

**CANUC RESOURCES CORPORATION**  
(FORMERLY SANTA ROSA SILVER MINING CORP.)

**Amended Condensed Interim Consolidated Financial  
Statements**

**Unaudited**

**March 31, 2019 and 2018.**

## NOTICE TO READER

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

### AUDITOR'S INVOLVEMENT

MNP LLP, Chartered Accountants, the external auditors of Canuc Resources Corporation., have not audited or performed review procedures applicable to auditor review of interim financial statements as at the end of the three-month periods March 31, 2019 and 2018.

(signed)

*"Christopher J. Berlet"*

Christopher J. Berlet  
Chief Executive Officer

Toronto, Canada  
May 30, 2019

(signed)

*"Artie Hao Li"*

Artie Hao Li  
Chief Financial Officer

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Consolidated Interim Statements of Financial Position

Unaudited, Expressed in Canadian dollars

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 271,286	\$ 658,440
Receivables and prepaids	217,340	144,767
<b>Total Current Assets</b>	<b>488,626</b>	<b>803,207</b>
Property and equipment	132,639	4,348
Oil and gas properties and interests (note 5)	247,802	263,117
<b>Total Assets</b>	<b>\$ 869,068</b>	<b>\$ 1,070,672</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 979,874	\$ 1,178,836
Loans	5,000	5,000
Leased Liability	12,279	-
<b>Total Current Liabilities</b>	<b>997,153</b>	<b>1,183,836</b>
Leased Liability	116,131	-
<b>Total Liabilities</b>	<b>1,113,284</b>	<b>1,183,836</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	8,528,199	8,528,199
Warrants (note 7)	413,594	778,669
Options (note 8)	414,847	414,847
Contributed surplus	471,617	106,542
Accumulated and comprehensive loss	(47,167)	(8,377)
Deficit	(10,025,306)	(9,933,044)
<b>Total Equity</b>	<b>(244,216)</b>	<b>(113,164)</b>
<b>Total Equity and Liabilities</b>	<b>\$ 869,068</b>	<b>\$ 1,070,672</b>

**Going Concern (note 1)**

**Commitments and Contingencies (note 12)**

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

On behalf of the Board,

"Signed"

*Hubert Mockler*

Hubert Mockler  
Director

"Signed"

*Chris Berlet*

Chris Berlet  
Director

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Consolidated Interim Statements of Loss and Comprehensive Loss

For the three month periods ended

Unaudited, Expressed in Canadian dollars

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Sales of Petroleum Products</b>		
Sales (note 3)	\$ 48,182	\$ 71,841
Operating costs	(25,783)	(21,293)
Depletion	(9,933)	(17,031)
	<b>\$ 12,466</b>	<b>\$ 33,517</b>
<b>Expenses</b>		
Management fees and consulting	64,224	87,918
Shareholder and investor relations	28,096	169,797
Evaluations expenses	29,794	121,810
Office and general costs	2,424	29,714
Interest expense	3,920	194
Professional fees	250	10,700
Foreign exchange	(23,980)	(277,906)
<b>Total operating expenses</b>	<b>104,728</b>	<b>142,227</b>
Operating loss before income taxes	(92,262)	(108,710)
Provision for income taxes	---	---
<b>Net loss</b>	<b>\$ (92,262)</b>	<b>\$(108,710)</b>
Other Comprehensive Loss:		
Foreign exchange gain on net investment in a Foreign operation	30,776	52,610
Currency translation differences	(69,566)	(326,897)
<b>Comprehensive loss</b>	<b>\$ (131,052)</b>	<b>\$ (382,997)</b>
Basic and diluted loss per common share (note 9)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding during the year - basic and diluted	62,264,150	47,001,928

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

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Consolidated Interim Statements of Changes in Shareholders' Equity

For the periods ended March 31, 2019 and March 31, 2018

Unaudited, Expressed in Canadian dollars

	Number Of Shares	Share Capital	Warrants	Options Reserve	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Total
<b>Balance at December 31, 2017</b>	<b>45,714,150</b>	<b>\$6,428,644</b>	<b>\$500,495</b>	<b>\$433,149</b>	<b>\$74,970</b>	<b>\$(36,844)</b>	<b>\$(7,164,151)</b>	<b>\$236,263</b>
Net loss for the period	---	---	---	---	---	---	(108,710)	(108,710)
Acquisition of Former Canuc	---	---	---	---	---	---	---	---
Private placements	4,420,000	792,506	312,494	---	---	---	---	1,105,000
Share issue costs	---	(7,667)	---	---	---	---	---	(7,667)
Exercise of warrants - cash	300,000	47,948	(17,948)	---	---	---	---	30,000
Foreign exchange gain on net investment in a foreign operation	---	---	---	---	---	52,610	---	52,610
Cumulative translation adjustment	---	---	---	---	---	(326,897)	---	(326,897)
<b>Balance at March 31, 2018</b>	<b>50,434,150</b>	<b>\$7,261,431</b>	<b>\$795,041</b>	<b>\$433,149</b>	<b>\$74,970</b>	<b>\$(311,131)</b>	<b>\$(7,272,861)</b>	<b>\$980,599</b>
Net loss for the period	---	---	---	---	---	---	(2,660,183)	(2,660,183)
Acquisition of Full Circle Energy	11,810,000	1,299,100	---	---	---	---	---	1,299,100
Private placements	---	---	---	---	---	---	---	---
Expiry of warrants	---	---	(16,320)	---	16,320	---	---	---
Expiry of options	---	---	---	(15,252)	15,252	---	---	---
Share issue costs	---	(6,634)	---	---	---	---	---	(6,634)
Exercise of warrants - cash	---	(29,948)	(52)	---	---	---	---	(30,000)
Exercise of options	20,000	4,250	---	(3,050)	---	---	---	1,200
Foreign exchange gain on net investment in a foreign operation	---	---	---	---	---	(247,235)	---	(247,235)
Cumulative translation adjustment	---	---	---	---	---	549,989	---	549,989
<b>Balance at December 31, 2018</b>	<b>62,264,150</b>	<b>\$8,528,199</b>	<b>\$778,669</b>	<b>\$414,847</b>	<b>\$106,542</b>	<b>\$(8,377)</b>	<b>\$(9,933,044)</b>	<b>\$113,164</b>
Net loss for the period	---	---	---	---	---	---	(92,262)	(92,262)
Expiry of warrants	---	---	(365,075)	---	365,075	---	---	---
Foreign exchange gain on net investment in a foreign operation	---	---	---	---	---	30,776	---	---
Cumulative translation adjustment	---	---	---	---	---	(69,566)	---	(69,566)
<b>Balance at March 31, 2019</b>	<b>62,264,150</b>	<b>\$8,528,199</b>	<b>\$413,594</b>	<b>\$414,847</b>	<b>\$471,617</b>	<b>\$(47,167)</b>	<b>\$(10,025,306)</b>	<b>\$244,216</b>

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

**CANUC RESOURCES CORPORATION**  
(Formerly Santa Rosa Silver Mining Corp.)  
**Consolidated Interim Statements of Cash Flows**  
For the three months ended March 31, 2019

*Unaudited, Expressed in Canadian dollars*

	March 31, 2019	March 31, 2018
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (92,262)	\$ (108,710)
Adjustments for:		
Depletion	9,933	17,031
Net change in non-cash working capital balances:		
Receivables and prepaids	(72,573)	(29,733)
Accounts payable and accrued liabilities	(198,962)	(52,598)
<b>Net cash used in operating activities</b>	<b>(353,864)</b>	<b>(174,010)</b>
<b>INVESTING ACTIVITIES</b>		
Cash portion of purchase price	---	---
Cash acquired from Former Canuc	---	---
<b>Net cash used in investing activities</b>	<b>---</b>	<b>---</b>
<b>FINANCING ACTIVITIES</b>		
Private placements	---	1,105,000
Exercise of warrants	---	30,000
Cost of issuance	---	(7,667)
Loans	---	---
<b>Net cash provided by financing activities</b>	<b>---</b>	<b>1,127,333</b>
Impact of foreign exchange on cash	(33,250)	(282,226)
Net increase (decrease) in cash	(387,114)	671,097
Cash, beginning of the period	658,400	221,923
Cash, end of the period	\$ 271,286	\$ 893,020

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

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

*Unaudited, Expressed in Canadian dollars unless otherwise indicated*

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Canuc Resources Corporation (the “Company” or “Canuc”), a company incorporated under the Business Corporation Act (Ontario), and its wholly-owned subsidiaries (collectively the “Canuc” or the “Company”) 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 and continued as one company, Canuc Resources Corporation. 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 3A1.

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”).

In 2018, The Company acquired a subsidiary called Full Circle Energy Ltd (“Full Circle Energy”) which owns an oil exploration property in Saskatchewan, Canada and is in the process of exploring and developing the oil asset.

These unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the realization of assets and discharge of liabilities in the normal course of business. 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.

Mineral exploration projects, even when successful, require large amounts of exploration investment to prove mineable reserves, generally over long periods of time, prior to commencement of production. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing, the continued support of its existing shareholders, and the outlining and development of commercial deposits of metals at its project to generate positive cash flows from operations. While the Company has been successful in securing financing and identifying suitable properties to date, there is no assurance that the Company will continue to be successful in achieving these objectives.

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.

The unaudited condensed consolidated financial statements of the Company for the periods ended March 31, 2019 and 2018 were authorized for issue in accordance with a resolution of the directors dated May 30, 2019.

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

*Unaudited, Expressed in Canadian dollars unless otherwise indicated*

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### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS34). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of May 30, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these consolidated financial statements as in the most recent annual financial statements as at and for the year ended December 31, 2018 with the exception of IFRS 16. Any subsequent changes to IFRS that may be given effect in the Company's annual financial statements for the current fiscal year could result in restatement of these unaudited condensed interim financial statements.

The policies have been consistently applied to all periods presented unless otherwise noted.

#### (b) Basis of measurement

These 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.

#### (c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, Santa Rosa, Minera Stramin, incorporated in Mexico, Midtex Oil & Gas, incorporated under the laws of Ontario, and Full Circle Energy, 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.

#### (d) Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars. The Canadian dollar is the functional currency of Canuc. 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.

#### (e) Significant accounting judgments, estimates and assumptions

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:

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

*Unaudited, Expressed in Canadian dollars unless otherwise indicated*

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### 2. BASIS OF PREPARATION (CONT'D)

#### (e) Significant accounting judgments, estimates and assumptions (cont'd)

##### (i) *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 and Midtex's functional currency is the United States dollar, 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.

##### (ii) *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 11.

##### (iii) *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.

##### (iv) *Financial instruments*

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

##### (v) *Financial assets*

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

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

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

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

*Unaudited, Expressed in Canadian dollars unless otherwise indicated*

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### 2. BASIS OF PREPARATION (CONT'D)

#### (e) Significant accounting judgments, estimates and assumptions (cont'd)

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

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

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

#### *(vi) Financial liabilities*

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

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

**Other financial liabilities** - This category includes accounts payable and accrued liabilities. They are carried in the consolidated statements of financial position at the value on the transaction date.

#### (f) Adoption of new accounting policy – IFRS 16 leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 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.

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

*Unaudited, Expressed in Canadian dollars unless otherwise indicated*

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(f) Adoption of new accounting policy – IFRS 16 leases (continued)

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.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. This analysis identified a contract containing a lease that had an equivalent increase to both the Company's ROU assets and lease liabilities, which resulted in a \$128,410 adjustment as of March 31<sup>st</sup>, 2019. The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 was 10%.

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.

### 3. MERGER - CANUC AND FULL CIRCLE ENERGY LTD.

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

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

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

Unaudited, Expressed in Canadian dollars unless otherwise indicated

### 3. MERGER - CANUC AND SANTA ROSA (CONT'D)

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

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

### 4. EXPLORATION AND EVALUATION 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 seventeen mineral concessions making up the Company's San Javier Project has not changed since the most recent audited financial statements dated December 31, 2018. 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 three-month periods ended March 31, 2019 and 2018 and the twelve-month period ended December 31, 2018 as outlined below:

	Three Month ended March 31, 2019 (unaudited)	Three Month ended March 31, 2018 (unaudited)	Year ended December 31, 2018	Cumulative from inception to December 31, 2018 (unaudited)
Option payments	---	\$ 19,608	---	\$ 385,496
Renewal and staking fees	3,539	---	3,604	92,220
Labour and contractors	12,542	59,915	111,529	721,802
Field supplies and services	---	9,422	9,467	103,303
Drilling	---	---	---	295,838
Transportation	---	18,209	18,178	155,732
Assaying	---	---	13,103	156,443
Communications	---	---	---	396
Other	466	14,656	53,369	150,628
<b>Total for the year/period</b>	<b>\$ 16,547</b>	<b>\$ 121,810</b>	<b>\$ 209,250</b>	<b>\$ 2,061,858</b>

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

## Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2019

Unaudited, Expressed in Canadian dollars unless otherwise indicated

### 4. EXPLORATION AND EVALUATION PROPERTIES AND EXPENDITURES (continued)

#### Saskatchewan Project

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

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

	Three Months Ended March 31, 2018	Cumulative from Acquisition to December 31, 2018
Site Preparation and Clean up	\$ 4,009	\$ 8,130
Equipment and Trucking	9,095	251,292
Labor and Contracting expenses	---	3,612
Field supplies and services	---	53,665
Onsite Supervision	---	36,367
Exploration Asset	---	1,449,411
Other	143	1,548
Total for the period	\$ 13,247	1,804,025

### 5. OIL AND GAS PROPERTIES AND INTERESTS

At March 31, 2019, 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:

(a) 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.

(b) 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.

### 6. SHARE CAPITAL

(a) Authorized

Unlimited number of Common shares  
Unlimited number of Class A shares

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.

# CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

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### 6. SHARE CAPITAL (CONT'D)

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 share at a price of \$0.40 per common share for two years from the closing date.

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

The Company incurred financing costs of \$7,667 (cash) and issued no broker warrants.

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### 7. WARRANTS

On February 21, 2017, all Santa Rosa warrants were exchanged for securities of Canuc on a 2 for 1 basis, resulting in half the number of warrants and with the exercise price of all warrants doubling. The continuity of the Company's warrants, below, is adjusted for this consolidation:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2017</b>	<b>6,275,667</b>	<b>0.40</b>
Issued	2,210,000	0.40
Exercised	(300,000)	0.10
Expired	---	---
<b>Balance, March 31, 2018</b>	<b>8,185,667</b>	<b>0.40</b>
Issued	---	0.40
Exercised	---	0.10
Expired	(272,000)	0.10
<b>Balance, December 31, 2018</b>	<b>7,913,667</b>	<b>0.44</b>
Issued	---	---
Exercised	---	---
Expired	(5,118,500)	0.46
<b>Balance, March 31, 2019</b>	<b>2,795,167</b>	<b>0.44</b>

A summary of the Company's warrants at March 31, 2019 is as follows:

Date of Issue	Warrants outstanding #	Warrants exercisable #	Exercise price \$	Expiry date
November 27, 2017	581,167	581,167	0.60	November 27, 2019
December 21, 2017	4,000	4,000	0.40	December 21, 2019
March 5, 2018	2,210,000	2,210,000	0.40	March 5, 2020
	<b>2,795,167</b>	<b>2,795,167</b>	<b>0.44</b>	

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

Since the Transaction closing date of February 21, 2017 thru March 31, 2018, 2,800,000 warrants with a \$0.10 exercise price were exercised for proceeds of \$280,000.

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### 7. WARRANTS (CONT'D)

The estimated fair value of \$312,494 for the warrants issued in March 2018 was determined using the Black-Scholes option-pricing model with the following weighted average assumptions

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

### 8. STOCK OPTIONS

On February 21, 2017, all Santa Rosa options were exchanged for securities of Canuc on a 2 for 1 basis, resulting in half the number of Santa Rosa options and with the exercise price of all options doubling. The continuity of the Company's options, below, is adjusted for this consolidation:

	Weighted Number of Options	average exercise price (\$)
<b>Balance, December 31, 2017</b>	<b>3,380,000</b>	<b>0.40</b>
Issued	---	---
Exercised	---	---
Expired	---	---
<b>Balance, March 31, 2018</b>	<b>3,380,000</b>	<b>0.40</b>
Issued	---	---
Exercised	(20,000)	0.06
Expired	(100,000)	0.06
<b>Balance, December 31, 2018</b>	<b>3,260,000</b>	<b>0.41</b>
Issued	---	---
Exercised	---	---
Expired	---	---
<b>Balance, March 31, 2019</b>	<b>3,260,000</b>	<b>0.41</b>

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### 8. STOCK OPTIONS (CONT'D)

As at March 31, 2019, the Company had outstanding share options that had been issued to directors, officers and consultants of the Company, as follows:

Date of Grant	Options outstanding #	Options vested #	Exercise price \$	Remaining life (Years)	Expiry date
May 18, 2016	185,000	185,000	0.25	0.13	May 17, 2019
February 21, 2017	580,000	580,000	0.10	0.16	May 30, 2019
March 8, 2017	2,095,000	2,095,000	0.50	0.93	Mar. 3, 2020
April 6, 2020	400,000	400,000	0.50	1.02	April 6, 2020
	<b>3,260,000</b>	<b>3,260,000</b>	<b>0.41</b>	<b>0.75</b>	

The options, noted above, as being granted February 21, 2017 are the options carried over from Former Canuc, having the same terms as at their grant date. The estimated fair value of these options was determined using the Modified Black-Scholes option-pricing model with the following weighted average assumptions:

	February 2017
Risk-free rate	1.00%
Dividend yield	0%
Volatility factor of expected market price of the Company's shares <sup>(1)</sup>	0.90%
Expected option life (in years)	2.2 – 3.0
Forfeiture rate	0
Weighted-average grant date price	\$0.25

<sup>(1)</sup> 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 was determined using the Modified Black-Scholes option-pricing model with the following weighted average assumptions:

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

<sup>(1)</sup> Based upon the Company's historical volatility.

### 9. LOSS PER SHARE

During the periods represented in the financial statements, the calculation of diluted loss per share excluded the effect of stock options and warrants as their inclusion would have been anti-dilutive.

### 10. RELATED PARTY TRANSACTIONS AND BALANCES

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

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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.

Three directors and key management members hold NSR royalties totalling 1.5% of the total 2.5% on production from the San Javier project (Note 4).

Compensation of key management personnel and directors for the periods ended are as follows:

For the 3 month period ended March 31, 2019	2019	2018
Cash-based remuneration	\$ 24,000	\$ 19,000
Non-cash-based compensation	---	---
	<b>\$ 24,000</b>	<b>19,000</b>

As at March 31, 2019, the amount of \$24,578 (March 31, 2018 - \$5,690) is receivable from a corporation with director of the Company is the President.

### 11. 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.

	March 31, 2019		March 31, 2018	
	CAD	MXN	CAD	MXN
VAT base	132,018	1,912,748	78,643	1,111,715

### 12. COMMITMENTS AND CONTINGENCIES

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 March 31, 2019 to the end of the sublease agreements is \$53,080.

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

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

# **CANUC RESOURCES CORPORATION**

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### **12. COMMITMENTS AND CONTINGENCIES (CONT'D)**

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.

### **13. CAPITAL 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 three months ended March 31, 2019. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

### **14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

#### **(a) 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.

#### **(b) 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.

##### **(i) 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.

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### 14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONT'D)

#### (ii) 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 March 31, 2018 and March 31, 2017.

	March 31, 2019	March 31, 2018
Cash	\$ 271,286	\$ 893,020
Current liabilities	\$ 997,153	\$ 300,033

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 March 31, 2019 and March 31, 2018 have contractual maturities of less than 30 days and are subject to normal trade terms.

#### (iii) 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.

#### (iv) 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.

	March 31, 2019		March 31, 2018	
	US Dollar	MXN Peso	US Dollar	MXN Peso
Cash held in foreign currency	1,625	349	9,659	108,146
Value of foreign currency in Canadian dollars	2,171	24	12,455	7,650

#### (v) 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.

#### (vi) 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.

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### 14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONT'D)

(c) 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:

- (i) As at March 31, 2019, the Company held \$2,171 and \$24 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 \$217 and \$2 respectively for the US dollars and Mexican pesos accounts.

### 15. 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 March 31, 2019, the projects are located in the United States and Mexico.

As of March 31, 2019, the Company's oil and gas wells in Texas represent 100% of its revenues and 33% (March 31, 2018 – 29%) of its assets (calculated used on book value). Although the Company's primary asset the San Javier Project in Mexico represents less than 2% of its assets on the Company's books at March 31, 2019 (March 31, 2018 – 3%) 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:

	March 31, 2019	March 31, 2018
Canada – Corporate and Saskatchewan	\$ 564,383	\$ 874,259
United States – Texas	288,829	373,106
Mexico – Sonora	15,856	33,267
	<b>\$ 869,068</b>	<b>\$ 1,280,632</b>