midtex Oil & Gas Corporation ("Midtex").

The Company is a mineral exploration company and, accordingly, the Company is dependent upon equity financing and the optioning and/or sale of resource or resource-related assets for funding. The Company's oil and gas assets are currently producing net income. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon this oil and gas income and upon the Company's ability to finance exploration of its projects through equity financings and the optioning and/or sale of resource-related assets.

Prospective investors should carefully consider the risk factors described in the section entitled "Risks and Uncertainties" below.

MERGER BETWEEN CANUC AND SANTA ROSA

On February 21st, 2017 Canuc executed a business combination agreement dated August 26th, 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.

After evaluating all the facts surrounding this Transaction, Management determined that IFRS 3, Business Combinations, was applicable and the Transaction was accounted for as a business combination 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 assets acquired, and liabilities assumed.

Purchase Price	
Common shares issued	\$2,037,350
Share-based compensation	103,095
Warrants	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 (i)	349,519
Accounts payable and accrued liabilities	(336,429)
	\$49,945
Goodwill	\$2,454,110

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

Goodwill resulted from the acquisition of Former Canuc and primarily relates to price paid over the net assets acquired. Goodwill was assessed as having "day 1 impairment" and has been written off.

Acquisition of Macdonald Mines Exploration Ltd.

On May 8, 2025, Canuc Resources Corporation completed the acquisition of Macdonald Mines Exploration Ltd. ("Macdonald"). Pursuant to the terms of the transaction, Canuc issued 73,766,343 common shares (pre-consolidated) of the Company to the shareholders of Macdonald in exchange for all of the net assets of Macdonald.

The purchase price was determined based on the fair market value of the common shares issued by Canuc, which was estimated at \$5,181,766. Accordingly, the fair value of the net assets acquired was deemed to be equal to the purchase price of \$5,181,766.

A value of \$6,555,612 was assigned to Macdonald's exploration and evaluation assets as the net assets of the company were negative 1,373,845. In accordance with the Company's accounting policy, all costs related to exploration and evaluation activities are expensed until the commencement of commercial production. As a result, the carrying value of the exploration and evaluation assets acquired was immediately written off in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2025.

No goodwill or gain on acquisition was recognized as the purchase price equaled the fair value of the net assets acquired.

Share Consolidation

On February 18, 2026, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All share, warrant, option and per-share amounts disclosed in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation, unless otherwise noted.

THE SAN JAVIER SILVER-GOLD PROJECT

The following description is based, in part, on the Company's National Instrument 43-101 Technical Report titled "NI 43-101 Technical Report on the San Javier Project, State of Sonora, Mexico", dated August 17th, 2016 prepared by Seymour M. Sears, B.A., B.Sc., P.Geo. of Sears, Barry and Associates Limited of Sudbury, Ontario (the "Technical Report"). Mr. Sears is an independent Qualified Person under National Instrument 43-101.

Through its Mexican subsidiary, Minera Canuc SA de CV, the Company currently holds title, has an option to acquire title and/or has title pending issue to 27 contiguous mineral concessions. The concessions cover ~ 956.1 hectares.

On May 22nd, 2018 the Company announced that it had released from option two of the San Javier claims which were held at that time. These 2 claims, which represented just over 8% of the total claim package held at that time, were deemed to have metal budgets insufficient to support their option costs. The remaining claims which were held at that time are owned outright.

Four individuals hold Net Smelter Return royalties totaling 1.5% on production of metals from San Javier.

The San Javier district is located along the western margin of the Sierra Madre Occidental Physiographic Province and the terrain is characterized by steep hills cut by v-shaped valleys. It has a long mining history, both for precious metals and for anthracite coal. There are no detailed production records for the area.

The Company's San Javier Project is interpreted to lie on the eastern end of an east-west trending volcano-sedimentary basin referred to as the Barranca Basin. This basin may have originally developed as a pull-apart basin, formed along the axis of a major transform fault. The San Javier Project area has undergone faulting, fracturing and igneous activity as evidenced by complex structural features and local felsic to mafic intrusive bodies. This geological environment is favorable for the emplacement of several types of mineral deposit including epithermal vein, IOCG, porphyry and other intrusive related deposit types.

Exploration on the property focuses on three styles of mineralization observed within the San Javier concessions. These include:

- quartz veining and vein breccias, having northeasterly strikes and southeasterly dips,
- silica and clay alteration associated with igneous dykes, and
- quartz stockwork breccias.

All mineralization types appear to be related to linear fault structures that pass through the project area. Large oxidized and clay altered zones observed in the project area may represent the presence of porphyry or iron-oxide-copper-gold (IOCG) style mineralization. The styles of mineralization are broadly classified as intrusion related in the Technical Report. The concessions cover numerous showings of mineralization. Many concessions provide evidence of artisanal mine workings.

There are several areas within the San Javier property that have historical mine workings and accessible exploration adits. One of these is Cerro Colorado, on the Las Bellotas Concession in the center of the San Javier Property. These workings include two areas with underground and open-cut workings, named Jasmin and Cerro Colorado (also known as La Colorada). It appears that both workings may be accessed by an adit which is named the Carlotita Adit. The extent of the underground workings at Cerro Colorado is currently unknown. Lying between the Santa Rosa Mine and Cerro Colorado, within the Las Bellotas Concession, are two further adits of unknown age (most likely late 19th or early 20th century).

¹ Although as a private the Company at the time the Company did not fall under NI43-101, this report and related disclosure followed the requirements and standards of NI43-101 regarding technical disclosure and were filed on SEDAR by Canuc Resources Inc. as part of its filings related to the Amalgamation.

Numerous short adits and shallow shafts/pits are located within the Project. The geological significance of these is presently unknown, other than to indicate a wide distribution of mineralized material. In 2020 extensive old workings and multiple adits were also found on the Company's newly acquired El Tule claim area. This area has become the focus of increased exploration interest.

As of the date of this MD&A the Company's current claim package consists of twenty-seven claims in the San Javier Project making up a total of ~ 956.1 hectares.

TRENDS

The Company is a Canadian precious metal exploration Company. The Company's future financial success will be dependent on management's successful development of the San Javier Project. Such development may take years to complete, and the resulting income, if any, is difficult to determine with certainty. To date, the Company has not produced any revenues from metal production.

There are significant uncertainties regarding the prices of precious metals and the availability of equity financing for the purposes of exploration and development. The future performance of the Company is largely tied to the outcome of its exploration activities, the development of its property interests and other prospective business opportunities, and the overall financial markets.

Financial markets are likely to continue to be volatile, reflecting ongoing concerns about the stability of the global economy and global growth prospects. Uncertainty in financial markets has also led to increased difficulties in raising funds for junior exploration companies. Companies worldwide have been affected particularly negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purpose of precious metal exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Company to discover and develop its current mineral exploration properties and any other property interests that may be acquired in the future. See "Risks and Uncertainties" and "Cautionary Note Regarding Forward-Looking Information".

Overall Performance

The Coody Morales well has proven to be a good producer and came back on-stream in 2018. This currently provides the Company with a modest source of revenue and may generate some cash flow for many years. The Company's Mexican exploration activities are at an early stage, and the Company has not yet been determined whether its properties contain economically recoverable metals. In the current interest rate environment, the Company does earn moderate amounts of interest on cash on hand. Within the Company's mineral exploration claims there are no deposits of minerals presently known to be economic, and any activities of the Company thereon will constitute exploratory searches for minerals.

EXPLORATION PROJECTS

San Javier Project, Mexico

The Company's goal has been to consolidate properties in the San Javier Project area into a regionally meaningful target block and to explore contiguous claims to demonstrate economic viability. Exploration conducted by the Company includes underground mapping in all accessible workings, surface mapping of trenched and open cut areas, channel sampling of mineralized veins, geological mapping, and drilling.

TABLE 2: Exploration Expenditures at San Javier Project (Canadian dollars)

	2025	2024	Cumulative
Option payments	\$ -	\$ -	534,778
Renewal, staking, and inspection fees	-	-	203,544
Labour and contractors	107,859	200,408	3,116,988
Field supplies and services	8,435	14,793	781,106
Drilling	14,597	4,721	723,441
Transportation	-	739	273,803
Assaying	-	-	288,452
Communications	-	-	396
Other	4,289	2,279	490,285
Total for the period	\$ 135,180	\$ 222,940	\$ 6,412,793

At least 3 styles of mineralization have been identified at San Javier. These include vein and vein-breccia zones, alteration zones associated with the margins of felsic to intermediate dykes and quartz stockwork breccia zones. The vein zones range in width from less than 1 m to 4.5 m. The other two styles of mineralization appear to have potential to be much wider.

There are several mineral showings and historical mine workings within the northeast land package at San Javier. Of particular significance are several breccia zones which manifest on surface and have been identified from sampling programs: Carranza breccia zone, where previous sampling produced 274 g/t silver over a width of 11 m on surface, Cerro Colorado breccia zone, which yielded 285 g/t silver over 11.3 m on surface (press release, April 13, 2017) and the Silver Mountain breccia zone. These breccia zones occur near the confluence of the SRV trend with another north-south trending fault system.

The north-south fault that intersects the SRV trend is deemed to be geologically important as a carrier for silver and gold mineralization. The Carranza and Cerro Colorado breccia zones, which manifest on surface, lie at the intersections of the north-south faults and the NE-SW SRV trend. There are at least four such north-south faults that cross the property.

On October 24, 2017, the Company announced that it had entered into a definitive agreement (the "Agreement") to acquire title to a mining concession which has an area of 151.1443 hectares (the "Concession") from Minerales y Carbones de Mexico S.A. de C.V. ("Carbones"). The newly acquired mining concession envelops existing land holdings to the northeast. Exploration has determined that silver-gold mineralization strengthens to the northeast. The Company has confirmed that silver bearing breccia and stockwork zones are evidenced along this trend. The confirmation of silver-gold bearing breccia zones marks a change in prospects and represents potential for a significant mineral discovery at San Javier.

Two such silver-gold bearing breccia bodies have already been documented to the south-west, Cerro Colorado and Carranza. Three more breccia bodies have been discovered within the property boundaries. These breccia bodies are exposed on surface and occur at the intersection of the known NE-SW trending San Javier Mineralized Corridor with recently recognized north-south faults.

Santa Rosa, along with all other workings and showings along the nearly 4 km strike length of the SJMC, is hosted in the late Triassic age Barrancas Group, comprised predominantly of sandstone and lesser shale and siltstone. Brecciated hanging wall rocks were observed underground at the Santa Rosa mine, and potentially larger breccia bodies exist at the Carranza and Cerro Colorado zones, both located near the confluence of the SJMC with older faults which crosscut the SJMC.

The current work program has been focused on the eastern and northeast part of the project covering an area that was previously unexplored by the Company. The area of coverage includes the recently acquired, and previously underexplored, El Tule claim. The work program encompassed reconnaissance geological mapping, and rock sampling and drilling. Geological mapping has determined that the eastern part of the San Javier Project is underlain mainly by Triassic aged Barranca Group sandstones and siltstones that are cut by abundant zones of hydrothermal breccia.

The matrix to these breccias consists mainly of iron oxide (magnetite, hematite) and related hydroxides (limonite, goethite) with local quartz, carbonate and barite. The mineralogy suggests that the breccia zones may represent the lower part of a large, magmatic hydrothermal system. The breccia zones locally contain relatively narrow (up to 1.5 meters) lenses consisting of massive magnetite matrix material with high grade Ag and elevated Cu.

The work program has identified these swarms of iron-matrix breccia over a large area measuring 900 by 1,200 meters, which remains open laterally on the Company's claims. One of the individual breccia zones in this area measures from 30 to 70 meters in width and has been traced for approximately 800 meters along strike. It occurs adjacent to two fault structures.

The work program will continue mapping and sampling on the Company's center to eastern claim area where the property appears to be underlain by the iron-matrix breccia zones. There is approximately 800 meters of unmapped ground between the current mapping grid and the Company's property boundary. This property boundary is contiguous with a claim group containing two previously identified Cu deposits - Mesa Grande and La Trinidad. These deposits are considered to be the upper levels of an iron oxide-copper-gold (IOCG) deposit type.

All rock-chip samples are channel samples ranging in width from 0.1 to 3.0 meters in thickness. Sample locations are spray painted and marked by aluminum tags in the field and the samples are placed in plastic bags with the appropriate sample tag. Sample numbers are written on the outside of sample bags. Locations for the samples are acquired by GPS and are recorded at the site along with sample descriptions. They are then stored at a secure site until delivered directly to the certified laboratory of Bureau Veritas in Hermosillo, Mexico. All samples are assayed for Au by Fire Assay, AA finish in Hermosillo and all over-limit samples assayed for Au and Ag by Fire Assay, Gravimetric finish. All samples are analyzed by Aqua Regia digestion, ICP methods for 33 elements in the Bureau Veritas laboratory in Vancouver, BC, Canada.

Sudbury Project

The Company is currently conducting detailed ground survey and other geological studies for the exploration of its mining asset acquired from Macdonald Mines Explorations Limited. Through interpretation of preliminary data obtained, the project showed evidence of significant copper and gold deposits. The Company intends to carry out further exploration activities in the area for the purpose of developing a producing oil asset.

In October 2025, Canuc Resources Corporation (the "Company") reported the results of a gold assay verification program conducted on historical drill sample reject material from its 100% owned East Sudbury Project ("ESP"), acquired in May 2025. The program, which re-assayed samples from multiple historical drill campaigns totaling over 32,000 metres, confirmed that previously reported gold assay results are reliable, with strong correlation observed between original and duplicate assays, particularly for grades below 5 g/t Au. While higher-grade samples exhibited expected variability due to the presence of coarse gold, the results were consistent with known characteristics of such mineralization and validated the integrity of the existing database. The verification work supports the Company's confidence in the historical exploration data and provides a solid foundation for advancing geological modeling, including the potential for IOCG-style mineralization. Management views these results as a key step in de-risking the project and enabling future exploration and development activities at the ESP.

In October 2025, Canuc Resources Corporation (the "Company") initiated a diamond drilling program at its 100% owned East Sudbury Project ("ESP"), following the successful verification of historical gold assay data earlier in the month. The program is focused on delineating and expanding a well-defined zone of gold mineralization, referred to as Gold Lens 1, located adjacent to the historical North Pit gold mine. This zone comprises multiple high-grade gold lenses within a broader mineralized envelope and has been intersected by numerous historical drill holes, with reported assays demonstrating significant gold grades. The current drilling campaign is designed to provide infill data to support the estimation of a maiden Mineral Resource, representing a key milestone toward potential development. Management believes the program will further validate the presence of economically viable high-grade gold mineralization and advance the project toward future mine planning and permitting.

In November 2025, Canuc Resources Corporation (the "Company") announced that Natural Resources

Canada had commissioned a seismic survey to be conducted in early 2026 over the McLaren Lake Fault Zone within the Company's 100% owned East Sudbury Project ("ESP"). The survey, to be carried out by Optiseis Solutions Ltd. under the federal Critical Minerals Geoscience and Data Initiative, is intended to enhance understanding of subsurface structures and mineralization pathways associated with Metasomatic Iron Alkali Calcic (MIAC) systems, which have potential to host IOCG-style deposits. The program will utilize advanced geophysical techniques, including surface seismic imaging and fiber-optic sensing, to identify structural controls such as faults and alteration zones that may influence the concentration of critical and precious metals. Management views the selection of the Company's property for this government-led initiative as a strong validation of the project's geological potential and a meaningful step toward advancing exploration targeting within the ESP.

In December 2025, Canuc Resources Corporation (the "Company") reported initial results from the first three drill holes of its diamond drilling program targeting Gold Lens 1 at its 100% owned East Sudbury Project ("ESP"). The drilling program is designed to define the extent and continuity of this near-surface, structurally controlled gold-bearing zone located adjacent to the historical North Pit Gold Mine. Early results demonstrated encouraging mineralization, including an intersection of 5.11 g/t gold over 10 metres, with higher-grade intervals of 10.02 g/t over 5 metres and 40.9 g/t over 1 metre, supporting the presence of a discrete, high-grade gold structure. While some drill holes encountered structural offsets or fell outside the main mineralized zone, the results overall confirm continuity and provide important data for delineating the boundaries of the target.

The Company's objective with this program is to advance toward a maiden mineral resource estimate for Gold Lens 1, which represents a key milestone in evaluating the economic potential of the zone and progressing toward potential development. Management believes these early results validate its geological model and highlight the broader prospectivity of the property, where multiple additional gold lenses may exist in proximity to historical mine workings. The program also contributes to the Company's broader strategy of assessing both near-term extractive opportunities and the potential for a larger mineralized system underlying the project area.

In February 2026, Canuc Resources Corporation (the "Company") initiated a property-wide gravity gradiometric survey at its 100% owned East Sudbury Project ("ESP"), utilizing advanced Full Tensor Gradiometer (FTG) technology operated by Bell Geospace Ltd. to map subsurface geological structures and density contrasts associated with potential mineralization. The survey is designed to enhance geological interpretation of key structures, including the McLaren Lake Fault Zone, and to identify high-priority geophysical anomalies that may indicate large-scale IOCG and MIAC-style mineral systems. This work is complemented by a concurrent seismic survey conducted by Natural Resources Canada and the planned integration of geophysical, geological, and historical data through artificial intelligence and machine learning techniques to refine drill targeting. Management views these initiatives as a critical step toward identifying large-scale source deposits and advancing the project into a new phase of exploration, with follow-up drilling anticipated in 2026.

In March 2026, Canuc Resources Corporation (the "Company") reported results from 15 drill holes completed as part of its diamond drilling program at Gold Lens 1 on its 100% owned East Sudbury Project ("ESP"), further defining the geometry, continuity, and boundaries of this near-surface, structurally controlled gold zone located approximately 120 metres north of the historical Scadding Gold Mine. The program confirmed that Gold Lens 1 extends from surface along an approximately 80-metre strike length with widths ranging from 3 to 5 metres and remains open down plunge, with several drill holes intersecting meaningful gold mineralization, including intervals demonstrating both moderate and high-grade values. The results, combined with verified historical drilling data, are being integrated into a refined geological and block model to support estimation of potential tonnage and grade for a maiden resource.

The Company is advancing dual exploration objectives at the ESP, focusing both on near-term development opportunities associated with high-grade gold lenses proximal to historical mine workings and on the broader potential for large-scale IOCG-style source mineralization across the property. Management believes the confirmation of Gold Lens 1 as a discrete, continuous mineralized structure supports the potential for future resource delineation and extractive planning, while ongoing exploration efforts aim to expand known mineralization and identify additional targets within the project area.

In April 2026, Canuc Resources Corporation (the "Company") initiated a high-resolution seismic survey at its 100% owned East Sudbury Project ("ESP"), targeting the McLaren Lake Fault Zone, a known Metasomatic Iron Alkali-Calcic (MIAC) system prospective for copper, gold, cobalt, and associated critical

minerals. The program, conducted by OptiSeis Solutions Ltd. in collaboration with Natural Resources Canada, utilizes advanced 2D and Vertical Seismic Profile (VSP) technologies to image subsurface structures such as faults, fractures, and lithological boundaries. The survey incorporates over 1,300 autonomous sensors and low-impact Vibroseis methods to generate detailed subsurface data, with the objective of improving understanding of the structural controls and extent of mineralization within the project area.

The results of the seismic program will be integrated with data from the Company's concurrent gravity gradiometric survey and other geological datasets, with artificial intelligence and machine learning techniques applied to enhance interpretation and target generation. This integrated approach is expected to improve the identification of large-scale mineral systems and refine drill targeting for potential IOCG-style deposits. Management views these initiatives as a critical step in advancing the ESP into a new phase of exploration, with the goal of identifying and testing large-scale source deposits through follow-up drilling programs anticipated later in 2026.

Exploration and evaluation expenditures incurred since the acquisition of MacDonald Mines Explorations Inc are listed as follows:

	2025	2024	Cumulative
Labor and contracting expenses	1,080,156	-	1,080,156
Acquired exploration and evaluation assets recognized in loss	6,555,612	-	6,555,612
	\$ 7,635,768	\$ -	\$ 7,635,768

NATURAL GAS ASSETS

Midtex Project, Texas

In July 2011, Canuc completed the acquisition of Midtex Oil & Gas Corporation 'MidTex'. MidTex was a private Ontario corporation which held a 100% working interest in a natural gas well located on a leased property (collectively the "Midtex Assets"). The Midtex Assets included a producing gas well and undeveloped acreage located on the east half of Section 66, Block 4, T&P Ry. Co. Survey, Stephens County, Texas. The undeveloped acreage has potential to accommodate additional wells, which could intersect 2 or 3 known productive gas horizons.

This acreage held by MidTex benefits from a gas pipeline which bisects the property. This pipeline makes the gas immediately saleable without requiring construction of further transportation facilities. A second producing gas well was completed in late August 2011. Production from both wells began to decline in late 2012. The first well was capped in 2013 and repair work on the second well was completed in Q1 2014.

During 2012 the Company became an investor in two further parcels of leased land in north-central Texas. The Company now has a 20% working interest (16% net revenue interest) in the 2000-acre Thompson project also located in Stephens County, Texas.

Wells drilled on the Thompson lease have identified 3 productive horizons. Decline rates for natural gas production in the lowest and first productive horizon, the Iona Hickey Conglomerate, have proven slow, which suggests a robust natural gas endowment and a long field life. Above the Iona Hickey Conglomerate there are 2 further productive horizons. The first of these 2 further horizons, the Caddo Limestone, is a well-known oil producer in the area. Further up pipe is the Strawn Sand which is another natural gas zone. Both the Caddo Limestone zone and the Strawn Sand natural gas zone can be produced pursuant to sufficient decline of natural gas production from the lower Iona Hickey Conglomerate zone.

The 7 producing wells on the Thompson lease are connected to a short collector line which ties into a major natural gas line a few miles distance. This line supplies customers locally to Steven's County. The wells are currently producing natural gas from only the first of the three productive horizons, the Iona Hickey Conglomerate. The addition of new wells can potentially contribute further to natural gas operations.

Management believes that the future cashflow for these wells can be unpredictable and has fully impaired the carrying value of the assets as of December 31, 2020. As of December 31, 2025, the wells continue to be fully impaired.

Outlook

To bring the wells to increased profitability Canuc will need to hire an independent engineer to determine the potential for additional extraction and increased production. The costs of engineering cannot be determined at this time. Any additional production will be contingent on the price of natural gas.

SELECTED ANNUAL FINANCIAL INFORMATION

	Periods Ended			
	December 31, 2025 (\$)	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)
Net loss for the period	9,441,107	1,042,206	1,753,039	1,740,169
Basic and diluted loss per share	0.41	0.07	0.09	0.10
Total assets	3,759,820	600,730	1,534,563	145,131

RESULTS OF OPERATIONS

For the twelve months ended December 31, 2025, compared with twelve months ended December 31, 2024

Canuc's net loss totaled \$9,441,107 for the twelve months ended December 31, 2025, with basic and diluted loss per share of \$0.41. This compares with a net loss of \$1,042,206 with basic and diluted loss per share of \$0.07 for the twelve months ended December 31, 2024. The decrease in net loss was principally because:

- The Company incurred Investor and shareholder relations of \$614,492 related to promotion and fund raising of capital in 2025 compared to \$253,086 in 2024. This is due to additional capital raised in 2025 compared to 2024.
- Write offs and Adjustments totaled \$6,555,131 in 2025 compared to Nil 2024. This is due to the write off of the assets acquired from the Macdonald Mines Acquisition. The write off of the assets was inline with the Company's capitalization policy.
- Evaluation expense for the twelve months ended December 31, 2025, was \$1,215,336 compared to \$222,940 for the twelve months ended December 31, 2024. The decrease in expense was principally due to less exploration work performed on the Company's exploration property in 2025 compared to 2024.

SELECTED QUARTERLY FINANCIAL INFORMATION

A summary of selected information for each of the eight most recent quarters is as follows:

Three Months Ended	Total Revenue (\$)	Loss (income)		Total Assets (\$)
		Total (\$)	Per Share (\$)	
December 31, 2025	\$58,181	1,311,603	0.07	3,759,820
September 30, 2025	25,948	542,619	0.02	1,045,602
June 30, 2025	29,183	7,054,132	0.32	1,919,597
March 31, 2025	12,632	532,753	0.02	2,277,008
December 31, 2024	29,371	300,024	0.01	600,730

Three Months Ended	Total Revenue (\$)	Loss (income)		Total Assets (\$)
		Total (\$)	Per Share (\$)	
September 30, 2024	41,096	199,563	0.01	766,429
June 30, 2024	6,112	357,812	0.01	977,566
March 31, 2024	12,632	184,807	0.01	1,170,444
December 31, 2023	37,619	(274,090)	0.01	1,534,563

SUMMARY OF QUARTERLY RESULTS

Canuc's net loss totaled \$1,360,494 for the three months ended December 31, 2025, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$300,024 with basic and diluted loss per share of \$0.01 for the three months ended December 31, 2024. The increase in net loss was principally because:

- Write offs and Adjustments for the three months ended December 31, 2025, were \$913,390 compared to \$Nil for the three months ended December 31, 2024. This is due to additional adjustments made as a result of the acquisition of Macdonald Mines.

LIQUIDITY AND CAPITAL RESOURCES

While the Company does receive a small amount of oil and gas sales cash flow, the activities of Canuc, principally the exploration and acquisition of silver, gold and base metal properties and the acquisition and development of oil and gas properties, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. While the Company has promising oil and gas production, it still must utilize funds obtained from the sale of equity and other financing transactions to maintain its working capital requirements as well as its ongoing exploration programs and operating activities. There is no assurance that equity capital will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. See "Risks and Uncertainties".

On May 1, 2025, the Company closed a non-brokered financing of \$3,200,000. The closing of this financing resulted in the issuance of 3,200,000 units, with each unit priced at \$1.00 and comprised of one common share and one half of one common share purchase warrant. The 1,600,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$1.50.

On May 9, 2025, the Company issued 7,376,834 shares for the purchase of Macdonald Mines Exploration Ltd see note 1 for disclosure related to the acquisition.

On December 30, 2025 the Company closed a Flow-Through financing of \$2,790,000. The closing of this financing resulted in the issuance of 1,800,000 units, with each unit priced at \$1.55 and comprised of one common share and one half of one common share purchase warrant. The 900,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$1.50.

The Company's cash totaled \$2,844,774 at December 31, 2025 (December 31, 2024 - \$125,503). The Company had a working capital of \$2,670,979 at December 31, 2025 (December 31, 2024 - \$455,923). The current liabilities of the Company at December 31, 2025, were \$1,088,841 (December 31, 2024 - \$144,807).

To the date of this MD&A, the cash resources of the Company are held in cash and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are primarily short-term and non-interest bearing. The Company has no liquidity risk with financial instruments as it only holds cash. In addition, accounts receivable consists primarily of oil and gas sales in Texas, USA and also of sales tax owing from government authorities in Canada. The Company presently uses its cash in three principal areas: (a) funding of its activities at the Santa Rosa mining properties in Mexico; (b) investing in oil and gas interests in Texas;

and (c) for working capital purposes. In the future, should the Company acquire new exploration properties or engage in large-scale exploration activities, it will need to secure new capital to fund the purchase of, and activities on, those properties.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, without limitation, such considerations as liquidity and capital resources.

TRANSACTIONS WITH RELATED PARTIES

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 IAS 24, 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 and/or officer (executive and non-executive) of the Company.

One former director and executive officer holds NSR royalties totaling 0.5% of the total 1.5% on production from the San Javier project (Note 7).

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management personnel

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

	2025	2024
Stock based remuneration	\$ -	\$ -
Cash based remuneration	\$ 294,157	\$ 287,310

The foregoing related party transactions were conducted in the normal course of business and were accounted for at the exchange amount which is the amount agreed between the parties.

PROPOSED TRANSACTIONS

The Company routinely evaluates various business development opportunities which could entail optioning properties, direct acquisitions, trades and/or divestitures. In this regard, the Company is currently in discussions with various parties, but no definitive agreements with respect to proposed transactions have been entered into as of the date of this MD&A. There can be no assurances that any such transactions will be concluded in the future.

CRITICAL ACCOUNTING ESTIMATES

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

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

Net investments in 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 and Minera Canuc's functional currency is

the Mexican peso they are exposed to foreign exchange risk on these loans. Any gains and losses are initially recognized through the consolidated statement of loss and comprehensive loss. However, the Company has determined that these loans are not expected to be repaid in the foreseeable future and are therefore considered to be part of its net investment in a foreign operation. Accordingly, in preparing the consolidated financial statements, an adjustment is made to reclassify any foreign exchange gains or losses from loss to accumulated other comprehensive loss.

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 recognizes 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 transactions

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

Taxes

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

Significant accounting judgments

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

SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

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.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the 2019 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2020, for any differences identified. The Company has determined that the adoption of IFRS 16 resulted in no adjustments to the opening balance of accumulated deficit.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases under IFRS 17 and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statement of comprehensive loss; and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments, less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

CAPITAL STOCK

As of December 31, 2025, the Company had **28,491,230** common shares issued and outstanding.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price
66,691	06-May-26	\$0.334
57,635	06-May-26	\$0.067
127,245	06-May-26	\$0.040
35,180	06-May-26	\$0.334

Warrants outstanding for the Company at the date of this MD&A were as follows:

Warrants	Expiry Date	Exercise Price
1,600,000	May 1, 2027	\$1.50
900,000	December 30, 2027	\$1.50
1,382,690	December 17, 2026	\$0.67

FINANCIAL INSTRUMENTS

The nature and extent of the Company's use of financial instruments and risk exposures that might impact its financial instruments are summarized below.

Financial Risk

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2025, the Company had a cash balance of \$2,844,774 to settle current liabilities of \$1,088,841. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in money market funds. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not currently exposed to risks from changes in interest rates.

Credit Risk

The Company's credit risk is primarily attributable to sundry receivables. The Company has no significant concentration of credit risk arising from operations. Included in sundry receivables is sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments included in sundry receivables is remote.

Foreign Exchange Risk

These consolidated financial statements are presented in Canadian Dollars. The Canadian dollar is the functional currency of Santa Rosa Silver Mining Corp. The Mexican peso is the functional currency of Minera Stramin. The Company's reporting currency is the Canadian dollar. The Company funds certain operations, exploration and administrative expenses on a cash basis in Mexican Pesos (MXN) or US Dollars (USD) converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is for the foreseeable future not material and therefore does not hedge its foreign exchange risk. The following chart shows cash held in foreign currencies:

Fair Value

The carrying values of the Company's current financial instruments comprising cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of equity. The Company manages its capital structure and adjusts 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, and 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 geological 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 ending December 31, 2025. 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.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS

The following table sets out the material components of the general and administrative expenses for the twelve months ended December 31, 2025, and twelve months ended December 31, 2024, providing detail from the Statement of Net Loss and Comprehensive Loss in the related financial statements.

Operating expenses

	Twelve Months Ended December 31, 2025 (\$)	Twelve Months Ended December 31, 2024 (\$)
Evaluation costs	1,215,336	222,940
Management and consulting	294,158	287,310
Professional fees	523,208	97,000
Investor and shareholder relations	614,492	253,086
Value added tax	42,854	---
General and administrative	91,587	\$9,105
Travelling Expense	142,267	14,260
Foreign exchange	(1,828)	150,547
Interest expense	---	---
Write off and adjustments	6,555,131	
Gain on settlement of accounts payable	(48,891)	(4,826)
Share based Compensation	---	---
Accretion Expense	3,949	1,924
Total	\$9,441,107	\$1,031,346

Exploration and evaluation expenses

	Twelve Months Ended December 31, 2025 (\$)	Twelve Months Ended December 31, 2024 (\$)
Labor and contractors	\$1,188,015	\$200,408
Transportation	\$739	\$739
Assaying	Nil	Nil
Other	\$4,289	\$2,279

Field supplies and services	\$8,435	\$14,793
Option payments	Nil	Nil
Renewal and staking fees	Nil	Nil
Site Preparation and Clean up	Nil	Nil
Drilling	\$14,597	\$4,721
Total	\$1,216,075	\$222,940

RISKS AND UNCERTAINTIES

Securities of the Company should be considered to be speculative due to the nature of the mineral exploration business in which the Company is engaged. Some of the risks associated with an investment in the securities of the Company are described below.

Lack of Reserves

The Company has two projects, being the San Javier Silver-Gold-Lead-Zinc Project and the Saskatchewan Oil Project. The San Javier Project currently has no identified resources or reserves. If exploration programs on the San Javier Project are unsuccessful, the Company will have no undertaking and no basis to continue in the mineral exploration sector. The Saskatchewan Project has no identified resources or reserves. If exploration projects on the Saskatchewan project yields no hydrocarbon production, the Company will cease efforts in the project.

Exploration, Development and Operating Risks

Exploration and resource operations generally involve a high degree of risk. Although adequate precautions to minimize risk will be taken, the Company's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of precious metals, base metals and hydrocarbon. Uncertainties in exploration operations and expenses can arise from working in remote and physically difficult environments where weather, topography and seasonal factors can be unpredictable, and infrastructure taken for granted elsewhere has not yet been installed. Risks and uncertainties in the operational phase include unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of producing facilities, damage to life or property, environmental damage and possible legal liability. In particular production operations related to mining and oil assets are also subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas that may result in environmental pollution and consequent liability.

The exploration for and development of mineral and oil deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body and oil reserve may result in substantial rewards, few properties that are explored are ultimately developed into producing mines and oil wells respectively. Major expenses may be required to locate and establish mineral and oil reserves, to develop metallurgical and perforation processes and to construct operation and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

Whether an oil reserve will be commercially viable depends on a number of factors as well, such as the API of flowing oil, the fracture potential of the well, proximity to infrastructure; oil prices (highly fluctuating); government regulations; including regulations to prices, taxes, crown royalties, land tenure, land use, importing and exploring of minerals and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search for and evaluation of mineral and oil deposits will result in discoveries of commercial quantities of production.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Insurance may not cover all the potential risks associated with a mining Company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events could cause the Company to incur significant expenses that could have a material adverse effect on its financial performance and the results of operations.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, and which have been caused by previous or existing owners or operators of the properties.

Government approvals, approval of aboriginal people and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining and oil operations or in the exploration or development of mineral and oil properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Infrastructure

Mining, oil production, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Land Title

Although the title to the mineral concessions covering the properties in which the Company holds an interest were reviewed by or on behalf of the Company, no total assurances can be given that there are no title defects affecting such properties. Title insurance generally is not available, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained.

Competition

The resource industry is competitive in all of its phases. The Company faces strong competition from other resource companies in connection with the acquisition of properties producing, or capable of producing marketable commodities. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to acquire attractive resource properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Additional Capital

The exploration and development of the Company's properties will require substantial additional financing, through the Amalgamation or otherwise. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

Commodity Prices

The price of the common shares, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of oil, precious metal and base metal. Oil, precious metals and base metals mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of such commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major oil, precious metals and base metal producing countries throughout the world. The prices of oil, precious metals and base metals have fluctuated widely in recent periods, and future serious price declines could cause continued development of commercial production from the Company's properties to be impracticable. Depending on these resources, cash flow from operations may not be sufficient and the Company could be forced to discontinue production and may lose interest in, or may be forced to sell, some of its properties. Future production from the Company's resource properties are dependent on oil, precious metal and base metal mineral prices that are adequate to make these properties economic.

In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Precious and base metal minerals are generally sold in US dollars and the Company's costs will be incurred principally in Canadian and US dollars and Mexican pesos. The appreciation of non-US dollar currencies against the US dollar can increase the cost of precious and base metal mineral exploration and production in US dollar terms.

Government Regulation

The mining, processing, development, mineral and oil exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Key Executives

The Company is dependent on the services of key executives, including the directors of the Company, and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any such directors and officers involving the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to decide of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and facilitate the preparation of relevant and timely information.