

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

Condensed Interim Consolidated Financial Statements
Unaudited

March 31, 2023 and 2022

NOTICE TO READER

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Canuc Resources Corporation (formerly Santa Rosa Silver Mining Corp. and referred to as the "Company" or "Canuc") are the responsibility of management. The condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances. These financial statements are prepared in compliance with *IAS 34 – interim financial reporting*.

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

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

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

AUDITOR'S INVOLVEMENT

MS Partners LLP, Chartered Accountants, the external auditors of Canuc Resources Corporation, have not audited or performed review procedures applicable to auditor review of interim financial statements as at the end of the three-month periods March 31, 2023 and 2022.

(signed)

"Christopher J. Berlet"

Christopher J. Berlet
Chief Executive Officer

Toronto, Canada
May 30, 2023

(signed)

"Artie Hao Li"

Artie Hao Li
Chief Financial Officer

CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

Consolidated Interim Statements of Financial Position

Unaudited, Expressed in Canadian dollars

	March 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 532,863	\$ 119,311
Receivables and prepaids	211,169	25,820
Total Current Assets	744,032	145,131
Property and equipment	-	-
Oil and gas properties and interests (note 8)	-	-
Total Assets	\$ 744,032	\$ 145,131
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 456,224	\$ 594,855
Lease Liability	-	-
Loans	-	-
Total Current Liabilities	456,224	594,855
Lease Liability	-	-
Decommissioning obligation (note 9)	74,964	72,619
Total Liabilities	\$ 531,188	667,474
Shareholders' equity		
Share capital (note 10)	\$ 15,933,071	\$ 14,520,296
Warrants (note 11)	40,083	2,002,148
Options (note 12)	1,366,200	1,366,200
Contributed surplus	4,625,638	2,496,348
Accumulated and comprehensive income (loss)	(139,175)	(151,223)
Deficit	(21,612,973)	(20,756,112)
Total Equity	\$ 212,844	\$ (522,343)
Total Equity and Liabilities	\$ 744,032	\$ 145,131

Going Concern (note 1)

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

Approved on behalf of the Board:

"Christopher Berlet", Director

CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

Consolidated Interim Statements of Loss and Comprehensive Loss

For the three month periods ended

Unaudited, Expressed in Canadian dollars

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Sales of Petroleum Products		
Sales (<i>note 3</i>)	\$ 50,101	\$ 56,228
Operating costs	(52,383)	(30,411)
Depletion	-	-
	\$ (2,282)	\$ 25,817
Expenses		
Management fees and consulting	125,424	161,712
Shareholder and investor relations	469,887	32,645
Travelling expense	86,187	153,198
Evaluations expenses	54,227	420,638
Office and general costs	12,783	4,901
Interest expense	31	-
Professional fees	11,178	-
Foreign exchange	92,464	55,436
Asset retirement obligation	2,398	1,584
Total operating expenses	\$ 854,579	\$ 719,242
Net loss	\$ 856,861	\$ 693,425
Other Comprehensive Loss:		
Foreign exchange gain on net investment in a Foreign operation	(105,452)	(33,346)
Currency translation differences	117,500	(28,745)
Comprehensive loss	\$ 868,909	\$ 631,334
Basic and diluted loss per common share (<i>note 13</i>)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding during the period - basic and diluted	125,131,150	112,881,150

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

CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

Consolidated Interim Statements of Changes in Shareholders' Equity

For the periods ended March 31, 2023 and March 31, 2022

Unaudited, Expressed in Canadian dollars

	Share Capital	Warrants	Options Reserve	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Total
Balance at December 31, 2021	\$13,714,858	\$3,197,626	\$1,366,200	\$1,300,058	(111,284)	(\$19,015,943)	\$451,515
Private placements	---	---	---	---	---	---	---
Share Issuance Cost	---	---	---	---	---	---	---
Expiry of Warrants	---	(194,643)	---	194,643	---	---	---
Foreign exchange gain (loss) on net investment in a foreign operation	---	---	---	---	(33,346)	---	(33,346)
Cumulative translation adjustment	---	---	---	---	(28,745)	---	(28,745)
Net loss for the year	---	---	---	---	---	(693,425)	(693,425)
Balance at March 31, 2022	\$13,714,858	\$3,002,983	\$1,366,200	\$1,494,701	(\$173,375)	(\$19,709,368)	(\$304,001)
Private placements	652,500	67,500	---	---	---	---	720,000
Expiry of warrants	---	(1,001,647)	---	1,001,647	---	---	---
Exercise of warrants	152,938	(66,688)	---	---	---	---	86,250
Issuance of options	---	---	---	---	---	---	---
Foreign exchange gain (loss) on net investment in a foreign operation	---	---	---	---	18,357	---	18,357
Cumulative translation adjustment	---	---	---	---	3,795	---	3,795
Net loss for the year	---	---	---	---	---	(1,046,744)	(1,046,744)
Balance at December 31, 2022	\$14,520,296	\$2,002,148	\$1,366,200	\$2,496,348	(151,223)	(\$20,756,112)	(\$522,343)
Private placements	1,412,775	167,225	---	---	---	---	1,580,000
Share Issuance Cost	---	---	---	---	---	---	---
Expiry of Warrants	---	(2,129,290)	---	2,129,290	---	---	---
Foreign exchange gain (loss) on net investment in a foreign operation	---	---	---	---	(105,452)	---	(105,452)
Cumulative translation adjustment	---	---	---	---	117,500	---	117,500
Net loss for the year	---	---	---	---	---	(856,861)	(856,861)
Balance at March 31, 2023	\$15,933,071	\$40,083	\$1,366,200	\$4,625,638	(\$139,175)	(\$21,612,973)	212,844

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

CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2023

Unaudited, Expressed in Canadian dollars unless otherwise indicated

Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2023

Unaudited, Expressed in Canadian dollars

	March 31, 2023	March 31, 2022
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (856,861)	\$ (693,425)
Adjustments for:		
Interest Expense	31	---
Evaluation Cost	---	---
Depreciation	---	---
Depletion	---	---
Impairment of oil and gas interest	---	---
Gain on settlement of accounts payable	---	---
Net change in non-cash working capital balances:		
Receivables and prepaids	(185,349)	(131,955)
Accounts payable and accrued liabilities	(138,631)	195,439
Loans payable	---	---
Net cash used in operating activities	\$ 1,180,810	\$ 629,941
INVESTING ACTIVITIES		
Net cash used in investing activities	\$ ---	\$ ---
FINANCING ACTIVITIES		
Private placements	1,580,000	---
Exercise of warrants	---	---
Cost of issuance	---	---
Loans	---	---
Proceeds from share-based payments exercised	---	---
Net cash provided by financing activities	\$ 1,580,000	\$ ---
Impact of foreign exchange on cash	14,362	61,371
Net increase (decrease) in cash	413,552	691,312
Cash, beginning of the period	119,311	1,305,374
Cash, end of the period	\$ 532,863	\$ 614,062

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

CANUC RESOURCES CORPORATION

(Formerly Santa Rosa Silver Mining Corp.)

Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2023

Unaudited, Expressed in Canadian dollars unless otherwise indicated

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.

The unaudited condensed consolidated financial statements of the Company for the periods ended March 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the directors dated May 30, 2023.

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.

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.

CANUC RESOURCES CORPORATION

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Notes to the Consolidated Interim Financial Statements

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Unaudited, Expressed in Canadian dollars unless otherwise indicated

2. Basis Of Presentation

Statement of compliance

These unaudited 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 unaudited consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors dated May 30, 2023. The policies have been consistently applied to all periods presented unless otherwise noted.

Basis of measurement

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

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 the 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.

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.

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Notes to the Consolidated Interim Financial Statements

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Unaudited, Expressed in Canadian dollars unless otherwise indicated

3. Significant accounting policies (cont'd)

Financial instruments (cont'd)

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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Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2023

Unaudited, Expressed in Canadian dollars unless otherwise indicated

3. Significant accounting policies (cont'd)

Financial instruments (cont'd)

(vi) Financial liabilities

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

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

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

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For the periods ended March 31, 2023

Unaudited, Expressed in Canadian dollars unless otherwise indicated

3. Significant accounting policies (cont'd)

Leases (cont'd)

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.

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

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Notes to the Consolidated Interim Financial Statements

For the periods ended March 31, 2023

Unaudited, Expressed in Canadian dollars unless otherwise indicated

3. Significant accounting policies (cont'd)

Exploration and evaluation assets (E&E) (cont'd)

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 favourable 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.

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

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3. Significant accounting policies (cont'd)

Exploration and evaluation assets (E&E) (cont'd)

- 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.

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.

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3. Significant accounting policies (cont'd)

Provisions (cont'd)

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.

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.

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.

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3. Significant accounting policies (cont'd)

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 March 31, 2022, the Company operates in three geographical segments: Canada, United States of America and Mexico.

4. 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.

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4. Critical accounting estimates and judgments (cont'd)

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 is reflected as a separate line within expenses in the statement of loss.

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 on 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.

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

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5. Capital risk management (cont'd)

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 March 31, 2023. 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.

6. 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.

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

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6. Financial instruments and risk management Fair value of financial instruments (cont'd)

evaluation expenditures is dependent on its ability to secure additional financing. See below for a summary of cash balance and current liabilities as at March 31, 2023 and March 31, 2022.

	March 31, 2023		March 31, 2022	
Cash	\$	532,863	\$	614,062
Current Liabilities	\$	456,224	\$	1,114,334

The Company is continuing to pursue various financing initiatives in order to provide sufficient cash to finance its exploration and evaluation activities as well as corporate operations. The Company's accounts payable and accrued liabilities as at March 31, 2022 and March 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.

	March 31, 2023		March 31, 2022	
	US Dollar	MXN Peso	US Dollar	MXN Peso
Cash held in foreign currency	37,673	107,501	87,544	748,547
Value of foreign currency in Canadian dollars	50,983	8,066	109,395	47,015

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.

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:

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6. Financial instruments and risk management Fair value of financial instruments (cont'd)

As at March 31, 2022, the Company held \$37,673 and \$107,501 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 \$5,098 and \$807 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 four-kilometer-long structural zone that includes the El Polvorin, Santa Rosa and La Colorada underground workings and other mineralized surface showings within its properties with the goal of outlining commercial quantities of mineralization. During the past two years the Company's work was minimal due to limited capital.

The property package of nineteen mineral concessions making up the Company's San Javier Project has not changed since the most recent audited financial statements dated December 31, 2021. Four net smelter revenue ("NSR") royalties totaling 1.5% apply to future production from all properties in the San Javier Project (note 15).

As at March 31, 2023, 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 three-month periods ended March 31, 2023 and 2022 and the twelve-month period ended December 31, 2022 as outlined below:

	Three Month ended March 31, 2023 (unaudited)	Three Month ended March 31, 2022 (unaudited)	Year ended December 31, 2022 (audited)	Cumulative from inception to December 31, 2022 (unaudited)
Option payments	---	---	---	534,778
Renewal and staking fees	---	---	---	203,544
Labour and contractors	38,224	81,164	278,123	1,828,645
Field supplies and services	8,626	146,783	282,658	742,715
Drilling	---	175,683	201,493	688,207
Transportation	220	14,074	15,368	271,013
Assaying	7,157	2,070	2,169	288,452
Communications	---	---	---	396
Other	---	864	9,049	477,528
Total for the year/period	\$ 54,227	\$ 420,638	\$ 788,860	\$ 5,035,278

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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 during 2022 and after the acquisition of Full Circle Energy is listed as follows:

	Three Months Ended March 31, 2023	Cumulative from Acquisition to December 31, 2022
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	---	31,226
Total for the period	\$ ---	1,877,120

8. Oil and gas properties and interests

At March 31, 2023, 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.

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 March 31, 2023 and continues to have a carrying value of \$nil as of March 31, 2023. Management assessed that there were no indicators as of March 31, 2023 that would indicate a reversal would be considered necessary.

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9. Decommissioning obligation

During the year ended March 31, 2023, the Company revised its estimated future decommissioning obligations on its oil and gas wells and recognized an increase in decommissioning obligations of \$74,964 which has been capitalized against the respective oil and gas assets (note 8). The Company recorded accretion expense related to the asset retirement obligation on its oil and gas wells.

	March 31, 2023	Cumulative Dec 31, 2022
Balance, beginning of year	\$ 72,619	\$ 61,649
Change in estimated decommissioning obligations	-	-
Accretion expense	2,398	6,862
Effects of foreign exchange	(53)	4,108
Balance, end of year	\$ 74,964	\$ 72,619

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.

As of March 31, 2023 the Company has 135,006,150 Common shares issued and outstanding.

(1) 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.

(ii) 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.

(iii) On January 9, 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 4,250,000 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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10. Share capital (cont'd)

(iv) On March 16, 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 5,625,000 common share purchase warrants have a life of two years from the date of issue and an exercise price of \$0.25.

11. Warrants

The continuity of the Company's warrants is listed below:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2021	20,861,100	\$ 0.26
Balance, March 31, 2022	20,861,100	0.26
Exercised	(575,000)	0.15
Private Placement April 17, 2022	1,500,000	0.35
Private Placement August 17, 2022	900,000	0.25
Expired	(11,202,100)	\$ 0.20
Balance, December 31, 2022	11,484,000	\$ 0.34
Expired	(9,084,000)	0.35
Issued	9,875,000	0.25
Balance, March 31, 2023	12,275,000	0.27

12. Share-based payments

The continuity of the Company's options is listed below:

	Average Number of Options	exercise price (\$)
Balance, December 31, 2021	6,000,000	0.35
Balance, March 31, 2022	6,000,000	0.35
Issued ¹	6,000,000	0.35
Balance, December 31, 2022	6,000,000	0.35
Balance, March 31, 2023	6,000,000	0.35

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 three-months ended March 31, 2023 was based on the loss attributable to common shareholders of \$856,861 (2022 - \$693,425) and the weighted average number of common shares outstanding of 125,131,150 for the three-months ended March 31, 2023 (2022 - 112,881,150). Diluted loss per share did not include the effect of the 12,275,000 warrants and 6,000,000

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13. Loss per share (cont'd)

options outstanding as their effect is anti-dilutive.

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.

	March 31, 2023		March 31, 2022	
	CAD	MXN	CAD	MXN
VAT base	346,593	4,781,843	238,118	3,792,896

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 IAS24, key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director (executive and non-executive) of the Company.

The agreement under which Minera Stramin may acquire the Santa Rosa and Ampliación de Santa Rosa concessions is with two estates whose beneficiaries include an individual who is a director of Minera Stramin and therefore a key management person.

Three directors and key management members hold NSR royalties totalling 0.5% of the total 1.5% on production from the San Javier project (Note 4).

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

For the 3 month period ended March 31,	2023	2022
Cash-based remuneration	\$ 125,424	\$ 156,032
Non-cash-based compensation	---	---
	\$ 125,424	\$ 156,032

16. Capital Management

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

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16. Capital Management (cont'd)

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

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

There were no changes in the Company's approach to capital management during the three months ended on March 31, 2023, neither the Company nor its subsidiary is subject to externally imposed capital requirements.

17. Segmented information

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals and the development of oil and gas properties. The Company does not have formal operating segments. The corporate office operates to support the Company's projects. As of March 31, 2023, the projects are located in the United States and Mexico.

As of March 31, 2023, the Company's oil and gas wells in Texas represent 100% of its revenues and 7% (March 31, 2022 – 13%) of its assets (calculated used on book value). Although the Company's primary asset the San Javier Project in Mexico represents less than 9% of its assets on the Company's books at March 31, 2023 (March 31, 2022 – 16%) as the Company expenses exploration and evaluation expenditures as incurred. Management makes decisions by considering exploration potential and results on a project-by-project basis.

A geographic breakdown of assets by segment follows:

	March 31, 2023	March 31, 2022
Canada – Corporate and Saskatchewan	\$ 626,431	\$ 620,281
United States – Texas	50,984	109,395
Mexico – Sonora	66,617	143,026
	\$ 744,032	\$ 872,702