CANUC RESOURCES CORPORATION

Condensed Interim Consolidated Financial Statements

Unaudited

(In Canadian dollars)

3rd quarter September 30, 2016

Notice of No Auditor Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Board.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

CANUC RESOURCES CORPORATION

Condensed Interim Consolidated Statements of Financial Position
(in Canadian Dollars)
(Unaudited)

As at,	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash	**$ 20,027**	$ 41,072
Accounts receivable	**55,183**	54,303
Prepaid expenses and deposits	**1,214**	7,287
	76,424	102,662
Non-current		
Investment in oil and gas interests (*note 5*)	**193,746**	201,812
	$ 270,170	$ 304,474
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 469,979**	$ 170,181
Deferred Charges (*note 11)*	**7,933**	---
	477,912	170,181
SHAREHOLDERS' EQUITY		
Share capital *(note 6)*	**54,151,599**	54,132,689
Shares to be issued	---	7,000
Warrants *(note 6)*	**15,750**	15,750
Contributed surplus	**2,943,649**	2,913,359
Cumulative translation reserve	**96,564**	101,541
Deficit	**(57,415,304)**	(57,036,046)
	(207,742)	134,293
	$ 270,170	$ 304,474

Going Concern and Commitments (*notes 1 and 11*)

On behalf of the Board,

"Signed"
Hubert Mockler
Hubert Mockler
Director

"Signed"
Chris Berlet
Chris Berlet
Director

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

CANUC RESOURCES CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(in Canadian Dollars)
(Unaudited)

For the periods ended September 30,	Three Months 2016	Three Months 2015 (Restated-note 2)	Nine Months 2016	Nine Months 2015 (Restated-note 2)
Sales of Petroleum Products				
Sales	**$ 30,697**	$ 60,578	**$ 83,049**	$ 198,182
Less: Landowner royalties	---	4,861	---	12,093
	30,697	55,717	**83,049**	186,089
Operating costs	**9,135**	36,172	**27,058**	101,708
Depletion	**---**	18,494	---	56,187
	9,135	54,666	**27,058**	157,895
	$ 21,561	$ 1,051	**$ 55,991**	$ 28,194
Expenses				
Management fees *(note 9)*	**79,228**	22,561	**142,243**	72,324
Evaluation expenses	---	---	**(16,785)**	372
General and administration	**3,708**	19,363	**31,058**	43,808
Professional fees	**169,313**	7,553	**223,017**	34,331
Interest expense	**13**	21	**67**	21
Shareholder and investor relations	**11,183**	12,360	**23,846**	24,910
Stock based compensation	**---**	---	**36,200**	---
Foreign exchange	**(283)**	(5,336)	**6,203**	(21,727)
Gain on settlement of debt	**---**	---	**(10,600)**	(36,000)
	263,162	56,522	**435,249**	118,039
Net loss	**(241,601)**	(55,471)	**(379,258)**	(89,845)
Other comprehensive (loss) income				
Currency translation differences	**1,687**	31,777	**(4,977)**	71,164
Comprehensive loss	**$(239,914)**	$ (23,694)	**$(384,235)**	$ (18,681)
Basic and diluted loss per common share *(note 10)*	**(0.02)**	(0.00)	**(0.04)**	(0.00)
Weighted average number of shares outstanding during the period - basic and diluted	**10,186,751**	6,886,751	**10,121,549**	6,847,486

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

CANUC RESOURCES CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(in Canadian Dollars)
(Unaudited)

	Number of common shares issued	Share Capital	Shares to be issued	Warrants	Contributed Surplus	Cumulative Translation Reserve	Deficit	Total Equity
		$	$	$	$	$	$	$
As at Jan. 1, 2016	**9,946,751**	**54,132,689**	7,000	**15,750**	**2,913,359**	**101,541**	**(57,036,046)**	**134,293**
Shares issued on private placement	140,000	7,000	(7,000)	-	-	-	-	-
Options excercised	100,000	11,910	-	-	(5,910)	-	-	6,000
Options issued			-	-	36,200	-	-	36,200
Net income	-	-	-	-	-	-	(379,258)	(379,258)
Other comprehensive loss	-	-	-	-	-	(4,977)	-	(4,977)
As at Sept. 30, 2016	**10,186,751**	**54,151,599**	-	**15,750**	**2,943,649**	**96,564**	**(57,415,304)**	**(207,742)**
As at Jan 1, 2015	**6,766,751**	**53,959,698**	-	**55,750**	**2,838,159**	-	**(56,268,343)**	**585,264**
Warrants expired	-	-	-	(40,000)	40,000	-	-	-
Common shares issued upon settlement of debt	120,000	24,000	-	-	-	-	-	24,000
Net loss	-	-	-	-	-	-	(89,845)	(89,845)
Other comprehenise income	-	-	-	-	-	71,164	-	71,164
As at Sept. 30, 2015	**6,886,751**	**53,983,698**	-	**15,750**	**2,878,159**	**71,164**	**(56,358,188)**	**590,583**

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

CANUC RESOURCES CORPORATION

Condensed Interim Consolidated Statements of Cash Flows
(in Canadian Dollars)
(Unaudited)

For the nine-month period ended September		2016		2015 (Restated-Note 2)
Net loss	$	**(379,258)**	$	(89,845)
Items not affecting cash:				
Depletion		**-**		56,187
Gain on settlement of debt		**(10,600)**		(36,000)
Stock based compensation		**36,200**		-
Net change in non-cash working capital balances:				
Accounts receivable		**(2,402)**		38,488
Prepaid expenses and deposits		**6,073**		5,257
Accounts payable and accrued liabilities		**317,548**		34,769
Deferred charges		**7,933**		-
Cash (used in) provided by operations	$	**(24,506)**	$	8,856
INVESTING ACTIVITIES				
Investment in oil and gas interests		**(2,434)**		(16,393)
Cash used by investing activities	$	**(2,434)**	$	(16,393)
FINANCING ACTIVITIES				
Issuance of common shares		**6,000**		-
Cash provided by financing activities	$	**6,000**	$	
Impact of foreign exchange on cash	$	**(105)**	$	(1,784)
Net decrease in cash	$	**(21,045)**	$	(9,321)
Cash, beginning of the period		**41,072**		11,739
Cash, end of the period	$	**20,027**	$	2,418

See accompanying notes to the Condensed Interim Consolidated Financial Statements.

1. Nature of Operation and Going Concern

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

The condensed interim consolidated financial statements of the Company for the period ended September 30, 2016 were authorized for issue in accordance with a resolution of the directors dated November 25, 2016.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory, or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities, and in which it has an interest in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business, and at amounts different from those in the accompanying financial statements; such adjustments could be material. The Company has a need for financing for working capital, and the exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful, or if the Company will attain profitable levels of operations. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern, and ultimately, the appropriateness of the use of accounting principles applicable to a going concern.

2. Restatement of Previously Issued Financial Statements

Subsequent to the issuance of the Company's unaudited condensed interim consolidated financial statements, as at September 30, 2015, the Company made a determination that the functional currency for its Midtex subsidiary should be US dollars. Prior to 2015, management had judgmentally determined the functional currency for Midtex to be Canadian dollars. Management, in its determination considered all of the relevant primary and secondary factors however, the deciding factor which led to the change in functional currency was that Midtex became self-sustaining during 2015. Management, in its judgement determined that the switch over date for Midtex should be the beginning of the 2015 fiscal year. The change in functional currency has been applied prospectively since January 1, 2015.

The Company also determined that one its non-cash transactions were incorrectly measured. The Company omitted a gain on settlement of certain debt, instead recording the full amount to share capital.

(In Canadian dollars)

2. Restatement of Previously Issued Financial Statements - *Continued*

The restatement of the Company's unaudited condensed interim consolidated financial statements includes adjustments to the consolidated statement of loss and comprehensive loss and consolidated statement of cash flows for the three and nine month period ended September 30, 2015 as set out in the table below:

Changes to the condensed interim consolidate statement of loss and comprehensive loss:

	As previously Reported for The three months Ended Sept. 30, 2015	Adjustment	Restated for The three months Ended Sept. 30, 2015
Depletion	$ 21,110	$ (2,616)	$ 18,494
Foreign exchange	948	(6,248)	(5,336)
Net loss	(64,372)	8,901	(55,471)
Currency translation differences	---	31,777	31,777
Comprehensive loss	(64,372)	40,678	(23,694)
Loss per share	(0.01)	0.01	(0.00)

	As previously Reported for The nine months ended Sept. 30, 2015	Adjustment	Restated for The nine months ended Sept. 30, 2015
Depletion	$ 66,860	$ (10,673)	$ 56,187
Foreign exchange	(3,868)	(17,859)	(21,727)
Gain on settlement of debt	---	(36,000)	(36,000)
Net loss	(154,377)	(64,532)	(89,845)
Currency translation differences	---	71,164	71,164
Comprehensive loss	(154,377)	135,696	(18,681)
Loss per share	(0.02)	0.02	(0.00)

Changes to the condensed interim consolidated statement of cash flows:

	As previously Reported for the nine months ended Sept. 30, 2015	Adjustment	Restated for the nine months ended Sept. 30, 2015
Net loss	$(154,377)	$ (64,532)	$ (89,845)
Depletion	66,860	(10,673)	56,187
Gain on settlement of debt	---	(36,000)	(36,000)
Accounts receivable	47,534	(9,046)	38,488
Accounts payable and accrued liabilities	41,824	(7,055)	34,769
Impact of foreign exchange on cash	---	(1,784)	(1,784)

All cumulative adjustments have been reflected in the December 31, 2015 deficit balance of $(57,036,046), which prior to the restatement would have been $(56,898,505).

3. Significant Accounting Policies

Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of condensed interim financial statements including IAS 34.

The notes in these condensed interim consolidated financial statements include only significant events and transactions and do not include all matters usually disclosed in the Company's audited annual financial statements, and are therefore, referred to as condensed. They should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2015, prepared in accordance with IFRS. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information

The condensed interim consolidated financial statements for the period ended September 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

Basis of Measurement:

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

Use of Estimates and Judgments:

The preparation of condensed interim consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best estimate of the amount and knowledge of events or actions, actual results ultimately may differ from those estimates.

The accounting policies set out below have been adopted for the period ended September 30, 2016 and have been applied consistently to all periods presented in these condensed interim financial statements, unless otherwise indicated.

Future Accounting Changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). Some updates that are not applicable, or are not consequential, to the Company may have been excluded from the list below. None of these is expected to have a significant effect on the financial statements of the Company.

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

(In Canadian dollars)

3. Significant Accounting Policies – *Continued*

Future Accounting Changes - continued

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

IFRS 16 Leases ("IFRS 16") was issued by the IASB in January 2016, and will replace IAS 17 Leases ("IAS 17"). Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for the annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not yet assessed the impact of this standard.

4. Oil and Gas Properties

	Jan. 1, 2016	Additions	Depletion	Foreign Exchange	Write-offs	Sept. 30, 2016
Texas USA Properties	**$ ---**	**$ ---**	**$ ---**	**$ ---**	**$ ---**	**$ ---**

	Jan. 1, 2015	Additions	Depletion	Foreign Exchange	Write-offs	Sept. 30, 2015
Texas USA Properties	$ 234,749	$ ---	$ 56,187	$ 28,126	$ ---	$ 206,688

At September 30, 2016, the Company's oil and gas properties consist of the Coody Morales Lease, a 100% working interest (80% net revenue interest) in an oil and gas lease. The asset belongs to the US reportable segment. During the fourth quarter of 2015, management decided that low gas prices which, in its judgement have been prolonged and observable, were impacting revenue generated from this asset. Management determined that production should cease until gas prices restore to more favorable levels and accordingly, impaired the asset recording a charge of $205,340 in the interim consolidated financial statements of that period.

(In Canadian dollars)

5. Investment in Oil and Gas Interests

	Jan. 1, 2016	Investments	Foreign Exchange	Write-offs	Sept. 30, 2016
Texas USA Properties	**$ 201,812**	**$ 2,434**	**$ (10,500)**	**$ ---**	**$ 193,746**

	Jan. 1, 2015	Investments	Foreign Exchange	Write-offs	Sept. 30, 2015
Texas USA Properties	$ 459,284	$ 16,393	$ 60,253	$ ---	$ 535,930

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

(a) Thompson Lease

A 20% working interest (16% net revenue interest) in an oil and gas lease and five producing gas wells.

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

(b) Walker Buckler Lease

A 15% working interest (11.25% net revenue interest), in an oil and gas lease and one producing gas well. The lease is located in Shackelford County, Texas, USA.

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

(c) Texas Oil and Gas prospect leases

The Company had purchased between a 15% and 20% working interest (12% and 16% net revenue interest), in several oil and gas leases located in Stephens and Shackelford Counties, Texas, USA.

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

(In Canadian dollars)

6. Share Capital

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

Authorized

Unlimited number of Common shares
Unlimited number of Class A shares

Common Shares Issued:	Number of Shares	Amount
Balance, January 1, 2016	**9,946,751**	**$ 54,132,689**
Common shares issued upon private placement	140,000	7,000
Common shares issued upon exercise of options	100,000	11,910
Balance, September 30, 2016	**10,186,751**	**$ 54,151,599**
Balance, January 1, 2015	**6,766,751**	**$ 53,959,698**
Common shares issued upon settlement of debt	120,000	24,000
Balance September 30, 2015	**6,886,751**	**$ 53,983,698**

Warrants

As at September 30, 2016 the following share purchase warrants are outstanding:

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

(In Canadian dollars)

6. Share Capital – *Continued*

Share-based Payments

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

As at September 30, 2016 the Company had the following incentive stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2016, exercisable	**595,000**	**$ 0.06**
Issued	310,000	0.10
Exercised	(100,000)	(0.06)
Expired	---	---
Balance, September 30, 2015	**805,000**	**$ 0.08**
Balance, January 1, 2015	40,000	$ 0.50
Expired	(40,000)	0.50
Balance, September 30, 2015	---	---

Stock Options	Exercise Price	Estimated Fair Value	Expiry Date
495,000	$0.06	$29,284	October 5, 2018
310,000	$0.10	$36,200	May 16, 2019

On May 17, 2016, the Company issued 310,000 stock options. Using the Black-Scholes pricing model and the following inputs; stock price of $0.12, exercise price of $0.10, volatility of 435%, risk free rate of .60% and no annual rate of quarterly dividends, the estimated value of the options granted is $36,200.

7. Capital Management

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

(In Canadian dollars)

8. Financial Instruments and Risk Management

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

Fair values:

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

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

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

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

All of the Company's financial instruments are considered to be level 1

Categories of Financial Instruments	**Sept. 30, 2016**	**Dec. 31, 2015**
Financial Assets—other receivables		
Cash	**$ 20,027**	$ 41,072
Accounts receivable[1]	**17,901**	37,422
Financial Liabilities—other financial liabilities		
Trade and other payables	**$ 469,979**	$ 170,181

Notes: [1] Receivable balances owing from government bodies such as HST are not considered financial instruments and are not included in the table above

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

Credit Risk:

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

8. Financial Instruments and Risk Management - *Continued*

Liquidity Risk:

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

Market Risk:

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

Interest rate risk:

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

Foreign exchange risk:

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

Commodity and equity risk:

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

Sensitivity analysis:

Based on Management's knowledge and experience of the financial markets, the Company believes the following assumptions are reasonable for the period ended September 30, 2016: (i), while is subject to floating interest rates, a plus or minus one percentage point change in interest rates would not have a material impact on the Company's reported net loss before comprehensive loss; (ii), if the US dollar had appreciated/depreciated by 10%, the Company's net loss before comprehensive loss would decrease/increase by approximately $5,600.

(In Canadian dollars)

9. Related Party Transactions

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

Rental Payments and Receipts:

For the period ended September 30, 2016 rental receipts of $30,395 (September 30, 2015–$8,324) were received from corporations with common directors.

Compensation of key management personnel and directors for the period was as follows:

For the period ended September 30,	**2016**	**2015**
Cash-based remuneration	$ 121,910	$ 54,000
Non-cash-based compensation	17,515	---
	$ 139,425	$ 54,000

During the period ended March 31, 2015, a short-term loan payable to the former president of the Company in the amount of $60,000 was converted to 120,000 common share resulting in a gain on settlement of $36,000 and which left $27,100 still payable. During the quarter ended June 30, 2016, settlement terms for the remaining amount was reached. As a result, a gain on settlement of debt of $10,600 was recorded.

There remains $9,500 payable of which approximately $2,500 will be settled conditionally by the issuance of 10,000 common shares of the Company.

There was $1,253 in accounts payable at September 30, 2016 (September 30, 2015-$nil) owed to the Chairman and CEO.

There is $81,000 payable to the Chief Financial Officer at September 30, 2016 (September 30, 2015-$5,000). $7,500 of the amount payable plus HST is with respect to regular duties and is due at the end of November 2016. The remaining amount of $73.500 plus HST is comprised of time spent on the transaction between Santa Rosa and the Company and incremental time with respect to regular duties and is payable on the date the financing of the transaction occurs or in the absence of the financing of the transaction prior to January 31, 2016, payable in installments of not less than $1,500 per month.

There is $7,789 payable to a corporation of which a Director of Canuc is the President (September 30, 2015-$1,556).

There is a receivable of $1,037 from a corporation of which a director of Canuc is a director (September 30, 2015 – nil).

10. Loss per Share

Basic and diluted loss per share:

The calculation of basic loss per share for the three and nine month periods ended September 30, 2016, respectively was based on total comprehensive loss attributable to common shareholders of $(239,914) (2015 - $(23,694)) and $(384,235) (2015 - $(18,681)). The weighted average number of common shares outstanding for the three and nine months ended September 30, 2016, respectively was 10,186,751 (2015–6,886,751) and 10,121,549 (2015–6,847,486). The exercise of the Company’s outstanding warrants and options would be anti-dilutive, and therefore the basic loss and the diluted loss per share are the same.

(In Canadian dollars)

11. Commitments

The Company 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.

Rent expense of $34,266 (September 30, 2015 - $51,678) was recognized for the period ended September 30, 2016. The Company has entered into two sublease agreements, each for a term of 5 years. The expected minimum sublease rents to be received from September 30, 2016 to the end of the sublease agreements is $77,467.

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		98,370
Later than 5 years		112,716
	$	235,679

On August 29, 2016, Canuc and Santa Rosa Silver Mining Corp. (“Santa Rosa”) announced that further to the execution of the Letter of Intent announced on June 9, 2016 and the subsequent negotiation of a business combination agreement (the “Definitive Agreement”) the parties executed the Definitive Agreement on August 26, 2016, with effect as of such date, to combine 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 (the “Transaction”). The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including, among other things, the approval of the TSX Venture Exchange (the “TSXV”). If completed, the Transaction will constitute a reverse take-over transaction (as such term is defined in TSXV policies).

12. Segment Information

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals and the development of oil and gas properties. The Company does not have formal operating segments. The corporate office operates to support the Company’s projects. As of September 30, 2016, the projects are located in the United States.

As of September 30, 2016, the Company’s oil and gas wells in Texas represent 100% of its revenues (2015–100%), and 76% of its assets (December 31, 2015–66%). Management makes decisions by considering exploration potential and results on a project-by-project basis.

A geographic breakdown of assets by segment follows:

	Sept. 30, 2016	**Dec. 31, 2015**
Canada		
Corporate	**$ 76,474**	$ 102,662
	76,424	102,662
United States—Texas		
Oil and Gas Properties	**---**	---
Investment in Oil and Gas Interests	**193,746**	201,812
	193,746	201,812
	$ 254,943	$ 304,474

13. Subsequent Events

Subsequent to the quarter, the Company obtained conditional approval from the TSX Venture Exchange (the Venture) to file the filing document which sets out the transaction with Santa Rosa Silver Mining Corp. “Santa Rosa”, a privately held Ontario corporation. More specifically, the Company will complete the transaction with Santa Rosa by issuing one (1) common share for each two (2) Santa Rosa common shares or on some other ratio once finally approved by the Venture and could be subject to approval by any other requisite consents, acceptances and/or approvals including but limited to all regulatory and non-regulatory bodies.

On November 21, the Company agreed with the Venture to reprice its options issued on May 17, 2016, changing the strike price from $0.10 to $0.25 per option. This change does not have a material impact on the financial statements.