



www.canucresources.ca

President's Update

Fall 2011:

Throughout the last quarter and into the fall, the Company continues to keep active on all projects including Mill Village Nova Scotia, Stephens County Texas and Ecuador.

In July 2011, the Company engaged Hudgtec Consulting Limited of Dartmouth, Nova Scotia to commence work on the Mill Village property in Nova Scotia. Initial efforts focused on the GIS compilation and re-interpretation of the historic grid survey data which included VLF-EM, magnetics and B - Horizon soils. In conjunction with the data compilation, an MMI (Mobile Metal Ion) orientation survey was conducted over the Gold Eagle vein system and traditional soil sampling was completed over the same area in order to confirm the presence of gold in previously defined dispersion trains left by retreating glaciation. Results to date validate the previous geophysical work in addition to confirming the presence of gold in the soils. In recent weeks, the field team has been focusing on the western and northern portions of the claim group where a strong VLF-EM conductor appears dislocated, suggestive of structural activity such as a fault. Gold in soils and till have previously been located proximal to this location. Sampling and prospecting continue. To assist in defining the structure, stratigraphy and subtle surface features beneath the overburden, a Lidar (Light Detection and Ranging) survey is planned. Target definition utilizing both geochemistry and geophysics is ongoing in order to plan the initial 2012 drill program.



Director Chris Berlet at the entrance to the Gold Eagle ventilation shaft

In Stephens County Texas, the Company drilled its second well on the Coody Morales lease in late August. While management was on site the well was perforated and fracked. Initial flow rates were calculated at 110 McF gas per day and this has since dropped due to sand washing back into the hole. The installation of a sand pump for one or two days is currently being scheduled to remove sand from the base of the well after which production should return to normal.

In addition to the original 320 acre Coody Morales lease, the Company has also obtained a 20% working interest in the Thompson lease, a 600 acre land package located approximately 4 miles to the south. In early September, the first well was drilled and intersected what management believes to be a significant new gas field. Initial flow rates were calculated at 900 McF per day and the working flow rate to maintain pressure in the reservoir is expected to be 400 - 450 McF per day. This well will be connected to the same low pressure pipeline that crosses the Coody Morales lease later this year.

In all wells to date, the gas produced is of excellent quality and contains condensates for which we are paid a premium over posted natural gas prices.



Drill crew washing well #2 on the Coody Morales lease following perforation and fracking

In mid September, I travelled to Ecuador to meet with our staff and performed site reviews of numerous property submissions that have been received by the Company. The properties visited included numerous polymetallic occurrences along the Ganiarin fault system which trends 10's of kilometres southwest from IAMGOLD's Quimsacocha project which contains 2.1 million ounces of gold. Numerous historic projects were examined along this trend due to its porphyry copper-gold potential and its high grade, polymetallic brecciated style of mineralization. This area is accessible from

our office in Zamora, and the geological data for this trend is being reviewed by our staff so as to be able to acquire open land packages as soon as the government re-opens staking.

I also examined the Santiago project presently held by Salazar Resources Ltd. The Santiago project is a hydrothermal gold system which was previously drilled by Newmont Mining in 1990. Although considered low grade at the time, Newmont did intersect 147 metres of 0.54 grams / tonne gold and 0.3% copper in drill hole FU - 1, suggestive of a substantial system. North of the drill hole area, clusters of high-grade (multiple ounce) silver veins occur which our team is presently examining. Assays are pending.



Polymetallic (Cu, Pb, Zn, Au, Ag) hydrothermal breccias, La Playa camp, Ecuador

I look forward to keeping you informed as we build shareholder value.

Sincerely,

G. Lohman
President and CEO
Canuc Resources Corporation