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**CANUC RESOURCES CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

(EXPRESSED IN CANADIAN DOLLARS)

### INDEPENDENT AUDITOR'S REPORT

#### To the Shareholders of Canuc Resources Corporation:

#### Opinion

We have audited the consolidated financial statements of Canuc Resources Corporation (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and its consolidated financial performance and its consolidated cash for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unqualified opinion on those statements on May 2, 2022.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprise:

- Management's Discussion and Analysis; and

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Nick Miseros.



Licensed Public Accountants  
Toronto, Canada  
May 1, 2023

**Canuc Resources Corporation**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 119,311	\$ 1,305,374
Receivables and prepaids	25,820	126,685
<b>Total current assets</b>	<b>145,131</b>	<b>1,432,059</b>
<b>Total Assets</b>	<b>\$ 145,131</b>	<b>\$ 1,432,059</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 15)	\$ 594,855	\$ 918,895
<b>Total current liabilities</b>	<b>594,855</b>	<b>918,895</b>
Lease liability (Note 17)	-	-
Decommissioning obligation (note 9)	72,619	61,649
<b>Total Liabilities</b>	<b>\$ 667,474</b>	<b>\$ 980,544</b>
<b>Equity</b>		
Share capital (note 10)	\$ 14,520,296	\$ 13,714,858
Warrants (note 11)	2,002,148	3,197,626
Options (notes 12)	1,366,200	1,366,200
Contributed surplus	2,496,348	1,300,058
Accumulated other comprehensive income (loss)	(151,223)	(111,284)
Deficit	(20,756,112)	(19,015,943)
<b>Total Equity</b>	<b>\$ (522,343)</b>	<b>\$ 451,515</b>
<b>Total Equity and Liabilities</b>	<b>\$ 145,131</b>	<b>\$ 1,432,059</b>

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

Nature of operations and going concern (note 1)

Subsequent events (note 19)

**Approved on behalf of the Board:**

"Chris Berlet", Director

**Canuc Resources Corporation**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**As at December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

	2022	2021
<b>Sales of petroleum products</b>		
Sales	\$ 299,671	\$ 178,652
Operating costs	(155,293)	(136,947)
Depletion (note 9)	-	-
<b>Gross Margin</b>	<b>\$ 144,378</b>	<b>\$ 41,705</b>
<b>Operating expenses</b>		
Management and consulting	363,685	857,000
Investor and shareholder relations	172,216	1,154,891
Professional fees	58,733	77,183
General and administrative	29,994	81,742
Evaluation costs	788,860	1,771,722
Travelling Expense	326,640	798,678
Foreign Exchange	(22,558)	3,235
Interest expense	396	6,674
Impairment of oil and gas interest	-	-
Gain on settlement of accounts payable	-	-
Write offs and Adjustments	66,309	87,578
Share based compensation	-	1,366,200
Asset retirement obligation	6,862	7,106
Value added tax (recovered) expensed	93,410	188,005
Total operating expenses	\$ 1,884,547	6,400,015
<b>Net loss for the year</b>	<b>\$ 1,740,169</b>	<b>6,358,310</b>
<b>Comprehensive (loss) income</b>		
<b>Items that will be reclassified subsequently to income</b>		
Foreign operation	(14,989)	(114,034)
Currency translation difference	(24,950)	143,309
<b>Comprehensive (loss) income for the year</b>	<b>\$ 39,939</b>	<b>29,275</b>
<b>Total comprehensive loss for the year</b>	<b>\$ 1,700,230</b>	<b>\$ 6,387,585</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>	<b>113,050,876</b>	<b>106,132,985</b>

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

**Canuc Resources Corporation**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

	2022	2021
<b>Operating activities</b>		
Net loss for the year	\$ (1,740,169)	\$ (6,358,310)
Adjustments for:		
Lease interest	396	6,571
Depreciation	-	11,678
Accretion	-	7,106
Share based compensation	-	1,366,200
Impairment of oil and gas interest	-	-
Gain on settlement of accounts payable	66,309	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	100,865	260,818
Accounts payable and accrued liabilities	(324,040)	527,974
<b>Net cash used in operating activities</b>	<b>(1,896,639)</b>	<b>(4,177,963)</b>
<b>Investing Activities</b>		
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>		
Private placements	720,000	4,500,000
Cost of issuance	-	(23,900)
Proceeds from warrant exercise	86,250	256,485
Lease liability	-	(16,395)
<b>Net cash provided by financing activities</b>	<b>806,250</b>	<b>4,716,190</b>
<b>Impact of foreign exchange on cash</b>	<b>(95,674)</b>	<b>(35,939)</b>
<b>Net change in cash</b>	<b>(1,186,063)</b>	<b>502,288</b>
<b>Cash, beginning of year</b>	<b>1,305,374</b>	<b>803,086</b>
<b>Cash, end of year</b>	<b>\$ 119,311</b>	<b>\$ 1,305,374</b>

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

**Canuc Resources Corporation**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

	Share Capital	Warrants	Options	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
<b>Balance, December 31, 2020</b>	<b>11,009,383</b>	<b>1,170,516</b>	<b>-</b>	<b>1,300,058</b>	<b>(82,009)</b>	<b>(12,657,633)</b>	<b>740,315</b>
Private placements (note 10)	2,370,709	2,129,291	-	-	-	-	4,500,000
Exercise of warrants (note 11)	358,666	(102,181)	-	-	-	-	256,485
Issuance of options (note 12)	-	-	1,366,200	-	-	-	1,366,200
Share issue cost	(23,900)	-	-	-	-	-	(23,900)
Cumulative translation adjustment	-	-	-	-	(29,275)	-	166,913
Net loss for the year	-	-	-	-	-	(6,358,310)	(6,358,310)
<b>Balance, December 31, 2021</b>	<b>\$ 13,714,858</b>	<b>\$ 3,197,626</b>	<b>\$ 1,366,200</b>	<b>\$ 1,300,058</b>	<b>\$ (111,284)</b>	<b>\$ (19,015,943)</b>	<b>\$ 451,515</b>
Private placements	652,500	67,500	---	---	---	---	720,000
Exercise of Warrants	152,938	(66,688)	---	---	---	---	86,250
Expiry of Warrants	---	(1,196,290)	---	1,196,290	---	---	---
Issuance of Options	---	---	---	---	---	---	---
Foreign exchange gain (loss) on net investment in a foreign operation	---	---	---	---	(14,989)	---	(14,989)
Cumulative translation adjustment	---	---	---	---	(24,950)	---	(24,950)
Net loss for the year	---	---	---	---	---	(1,740,169)	(1,740,169)
<b>Balance, December 31, 2022</b>	<b>\$ 14,520,296</b>	<b>\$ 2,002,148</b>	<b>\$ 1,366,200</b>	<b>\$ 2,496,348</b>	<b>\$ (151,223)</b>	<b>\$ (20,756,112)</b>	<b>\$ (522,343)</b>

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**Canuc Resources Corporation**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

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**1. Nature of operations and going concern**

Canuc Resources Corporation is a company incorporated under the Business Corporation Act (Ontario), and its wholly-owned subsidiaries are engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals.

On February 21, 2017, Santa Rosa Silver Mining Corp. ("Santa Rosa") and Canuc Resources Corporation ("Former Canuc") completed a reverse takeover transaction (the "Transaction" (note 7)) and continued as one company, Canuc Resources Corporation (the "Company" or "Canuc"). The Company is listed on the TSX-V under the symbol CDA. The registered office is located at 130 Queens Quay East, Suite 607, Toronto, Ontario, M5A 3Y5.

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 compliant resources or reserves of minerals. The Company also has natural gas interests in Texas, U.S.A. owned through its subsidiary Midtex Oil & Gas Corporation ("Midtex").

During 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 the oil asset.

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

**Going concern**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements, such adjustments could be material.

The Company does not generate sufficient revenue from operations. The Company incurred net losses in previous periods, with a current net loss of \$1,733,307 for the year ended December 31, 2022 (2021 - \$6,358,310) and as at December 31, 2022 had an accumulated deficit of \$20,749,250 (2021 - \$19,015,943). The Company had working capital deficit of \$449,724 at December 31, 2022 (2021 - surplus \$513,164). There is uncertainty as to whether the Company will be able to meet its committed exploration expenditures for its exploration and evaluation assets and to meet its corporate administrative expenses for the next 12 months without additional financing.

The Company has a need for equity capital and financing for working capital, and the exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These circumstances create material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

**COVID-19**

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by the Canadian federal, provincial, and municipal governments regarding travel, business operations, and isolations/quarantine orders.

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**Canuc Resources Corporation**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

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**1. Nature of operations and going concern (continued)**

**COVID-19 (continued)**

While Canuc has not yet experienced any material impact on its ability to conduct operations, it is unknown the extent of the future impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact Canuc's business and financial condition.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if Canuc were unable to continue as a going concern and was required to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

**2. Basis of presentation**

**Statement of compliance**

These consolidated financial statements are prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretation of the IFRS Interpretations Committee ("IFRIC"). Furthermore, these consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

These consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors dated May 1, 2023.

**Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, Minera Stramin (incorporated in Mexico), Minera Canuc (incorporated in Mexico), Full Circle Energy (incorporated in Ontario), and Midtex (incorporated in Ontario). Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The Company's registered ownership in Minera Stramin and Minera Canuc is 2,999 out of a total of 3,000 (99.97%) of voting rights. The single remaining voting right is held, due to Mexican regulatory requirements, by a director of Minera Stramin and Minera Canuc, respectively.

**Functional and presentation currency**

The consolidated financial statements are presented in Canadian Dollars. The Canadian dollar is the functional currency of Canuc and Full Circle Energy. The Mexican peso is the functional currency of Minera Stramin and Minera Canuc. The United States Dollar is the functional currency of Midtex.

Assets and liabilities are translated at the closing rate at the end of the reporting period. Income and expenses are translated at the exchange rates at the dates of the transactions. All resulting exchange differences are recognized in comprehensive income (loss) and accumulated as a separate component of equity.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 4.

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**Canuc Resources Corporation**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies**

**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.

*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 ("FVTPL") - 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.

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 ("FVTOCI") - 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.

All financial assets, other than those at fair value, 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.

*Fair value hierarchy*

Financial assets measured at fair value or where their fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

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**Canuc Resources Corporation**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies (continued)**

**Financial instruments (continued)**

*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. Other financial liabilities are measured at amortized cost using the effective interest rate method.

**Impairment**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Business combinations**

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses. Goodwill is reviewed annually for impairment or when there is an indication of potential impairment. If the fair value of the Company's share of the net identifiable assets exceeds the fair value of the consideration transferred and non-controlling interest at the acquisition date, the difference is immediately recognized in net loss. If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through net income loss. The Company does not currently have any goodwill.

**Leases**

The Company applies IFRS 16 Leases to assess whether a contract contains a lease. For all leases, the Company (i) recognizes the right of use ("ROU") asset and lease liabilities in the statement of financial position.

The ROU asset is initially measured based on the present value of lease payments please 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.

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**Canuc Resources Corporation**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies (continued)**

**Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation. They are depreciated over their estimated useful lives.

*Gains and Losses*

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the consolidated statements of loss and comprehensive loss.

**Oil and gas properties and interests**

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation associated with the asset and the effect of changes in those estimates, and finance charges on qualifying assets.

Oil and gas properties are measured at cost less accumulated depletion and amortization and accumulated impairment losses. Oil and gas properties are depleted using the unit-of-production method over their reserve life, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Capital costs for assets under construction are excluded from depletion until the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

**Exploration and evaluation assets (E&E)**

*E&E Expenditures*

The Company expenses the cost of its evaluation expenditures and capitalizes exploration expenditures which are the cost of acquiring interests in mineral rights, licenses and properties in business combinations, asset acquisitions or option agreements. Exploration assets acquired as a result of an asset acquisition or option agreement are initially recognized at cost, and those acquired in a business combination are recognized at fair value on the acquisition date. No depreciation is charged during the evaluation phase. The Company expenses the cost of evaluation activity related to acquired exploration assets.

Cash flows associated with acquiring exploration assets are classified as investing activities in the consolidated statements of cash flows; those associated with evaluation expenses are classified as operating activities.

Evaluation expenditures relate to costs incurred for and evaluation of potential mineral reserves and includes costs related to the following: conducting geological studies; exploratory drilling and sampling and evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration expenditures, including costs of acquiring licenses, are capitalized as exploration assets on an area of interest basis which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favorable or has been proved to exist and, in most cases, comprises a single mine or deposit.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, exploration assets attributable to that project are first tested for impairment and then reclassified to mine property and development projects on the consolidated statements of financial position. Currently, there are no assets classified as mine property and development projects.

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**Canuc Resources Corporation**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies (continued)**

**Exploration and evaluation assets (E&E) (continued)**

*Pre-E&E (project generation) expenditures*

Pre-E&E (project generation) expenditures are incurred on activities that precede exploration for an evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area. Pre-E&E expenditures are expensed immediately through the consolidated statements of loss and comprehensive loss.

*Impairment*

Exploration assets are assessed for impairment at least annually or when facts and circumstances suggest that the carrying amount of an exploration asset may exceed its recoverable amount and any impairment loss is recognized as a write down of exploration projects through net loss. The following facts and circumstances indicate that exploration assets must be tested for impairment:

- the term of exploration license for the project has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the project area is neither budgeted nor planned;
- evaluation of mineral resources in the project area have not led to the discovery of commercially viable quantities of mineral resources and there are plans to discontinue activities in the area; or
- sufficient data exists to indicate that while development activity is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full through such activity.

Exploration assets are tested for impairment on an individual project (area of interest) basis. As noted above, a project would also be tested for impairment before being transferred to mine property and development projects on the consolidated statements of financial position.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

**Share-based compensation and share purchase warrants**

Share-based payments issued to directors, officers and employees are based on the estimated fair value of options granted at the time of the grant using the Black-Scholes option pricing model. The fair value is recognized in current earnings as stock-based compensation expense with a corresponding increase to contributed surplus using a graded vesting method of amortization over the vesting period of the options. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are forfeited, previously recognized compensation expense associated with such stock options is reversed.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Share purchase warrants are measured at fair value on the date of issue using the Black-Scholes option pricing model. Upon the exercise of share purchase warrants the consideration received and the related amount previously recognized in warrants is transferred to share capital. Upon the expiration of share purchase warrants, the value attributed to those unexercised warrants is transferred from warrants to contributed surplus.

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**3. Significant accounting policies (continued)**

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the expense relating to any provision is presented in the consolidated statements of comprehensive loss net of the reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statements of comprehensive loss.

**Decommissioning obligations**

The Company provides for the costs of decommissioning associated with long-lived assets, including the decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. The decommissioning liabilities are recognized in the consolidated statements of financial position at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. A corresponding amount is capitalized as part of tangible non-financial assets. Any further adjustment arising from a reassessment of estimated cost of the decommissioning liabilities also has a corresponding amount capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs in the consolidated statements of loss and comprehensive loss (note 9).

**Revenue recognition**

The Company's producing wells are managed by an independent third party. This process results in monthly reporting and submissions to the Company. The Company recognizes the earnings from its investment in oil and gas interests and oil and gas properties to the extent it is earned and receivable from these operations. The Company does not operate any of its interests in natural gas.

**Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues using the effective interest method. Finance income is considered an operating activity for cash flow purposes.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized using the effective interest method. Finance costs are considered an operating activity for cash flow purposes.

**Income Taxes**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**3. Significant accounting policies (continued)**

**Income Taxes (continued)**

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**Earnings (Loss) per share ("EPS")**

Basic EPS is calculated by dividing total comprehensive loss from continuing operations attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

**Flow-through shares**

The resource expenditure deductions, for income tax purposes, related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. A liability is recognized in the amount of the premium paid for flow-through shares and is calculated as the excess over market value of the shares without the flow-through feature at the time of issuance.

A deferred tax liability is recognized through the consolidated statements of loss and comprehensive loss at the time the resource expenditures are incurred.

**Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Contingent liabilities are not recognized in the consolidated financial statements, if not estimable and probable, and are disclosed in notes to the consolidated financial statements unless their occurrence is remote.

**Segment reporting**

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Company's operations are in two business segments, mineral exploration and investments in oil and gas interests. As at December 31, 2021, the Company operates in three geographical segments: Canada, United States of America and Mexico.

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**3. Critical accounting estimates and judgments**

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

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

*Net investments in foreign operations*

As part of the normal course of operations, the Company advances funds to its subsidiaries in the form of loans repayable in Canadian dollars. Because Minera Stramin and Minera Canuc's functional currency is the Mexican peso they are exposed to foreign exchange risk on these loans. Any gains and losses are initially recognized through the consolidated statement of loss and comprehensive loss. However, the Company has determined that these loans are not expected to be repaid in the foreseeable future and are therefore considered to be part of its net investment in a foreign operation. Accordingly, in preparing the consolidated financial statements, an adjustment is made to reclassify any foreign exchange gains or losses from loss to accumulated other comprehensive loss.

*Recoverability of value added taxes*

The Company's expenditures in Mexico are subject to a value added tax ("VAT") which the Company is entitled to claim and recover from the Mexican government. Due to the timing and inherent uncertainty of the ultimate collection of these amounts, the Company expenses VAT as incurred and recognizes a recovery in the period when the amount can be reasonably determined, and collectability has been reasonably assured.

VAT accrued in a given period are reflected as a separate line within expenses in the statement of loss. A summary of the cumulative VAT accrued is presented in (note 14).

*Reserve estimates*

The estimation of oil and gas reserves is an inherently complex process requiring significant judgment. Proved and probable reserves are estimated based on geological data, geophysical data, engineering data, projected future rates of production estimated commodity prices, costs, discount rates, and the timing of future expenditures. Reserve estimates, although not reported as part of the Company's consolidated financial statements, can have a significant effect on earnings and assets as a result of their impact on depletion and impairment, decommissioning provisions and deferred taxes. Accordingly, the impact to the consolidated financial statements in future periods could be material.

*Share-based payment transactions*

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

*Taxes*

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

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**4. Critical accounting estimates and judgments (continued)**

*Significant accounting judgments*

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

**5. Capital risk management**

The Company considers its capital structure to consist of equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable and appropriate.

There were no changes in the Company's approach to capital management during the period ended December 31, 2022. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt and is dependent on the capital markets to finance exploration and development activities.

**5. Financial instruments and risk management**

**Fair value of financial instruments**

Fair value estimates are made at the consolidated statements 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 loans approximate fair market value because of the limited term of these instruments.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

*Credit risk*

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is remote.

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**5. Financial instruments and risk management (cont'd)**

*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.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue operations and fund its exploration and evaluation expenditures is dependent on its ability to secure additional financing. See below for a summary of cash balance and current liabilities as at December 31, 2022 and December 31, 2021.

	<b>2022</b>		<b>2021</b>	
Cash	\$	<b>119,311</b>	\$	1,305,374
Current Liabilities		<b>594,855</b>	\$	918,895

The Company is continuing to pursue various financing initiatives in order to provide sufficient cash to finance its exploration and evaluation activities as well as corporate operations. The Company's accounts payable and accrued liabilities as at December 31, 2022 and December 31, 2021 have contractual maturities of less than 30 days and are subject to normal trade terms. The loan is unsecured with no fixed term of repayment.

*Foreign currency risk*

The Company's functional currency is the Canadian dollar and purchases of goods and services are transacted in Canadian dollars, Mexican pesos and US Dollars. The Company funds certain operations, exploration and administrative expenses in the United States and Mexico on a cash basis using US dollar and Mexican peso currencies converted from its Canadian dollar bank accounts held in Canada. At this time, Management does not believe it is practical to use hedging to reduce its exposure to foreign exchange on these transactions.

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>USD Dollar</b>	<b>MXN Peso</b>	<b>USD Dollar</b>	<b>MXN Peso</b>
Cash held in foreign currency	<b>\$ 11,102</b>	<b>\$ 263,056</b>	\$66,957	\$400,224
Value of foreign currency in Canadian dollars	<b>\$ 15,307</b>	<b>\$ 17,021</b>	\$85,037	\$24,850

*Commodity price risk*

The Company is exposed to price risk with respect to commodity prices. Even though it is only undertaking exploration and evaluation activities presently, the enthusiasm of investors necessary for funding of on-going work does move with the prices of gold and silver. The Company determines the appropriate course of action to be taken by the Company in relation to its monitoring of the commodity markets.

*Market risk*

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is not materially exposed to market risk as it does not hold marketable securities.

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**6. Financial instruments and risk management**

**Financial risk factors (continued)**

*Sensitivity analysis*

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a one-year period:

As at December 31, 2022, the Company held USD \$11,102 and MXN \$263,056 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 CAD \$1,531 and CAD \$1,702 respectively for the US dollars and Mexican pesos accounts.

**7. Exploration and evaluation assets and expenditures**

**San Javier Project**

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 five-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.

As at December 31, 2022, the Company has a total of twenty seven claims in the San Javier Project. Four net smelter revenue ("NSR") royalties totaling 1.5% apply to future production from all properties in the San Javier Project (note 15).

On September 23, 2022, the Company signed an agreement to acquire 3 claims for a total purchase price of MXN \$5,500,000 of which MXN \$1,250,000 is payable on registration, MXN \$1,650,000 and MXN \$2,600,000 is payable 18 and 36 months after registration respectively.

Exploration and evaluation expenditures were incurred during the years ended December 31, 2022, 2021, and cumulative from inception to December 31, 2022 are outlined below:

	2022	2021	Cumulative
Option payments	\$ -	-	\$ 534,778
Renewal, staking, and inspection fees	-	75,804	203,544
Labour and contractors	278,123	654,639	1,828,645
Field supplies and services	282,658	326,384	742,715
Drilling	201,493	190,876	688,207
Transportation	15,368	52,793	271,013
Assaying	2,169	127,722	288,452
Communications	-	-	396
Other	9,049	343,504	477,528
<b>Total for the year</b>	<b>\$ 788,860</b>	<b>\$ 1,771,722</b>	<b>\$ 5,035,278</b>

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**7. Exploration and evaluation assets 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.

Exploration and evaluation expenditures incurred since the acquisition of Full Circle Energy are listed as follows:

	2022	2021	Cumulative
Site preparation and clean up	\$ -	\$ -	\$ 37,587
Equipment and trucking	-	-	256,157
Labor and contracting expenses	-	-	12,707
Field supplies and services	-	-	53,665
Onsite supervision	-	-	36,367
Exploration asset	-	-	1,449,411
Other	-	27,037	31,226
	<b>\$ -</b>	<b>\$ 27,037</b>	<b>\$ 1,877,120</b>

**8. Oil and gas properties and interests**

At December 31, 2022, the Company's oil and gas properties consisted of the Coody Morales Lease, a 100% working interest (80% net revenue interest) in an oil and gas lease. The asset belongs to the US reportable segment.

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

Thompson Lease

A 20% working interest (16% net revenue interest) in an oil and gas lease and five producing gas wells. The Thompson leases are part of the US reportable segment located in Stephens County, Texas, USA.

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 the lack of cashflows generated in the Company's oil and gas assets and an uncertain gas price expected for future years, the value of the oil and gas wells have been impaired with a carrying value of \$nil as of December 31, 2020 and continues to have a carrying value of \$nil as of December 31, 2022. Management assessed that there were no indicators as of December 31, 2022 that would indicate a reversal would be considered necessary.

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**9. Decommissioning obligation**

During the year ended December 31, 2022, the Company recognized an increase in decommissioning obligations of \$4,108 which has been capitalized against the respective oil and gas assets. The Company recorded accretion expense related to the asset retirement obligation on its oil and gas wells.

		<b>2022</b>	<b>2021</b>
Balance, beginning of year	\$	<b>61,649</b>	\$ 55,835
Change in estimated decommissioning obligations		-	-
Accretion expense		<b>6,862</b>	7,106
Effects of foreign exchange		<b>4,108</b>	(1,292)
<b>Balance, end of year</b>	<b>\$</b>	<b>72,619</b>	<b>\$ 61,649</b>

Key variables used in the estimate are as follows:

- Cost per well US \$18,000
- Ownership interest 15%-100%
- Inflation rate 2.3%
- Risk-free rate 1.62%
- Term 2 years

**10. Share capital**

**a) Authorized share capital**

- Unlimited number of Common shares
- Unlimited number of Class A shares

**b) Common shares issued**

	<b>Number of common shares</b>	<b>Amount</b>
<b>Balance, December 31, 2020</b>	<b>90,251,150</b>	<b>\$11,009,383</b>
Private placements (viii)	18,000,000	4,500,000
Value allocated to warrants and broker warrants (note 11)	-	(2,129,291)
Issue costs	-	(23,900)
Exercise of warrants	1,630,000	358,666
<b>Balance, December 31, 2021</b>	<b>109,881,150</b>	<b>\$13,714,858</b>
Private placements (viii)	4,800,000	652,500
Value allocated to warrants and broker warrants (note 11)	-	-
Issue costs	-	-
Exercise of warrants	575,000	152,938
<b>Balance, December 31, 2022</b>	<b>115,256,150</b>	<b>\$14,520,296</b>

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**10. Share capital**

**b) Common shares issued (continued)**

(i) On May 11, 2020, the Company closed a non-brokered financing of \$100,000. The closing of this financing resulted in the issuance of 1,000,000 units, with each unit priced at \$0.10 and comprised of one common share and one half of one common share purchase warrant. The 500,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.15.

(ii) On July 17, 2020, the Company closed a brokered financing of \$517,500. The closing of this financing resulted in the issuance of 5,175,000 units, with each unit priced at \$0.10 and comprised of one common share and one half of one common share purchase warrant. The 2,587,500 common share purchase warrants with each warrant have a life of two years from the date of issue and an exercise price of \$0.15. Additionally, 23,600 broker warrants were issued as a share issuance cost with the same terms as the warrants.

(iii) On August 4, 2020, the Company closed a brokered financing of \$650,000. The closing of this financing resulted in the issuance of 6,500,000 units, with each unit priced at \$0.10 and comprised of one common share and one half of one common share purchase warrant. The 3,250,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.15. Additionally, 140,000 broker warrants were issued as a share issuance cost with the same terms as the warrants.

(iv) On August 11, 2020, the Company closed a non-brokered financing of \$225,000. The closing of this financing resulted in the issuance of 1,500,000 common shares with each share prices at \$0.15.

(v) On December 7, 2020, the Company closed a non-brokered financing of \$1,028,000. The closing of this financing resulted in the issuance of 4,112,000 units, with each unit priced at \$0.25 and comprised of one common share and one half of one common share purchase warrant. The 2,056,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.35. See note 11 for the estimates and assumptions used to value the warrants.

(vi) On December 23, 2020, the Company closed a non-brokered financing of \$300,000. The closing of this financing resulted in the issuance of 1,200,000 units, with each unit priced at \$0.25 and comprised of one common share and one half of one common share purchase warrant. The 600,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.35.

(vii) On March 18, 2021, the Company closed a non-brokered financing of \$4,500,000. The closing of this financing resulted in the issuance of 18,000,000 units, with each unit priced at \$0.25 and comprised of one common share and one half of one common share purchase warrant. The 9,000,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.35.

(viii) On April 4, 2022, the Company closed a non-brokered financing of \$450,000. The closing of this financing resulted in the issuance of 3,000,000 units, with each unit priced at \$0.15 and comprised of one common share and one half of one common share purchase warrant. The 1,500,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.35.

(ix) On August 17, 2022, the Company closed a non-brokered financing of \$270,000. The closing of this financing resulted in the issuance of 1,800,000 units, with each unit priced at \$0.15 and comprised of one common share and one half of one common share purchase warrant. The 900,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.25.

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**11. Warrants**

	<b>Warrants</b>	<b>Weighted average exercise price</b>
<b>Balance, December 31, 2020</b>	<b>13,407,100</b>	<b>\$0.19</b>
Private Placement March 18, 2021 (note 10(b)(vii))	9,000,000	0.35
Broker Warrants	84,000	0.35
Exercised	(1,630,000)	0.16
<b>Balance, December 31, 2021</b>	<b>20,861,100</b>	<b>\$0.26</b>
Exercised	(575,000)	0.15
Private Placement April 17, 2022 (note 10) (b)(viii) <sup>1</sup>	1,500,000	0.35
Private Placement August 17, 2022 (note 10) (b)(ix) <sup>2</sup>	900,000	0.25
Expired	(11,202,100)	0.20
<b>Balance, December 31, 2022</b>	<b>11,484,000</b>	<b>\$0.34</b>

1. The warrants were valued using the following weighted average assumptions: share price - \$ \$0.11; exercise price - \$0.35; expected life – 2 years; annualized volatility – 103%, dividend yield – 0%, risk-free rate – 2.310%.
2. The warrants were valued using the following weighted average assumptions: share price - \$0.08; exercise price - \$0.25; expected life – 2 years; annualized volatility – 105%, dividend yield – 0%, risk-free rate – 2.310%.

**12. Share-based payments**

The following table reflects the continuity of stock options for the years presented:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>Balance, December 31, 2020</b>	<b>-</b>	<b>0</b>
Expired	-	0
<b>Balance, December 31, 2021</b>	<b>6,000,000</b>	<b>0.35</b>
Issued	6,000,000	0.35
<b>Balance, December 31, 2022</b>	<b>6,000,000</b>	<b>0.35</b>

The options were valued using the following weighted average assumptions: share price - \$0.28; exercise price - \$0.35; expected life – 3 years; annualized volatility – 159%, dividend yield – 0%, risk-free rate – 0.50%.

**13. Loss per share**

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of \$ \$1,740,169 (2021 - \$6,358,310) and the weighted average number of common shares outstanding of 113,050,876 for the year ended December 31, 2022 (2021 – 106,132,985). Diluted loss per share did not include the effect of the 11,484,000 warrants and 6,000,000 options outstanding as their effect is anti-dilutive.

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**14. Value added taxes**

The Company expenses refundable value added taxes ("VAT") incurred in Mexico until such a time as it is reasonably certain that the VAT will be collected. If, in a future period the VAT are collected, the Company will recognize the refund as a recovery of the expense through the consolidated statements of loss and comprehensive 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.

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
VAT held in foreign currency (MXN Peso)	\$	<b>5,774,411</b>	\$	4,330,875
Value of VAT in Canadian dollars	\$	<b>401,265</b>	\$	268,904

**15. Related party transactions**

Related parties include officers of the Company and its subsidiaries, its Board of Directors, key management personnel, their close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director and/or officer (executive and non-executive) of the Company.

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

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

	<b>2022</b>		<b>2021</b>	
Stock based remuneration	\$	-	\$	603,405
Salaries and benefits	\$	<b>348,060</b>	\$	857,000

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**16. Income taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	2022	2021
(Loss) for the year before income taxes	<b>(\$1,740,169)</b>	(\$6,358,310)
Expected income tax (recovery) expense	<b>(461,145)</b>	(1,684,950)
Stock based compensation and other non-deductible expenses	-	358,620
Share Issuance cost booked directly to equity	-	(11,550)
Difference in foreign tax rates	<b>(28,478)</b>	(61,250)
Change in tax benefits not recognized	<b>489,623</b>	1,399,130
Deferred income tax (recovery) provision	<b>\$ -</b>	<b>\$ -</b>

The following table summarizes the components of deferred tax:

	2022	2021
<b>Deferred tax assets</b>		
Lease liability	-	-
<b>Deferred tax liabilities</b>		
Property, plant, and equipment - Canada	-	-
	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

**Unrecognized temporary differences**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
Property, plant, and equipment	<b>\$ 41,313</b>	\$ 70,570
Intangible assets	<b>35,165</b>	35,170
Depletable assets	<b>48,765</b>	53,000
Decommissioning obligations	<b>72,619</b>	61,650
Leased liabilities	-	-
Financing costs	<b>61,150</b>	61,150
Non-capital losses – Canada	<b>15,468,834</b>	14,335,290
Non-capital losses – Mexico	<b>4,970,685</b>	4,970,680
Exploration properties	<b>2,832,320</b>	2,955,270

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**16. Income taxes (continued)**

The Canadian and Mexican operating tax losses carry forwards expire as noted in the table below.

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

	<b>Canada</b>	<b>Mexico</b>
2026	\$ -	\$ 2,131,326
2027	2,245,010	-
2028	320,450	-
2029	394,880	481,557
2030	786,450	532,413
2031	334,180	1,825,383
2032	543,450	-
2033	256,560	-
2034	266,600	-
2035	384,710	-
2036	803,760	-
2037	1,135,760	-
2038	1,406,150	-
2039	469,930	-
2040	1,733,950	-
2041	3,253,460	-
2042	1,133,534	-
Indefinite	-	-
	<b>\$ 15,468,834</b>	<b>\$ 4,970,685</b>

**17. Right of use asset, lease liability and Contingencies**

The Company's leasing activities include the lease of its office facility used as the Company's head office. The reconciliations of the Company's right to use asset and lease liability are as follows:

**Right of use asset**

<b>Balance December 31, 2020</b>	<b>\$99,266</b>
Depreciation	-11,678
Write off	-92,053
<b>Balance December 31, 2021</b>	<b>\$ -</b>
<b>Balance December 31, 2022</b>	<b>\$ -</b>

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**17. Right of use asset, lease liability and Contingencies (continued)**

**Lease liability**

<b>Balance December 31, 2020</b>	<b>107,249</b>
Interest expense	6,571
Lease payments	(16,395)
Write-off	<b>(97,425)</b>
<b>Balance December 31, 2021</b>	<b>\$ -</b>
<b>Balance December 31, 2022</b>	<b>\$ -</b>

**18. Segmented information**

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals and the development of oil and gas properties. The Company does not have formal operating segments. The corporate office operates to support the Company's projects. As of December 31, 2022, the projects are located in the United States of America and Mexico.

As of December 31, 2022, the Company's oil and gas wells in Texas represent 100% of its revenues and 10% (December 31, 2021 – 6%) of its assets. The Company's primary asset the San Javier Project in Mexico represents 46% of its assets on the Company's books at December 31, 2022 (December 31, 2021 – 6%) 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:

	<b>2022</b>	<b>2021</b>
Canada Corporate and Saskatchewan	<b>\$ 62,649</b>	<b>\$ 1,321,368</b>
United States - Texas	<b>15,036</b>	<b>65,858</b>
Mexico - Sonora	<b>67,445</b>	<b>44,833</b>
	<b>\$ 145,131</b>	<b>\$ 1,432,059</b>

**19. Subsequent Events**

On January 9<sup>th</sup>, 2023, the Company closed a non-brokered financing of \$680,000. The closing of this financing resulted in the issuance of 8,500,000 units, with each unit priced at \$0.08 and comprised of one common share and one half of one common share purchase warrant. The 17,000,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.25.

On March 16<sup>th</sup>, 2023, the Company closed a non-brokered financing of \$900,000. The closing of this financing resulted in the issuance of 11,250,000 units, with each unit priced at \$0.08 and comprised of one common share and one half of one common share purchase warrant. The 22,500,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.25.