CANUC RESOURCES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025, AND 2024

(EXPRESSED IN CANADIAN DOLLARS)

CAN Partners LLP
Chartered Professional Accountants
PUBLIC ACCOUNTANTS and ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canuc Resources Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Canuc Resources Corporation (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2025, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

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.

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, 2025 and, as of that date, the Company 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 these matters.

Other Matters - Comparative Information

The consolidated financial statements of the Company for the year ended December 31, 2024 were audited by another auditor who expressed an unqualified opinion on those statements on April 30, 2025.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

<u>Acquisition of Macdonald Mines Exploration Ltd. and assessment of acquired exploration and evaluation asset</u>

<u>Description of Key Audit Matter</u>

During the year ended December 31, 2025, the Company completed the acquisition of Macdonald Mines Exploration Ltd. The transaction was accounted for as an asset acquisition, as substantially all of the value acquired related to mineral exploration interests and the acquired entity did not constitute a business. The acquisition consideration included common shares, warrants and options of the Company, with total consideration valued at $6,016,650. The principal asset acquired was the exploration and evaluation asset related to the project, to which a value of $6,555,131 was assigned. Management assessed the acquired exploration and evaluation asset as at December 31, 2025 and determined that no carrying value should be recognized, due to the early-stage nature of the project, the absence of demonstrated technical feasibility and commercial viability, uncertainty regarding future exploration plans and financing, and the inability to reliably estimate future economic benefits. Refer to Notes 7, 11, 12, 14 and 20 to the consolidated financial statements.

We identified this matter as a key audit matter due to the significance of the acquisition and the judgment involved in determining the appropriate accounting treatment for the transaction, measuring the consideration issued or assumed, and assessing the recoverability of the acquired exploration and evaluation asset. The assessment required significant management judgment, including consideration of the stage of exploration, available technical information, future exploration plans, financing uncertainty and the absence of reliable future cash flow estimates.

<u>How the Matter Was Addressed in the Audit</u>

Our audit procedures included the following:

- Read the share exchange agreement and related supporting documents to understand the terms of the acquisition and consideration issued.
- Evaluated the assessment that Macdonald Mines Exploration Ltd. did not meet the definition of a business under IFRS 3, including consideration of whether the acquired entity had substantive processes, employees, operating activities, revenues, or outputs.
- Assessed application of the IFRS 3 concentration test and whether substantially all of the value acquired was concentrated in mineral exploration interests.
- Reviewed the calculation of the acquisition consideration, including the common shares issued and the warrants and options issued or assumed as part of the acquisition.
- Assessed the valuation inputs and assumptions used by management in valuing the warrants and options issued or assumed in connection with the acquisition.
- Inspected supporting documentation for the acquired mineral claims and considered whether the principal asset acquired was appropriately identified as an exploration and evaluation asset.
- Evaluated management's assessment of the recoverability of the acquired exploration and evaluation asset, including consideration of the early-stage nature of the project, absence of established reserves or resources, lack of demonstrated technical feasibility and commercial viability, uncertainty of future financing, and absence of reliable future cash flow estimates.
- Discussed with management its future plans for the Sudbury Project and considered whether those plans were consistent with the accounting treatment applied as at December 31, 2025.
- Assessed the adequacy of the related disclosures in the consolidated financial statements, including the disclosures in Notes 7, 11, 12, 14 and 20.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do 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. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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.

Auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

CAN Partners LLP

Markham, Ontario
April 30, 2026

Chartered Professional Accountants
Licensed Public Accountants

Canuc Resources Corporation
Consolidated Statements of Financial Position
As at December 31, 2025, and December 31, 2024
(Expressed in Canadian Dollars)

		2025		2024
ASSETS				
Current Assets				
Cash	$	**2,844,774**	$	125,503
Receivables, prepaids and other (note 4,17)		**915,046**		475,227
Total current assets	$	**3,759,820**		600,730
Total Assets	$	**3,759,820**	$	600,730
EQUITY AND LIABILITIES				
Current liabilities				
Payables, liabilities and other (note 9, 17)	$	**669,441**	$	144,807
Flow through liability (note 13)		**419,400**		-
Total current liabilities		**1,088,841**		144,807
Decommissioning obligation (note 10)		**85,336**		84,868
Total Liabilities	$	**1,174,177**	$	229,675
Shareholders' Equity				
Share capital (note 11)	$	**26,725,372**	$	17,020,571
Warrants (note 12)		**1,839,526**		952,583
Options (notes 14)		**119,318**		1,366,200
Contributed surplus		**6,944,421**		4,625,638
Accumulated other comprehensive loss		**(50,530)**		(42,580)
Deficit		**(32,992,464)**		(23,551,357)
Total Shareholders' Equity	$	**2,585,643**	$	371,055
Total Shareholders' Equity and Liabilities	$	**3,759,820**	$	600,730

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

Nature of operations and going concern (note 1)
Subsequent events (note 21)

Approved on behalf of the Board:

"Chris Berlet", Director

“Marcus Chase”, Director

Canuc Resources Corporation
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2025, and December 31, 2024
(Expressed in Canadian Dollars)

		2025		2024
Sales of petroleum products				
Sales (note 8)	**$**	**125,944**	$	89,211
Operating costs		**(134,788)**		(100,071)
Gross Margin	**$**	**(8,844)**	$	(10,860)
Operating expenses				
Management and consulting (note 17)		**294,158**		287,310
Investor and shareholder relations		**614,492**		253,086
Professional fees		**523,208**		97,000
General and administrative		**91,587**		9,105
Evaluation costs (note 7)		**1,215,336**		222,940
Travelling expense		**142,267**		14,260
Foreign exchange		**(1,828)**		150,547
Gain on settlement of accounts payable		**(48,891)**		(4,826)
Exploration & evaluation asset impaired (note 20)		**6,555,131**		-
Accretion expense		**3,949**		1,924
Value added tax (recovered) expensed		**42,854**		-
Total operating expenses	**$**	**9,432,263**	$	1,031,346
Net loss for the year	**$**	**9,441,107**	$	1,042,206
Other comprehensive income (loss)				
Items that will be reclassified subsequently to income				
Foreign operation		**(27,210)**		(72,292)
Currency translation difference		**19,260**		181,653
Other comprehensive income (loss) for the year	**$**	**(7,950)**	$	109,361
Total comprehensive loss for the year	**$**	**9,433,157**	$	932,845
Basic and diluted net loss per share	**$**	**(0.41)**	$	(0.07)
Weighted average number of common shares outstanding		**22,990,670**		16,000,615

* The weighted average number of common shares outstanding and basic and diluted loss per share for all periods presented have been adjusted retrospectively to reflect the share consolidation completed subsequent to December 31, 2025.

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, 2025, and December 31, 2024
(Expressed in Canadian Dollars)

		2025		2024
Operating activities				
Net loss for the year	**$**	**(9,441,107)**	$	(1,042,206)
Adjustments for:				
Write offs and adjustments		**6,025,231**		(4,826)
Asset Retirement Obligation (note 10)		**3,949**		-
Changes in non-cash working capital items:				
Receivables and prepaid expenses		**(34,319)**		172,031
Accounts payable and accrued liabilities		**43,625**		(3,816)
Net cash used in operating activities	**$**	**(3,402,621)**	$	(878,817)
Investing Activities				
Net cash provided by investing activities	**$**	**-**	$	-
Financing activities				
Private placements (note 10)	**$**	**3,200,000**		-
Proceeds from Flow-Through Shares		**2,790,000**		-
Proceeds from warrant exercise		**76,394**		-
Net cash provided by financing activities		**6,066,648**		-
Impact of foreign exchange on cash	**$**	**55,244**	$	117,015
Net change in cash		**2,719,271**		(761,802)
Cash, beginning of year		**125,503**		887,305
Cash, end of year	**$**	**2,844,774**	$	125,503

Supplemental disclosure of non-cash investing and financing activities:

		2025		**2024**
Flow-through share liability recognized on issuance	$	419,400	$	-
Liability acquired from acquisition of Macdonald	$	481,009	$	-
Shares issued for acquisition of Macdonald	$	5,181,766	$	-

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, 2025, and December 31, 2024
(Expressed in Canadian Dollars)

	Share Capital	Warrants	Options	Contributed surplus	AOCI	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2023	**$17,020,571**	**$952,583**	**$1,366,200**	**$4,625,638**	**($151,941)**	**($22,509,151)**	**$1,303,900**
Foreign exchange gain (loss) on net	---	---	---	---	($72,292)	---	($72,292)
Cumulative translation adjustment investment in a foreign operation	---	---	---	---	$181,653	---	$181,653
Net loss for the year	---	---	---	---	---	($1,042,206)	($1,042,206)
Balance, December 31, 2024	**$17,020,571**	**$952,583**	**$1,366,200**	**$4,625,638**	**($42,580)**	**($23,551,357)**	**$371,055**
Warrants and options expired	---	(952,583)	(1,366,200)	2,318,783	---	---	---
Private placements (note 11)	4,392,000	1,178,600	---	---	---	---	5,570,600
Shares issued for acquisition of Macdonald (note 20)	5,181,766	---	---	---	---	---	5,181,766
Warrants and options issued for acquisition of Macdonald (note 20)	---	715,566	119,318	---	---	---	834,884
Warrant exercise	131,035	(54,640)	---	---	---	---	76,395
Foreign exchange gain (loss) on net investment in a foreign operation	---	---	---	---	(27,210)	---	(27,210)
Cumulative translation adjustment investment in a foreign operation	---	---	---	---	19,260	---	19,260
Net loss for the year	---	---	---	---	---	(9,441,107)	(9,441,107)
Balance, December 31, 2025	**$26,725,372**	**$1,839,526**	**$119,318**	**$6,944,421**	**($50,530)**	**($32,992,464)**	**$2,585,643**

** On February 18, 2026, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All share, warrant, option and per-share amounts disclosed in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation, unless otherwise noted.*

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 has mineral exploration interests 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 Sonora project presently has no NI 43-101 compliant resources or reserves of minerals. The Company also has mineral exploration interests in Ontario, Canada, through its acquisition of Macdonald Mines Exploration Ltd. during the year ended December 31, 2025, as further described in Note 20.

The Company also has natural gas interests in Texas, U.S.A. owned through its subsidiary Midtex Oil & Gas Corporation (“Midtex”). In 2018, the Company acquired Full Circle Energy Ltd (“Full Circle Energy”) which owns an oil exploration property in Saskatchewan, Canada.

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, finance their development costs and 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 conducts 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 and has incurred losses in current and prior periods. For the year ended December 31, 2025, the Company incurred a net loss of $9,441,107 (2024 - $1,042,206), and as at December 31, 2025, had an accumulated deficit of $ 32,992,464 (2024 - $23,551,357). As at December 31, 2025, the Company had cash of $2,844,774 and working capital of $2,670,979 (2024 - $455,923).

Although the Company had positive working capital as at December 31, 2025, the Company’s ability to continue as a going concern remains dependent upon its ability to manage its existing working capital, obtain additional financing as required, and ultimately achieve profitable operations. The Company expects to use its existing working capital to fund near-term corporate administrative costs and exploration activities; however, additional financing may be required to complete its planned exploration and development programs and to meet its longer-term obligations.

The Company’s ability to raise additional capital is subject to market conditions and other factors outside its control. There can be no assurance that additional financing will be available on terms acceptable to the Company, or at all. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

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 April 30, 2026.

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 exchanges 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.

3. Material 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 initially recognizes financial assets on the date that it becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value and are subsequently classified and measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"), depending on the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

3. Material accounting policies (continued)

Financial instruments

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest. The Company's cash and accounts receivables are classified and measured at amortized cost.

Financial assets are measured at FVTPL unless they are measured at amortized cost or FVTOCI. Financial assets measured at FVTPL are initially measured at fair value, and changes in fair value are recognized in profit or loss.

For equity instruments that are not held for trading, the Company may make an irrevocable election on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Transaction costs directly attributable to the acquisition of financial assets measured at amortized cost or FVTOCI are included in the initial carrying amount of the asset. Transaction costs related to financial assets measured at FVTPL are expensed as incurred.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. Given the nature and short-term maturity of the Company's receivables, expected credit losses are assessed based on historical experience, current conditions and forward-looking information, where applicable. Changes in expected credit losses are recognized in profit or loss.

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.

Financial liabilities

The Company initially recognizes financial liabilities on the date that it becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value and are subsequently classified and measured at amortized cost or FVTPL. Financial liabilities are classified as FVTPL when they are held for trading, derivatives, or designated as FVTPL on initial recognition. Financial liabilities measured at FVTPL are measured at fair value, with changes in fair value recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities are classified and measured at amortized cost.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. Expected credit losses are measured as the difference between the contractual cash flows due to the Company and the cash flows that the Company expects to receive, discounted where the effect is material.

Given the nature of the Company's financial assets, which primarily consist of cash and receivables with short-term maturities, expected credit losses are assessed based on historical credit loss experience, current conditions and reasonable and supportable forward-looking information, where applicable. The Company recognizes changes in expected credit losses in the consolidated statements of loss and comprehensive loss.

3. Material accounting policies (continued)

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 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. 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, any less 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.

3. Material accounting policies (continued)

Exploration and evaluation assets (E&E)

E&E Expenditures

The Company generally expenses exploration and evaluation expenditures as incurred, but capitalizes costs of acquiring interests in mineral rights, licences and properties in business combinations, asset acquisitions or option agreements where the Company has obtained the legal right to explore the area of interest and management determines that the related costs meet the criteria for capitalization.

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 exploration and evaluation phase. The Company expenses the cost of evaluation activity related to acquired exploration assets unless management determines that capitalization criteria have been met.

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 the 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 proven 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 and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount or when management determines that continued capitalization is no longer supportable. Any amount not considered recoverable is recognized in the consolidated statement of loss and comprehensive loss.

The following facts and circumstances may 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 has not led to the discovery of commercially viable quantities of mineral resources and there are plans to discontinue activities in the area;
- 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; or
- other facts and circumstances, including uncertainty regarding future exploration plans, financing availability, and the Company’s ability to advance the project, indicate that the carrying amount may not be recoverable.

Exploration assets are tested for impairment on an individual project (area of interest) basis. A project is also tested for impairment before being transferred to mine property and development projects on the consolidated statements of financial position.

3. Material accounting policies (continued)

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 the 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, the 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.

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 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 10).

3. Material accounting policies (continued)

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 in 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.

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 net income / loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. The denominator 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 net income / loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding for the effects of dilutive options and other dilutive potential ordinary shares. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

When the Company is in a loss position, outstanding options and other potential ordinary shares are generally anti-dilutive and are excluded from the diluted EPS calculation.

3. Material accounting policies (continued)

Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares or flow-through units. The resource expenditure deductions for income tax purposes related to qualifying exploration expenditures funded by flow-through share arrangements are renounced to subscribers in accordance with applicable income tax legislation.

On initial recognition, the proceeds from the issuance of flow-through shares or units are allocated between share capital, warrants, where applicable, and a flow-through share premium liability. The flow-through share premium liability represents the premium paid by subscribers for the tax benefits associated with the flow-through shares and is measured as the excess of the issue price of the flow-through shares or units over the estimated fair value of comparable non-flow-through shares or units issued without the flow-through tax attributes.

The flow-through share premium liability is recognized in profit or loss as qualifying expenditures are incurred and renounced to subscribers, limited to the carrying amount of the liability. Any related deferred income tax effects are recognized in accordance with the Company's accounting policy for income taxes.

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

Operating segments are reported in a manner consistent with the internal reporting reviewed by management. The Company's activities are reviewed by management by business activity and geographic location. The Company's reportable business segments consist of mineral exploration and oil and gas interests. The Company's geographic areas of operation are Canada, the United States of America and Mexico.

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.

3. Material accounting policies (continued)

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.

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.

In applying the Company's exploration and evaluation accounting policy, management applies judgment in determining whether exploration and evaluation costs, including acquired mineral property interests, meet the criteria for capitalization and whether facts and circumstances indicate that the carrying value of such assets is recoverable.

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

During the year ended December 31, 2025, the Company adopted amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* related to lack of exchangeability. The amendments provide guidance for assessing whether a currency is exchangeable into another currency and, when a currency is not exchangeable, determining the exchange rate to use and the related disclosures required. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

3. Material accounting policies (continued)

Future changes in accounting standards

As at December 31, 2025, the following standards and amendments had been issued but were not yet effective and had not been early adopted by the Company.

IFRS 18 *Presentation and Disclosure in Financial Statements* was issued in April 2024 and will replace IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for the presentation of specified categories and defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for aggregation and disaggregation of information. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company is currently assessing the impact of IFRS 18 on its consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to the classification and measurement of financial instruments. The amendments include guidance on the classification of financial assets with certain contingent features and additional disclosure requirements for financial instruments. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

4. Receivable, prepaid and other

	December 31, 2025	December 31, 2024
Amounts receivable (Note 17)	**$ 405,500**	$ 45,128
Prepaids and advances	**372,904**	433,740
Sales taxes receivable	**93,747**	(3,641)
Share subscription receivable	**42,895**	-
	$ 915,046	$ 475,227

Prepaids and advances represent amounts paid in advance to third parties for future services or work to be performed, and deposits made to government agencies in connection with approvals or other requirements for future projects.

Share subscription receivable represents amounts receivable for common shares issued for which subscription proceeds had not yet been received as at year-end. The Company may cancel the related shares if the subscription proceeds are not received within a reasonable period of time.

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 geological 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, 2025. 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 Company’s financial assets consist of cash and accounts receivables, which are classified and measured at amortized cost. The Company’s financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost. The carrying amounts of these financial instruments approximate their fair values due to their short-term nature. Amounts such as prepaid expenses, value added taxes recoverable, flow-through share premium liability and decommissioning obligation are not considered financial 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.

6. Financial Instruments and risk management (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial 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 financial liabilities as at December 31, 2025 and December 31, 2024.

	2025	2024
Cash	**$ 2,844,774**	$ 125,503
Current Financial Liabilities	**669,441**	144,807

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, 2025 and December 31, 2024 have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

Commodity 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.

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, 2025, the Company held USD $22,467 and MXN $133,729 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 $3,079 and CAD $979 respectively for the US dollars and Mexican pesos accounts.

(Expressed in Canadian Dollars)

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, 2025, 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, 2025, 2024, and cumulative from inception to December 31, 2025 are outlined below:

	2025	2024	Cumulative
Option payments	**$ -**	$ -	**534,778**
Renewal, staking, and inspection fees	**-**	-	**203,544**
Labour and contractors	**107,859**	200,408	**3,116,988**
Field supplies and services	**8,435**	14,793	**781,106**
Drilling	**14,597**	4,721	**723,441**
Transportation	**-**	739	**273,803**
Assaying	**-**	-	**288,452**
Communications	**-**	-	**396**
Other	**4,289**	2,279	**490,285**
Total for the year	**$ 135,180**	$ 222,940	**$ 6,412,793**

(Expressed in Canadian Dollars)

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:

	2025	2024	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	-	-	31,226
	$ -	$ -	$ 1,877,120

Sudbury Project

The Company is currently conducting detailed ground survey and other geological studies for the exploration of its mining asset acquired from Macdonald Mines Explorations Limited. Through interpretation of preliminary data obtained, the project showed evidence of significant copper and gold deposits. The Company intends to carry out further exploration activities in the area for the purpose of developing a producing mineral project.

Exploration and evaluation expenditures incurred since the acquisition of MacDonald Mines Explorations Inc are listed as follows:

	2025	2024	Cumulative
Labor and contracting expenses	$ 1,080,156	$ -	**$ 1,080,156**
Acquired exploration and evaluation assets recognized in loss (note 20)	6,555,131	-	**6,555,131**
	$ 7,635,287	$ -	**$ 7,635,287**

(Expressed in Canadian Dollars)

8. Oil and gas properties and interests

At December 31, 2025, 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 purchased between 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, 2025. Management assessed that there were no indicators as of December 31, 2025, that would indicate a reversal would be considered necessary.

9. Payables, liabilities and other

	December 31, 2025	December 31, 2024
Accounts payable	$ 556,982	$ 55,678
Accrued liabilities	39,179	89,129
Shares subscribed but not yet issued	73,280	-
	$ 669,441	$ 144,807

Shares subscribed but not yet issued represent share subscription proceeds received by the Company for which the related common shares had not yet been issued as at year-end. The shares are expected to be issued subsequent to year-end in accordance with the terms of the applicable subscription agreements.

10. Decommissioning obligation

During the year ended December 31, 2025, the Company recognized an increase in accretion expenses of $3,949 which has been expensed. The Company recorded accretion expense related to the asset retirement obligation on its oil and gas wells.

	2025	2024
Balance, beginning of year	**$ 84,868**	$ 77,214
Change in estimated decommissioning obligations	**-**	-
Accretion expense	**3,949**	1,924
Effects of foreign exchange	**(3,481)**	5,548
Balance, end of year	**$ 85,336**	$ 84,868

Key variables used in the estimate are as follows:

- Cost per well US $18,000 (8 wells in total with varied ownership percentage below)
- Ownership interest 15% - 100%
- Inflation rate 3.4%
- Risk-free rate 3.9%
- Term 2 years

(Expressed in Canadian Dollars)

11. Share capital

a) Authorized share capital

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

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2023	**16,000,615**	**$17,020,571**
Balance, December 31, 2024	**16,000,615**	**$17,020,571**
Private placement (i)	3,200,000	2,592,000
Shares issued for Acquisition of Macdonald (ii)	7,376,834	5,181,766
Warrant exercised	114,310	131,035
Flow-through share private placement (iii)	1,800,000	1,800,000
Elimination of Fractional Shares	(529)	-
Balance, December 31, 2025	**28,491,230**	**$26,725,372**

(i) On May 1, 2025, the Company closed a non-brokered private placement for gross proceeds of $3,200,000 through the issuance of 3,200,000 units [32,000,000 units before the share consolidation]. Each unit was issued at a price of $1.00 [$0.10 before the share consolidation] and consisted of one common share and one-half of one common share purchase warrant. A total of 1,600,000 common share purchase warrants [16,000,000 warrants before the share consolidation] were issued. Each warrant is exercisable into one common share of the Company at an exercise price of $1.50 [$0.15 before the share consolidation] and expires on May 1, 2027. The warrants were valued at $608,000 using the Black-Scholes option pricing model with the following assumptions: share price of $0.70; exercise price of $1.50; expected life of two years; annualized volatility of 137%; dividend yield of 0%; and risk-free interest rate of 2.5%.

(ii) On May 9, 2025, the Company issued 7,376,834 shares [73,768,344 shares before the share consolidation], valued at $5,181,766, for the purchase of Macdonald Mines Exploration Ltd. See note 20 for disclosure related to the acquisition.

(iii) On December 30, 2025, the Company closed a non-brokered private placement for gross proceeds of $2,790,000 through the issuance of 1,800,000 flow-through units at a price of $1.55 per unit. Each flow-through unit consisted of one common share and one-half of one common share purchase warrant. A total of 900,000 common share purchase warrants were issued, with each warrant exercisable at $1.50 for a period of two years from the date of issuance. In connection with the financing, the Company allocated $1,800,000 to share capital, $570,600 to warrants and $419,400 to a flow-through share premium liability, representing the premium attributable to the tax benefits to be renounced to subscribers. Refer to Note 13 for details of the valuation of the share and warrant components and the flow-through share premium liability.

On February 18, 2026, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All share, warrant, option and per-share amounts disclosed in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation, unless otherwise noted. The share consolidation did not affect the Company's share capital dollar amount or total shareholders' equity.

(Expressed in Canadian Dollars)

12. Warrants

	Warrants	Weighted average exercise price
Balance, December 31, 2023	**2,477,500**	**$2.60**
Expired	(240,000)	$3.25
Balance, December 31, 2024	**2,237,500**	**$2.50**
Warrants expired	(2,237,500)	$2.50
Private placement [note 11 (i)]	1,600,000	$1.50
Flow-through share private placement [note 11 (iii), 13]	900,000	$1.50
Warrants issued for acquisition of Macdonald [note 11 (ii), 20]	1,497,000	$0.67
Warrants exercised	(114,310)	$0.67
Balance, December 31, 2025	**3,882,690**	**$1.20**

As at December 31, 2025, the Company had 3,882,690 warrants outstanding with a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 1.49 years. The outstanding warrants consisted of 1,382,690 warrants exercisable at $0.67 and expiring on May 6, 2027, with a remaining life of 1.35 years; 1,600,000 warrants exercisable at $1.50 and expiring on May 1, 2027, with a remaining life of 1.33 years; and 900,000 warrants exercisable at $1.50 and expiring on December 30, 2027, with a remaining life of 2.00 years.

On February 18, 2026, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All share, warrant, option and per-share amounts disclosed in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation, unless otherwise noted. The share consolidation did not affect the Company's share capital dollar amount or total shareholders' equity.

13. Flow-through share premium liability

On December 30, 2025, the Company completed a flow-through private placement for gross proceeds of $2,790,000 through the issuance of 1,800,000 flow-through units [18,000,000 units before the share consolidation]. Each unit was issued at $1.55 [$0.155 before the share consolidation] and consisted of one common share and one-half of one common share purchase warrant. A total of 900,000 warrants [9,000,000 warrants before the share consolidation] were issued. Each warrant is exercisable at $1.50 [$0.15 before the share consolidation] and expires on December 30, 2027.

At initial recognition, the Company allocated $1,800,000 to share capital, $570,600 to warrants and $419,400 to a flow-through share premium liability. The warrants were valued using the Black-Scholes option pricing model, with an estimated fair value of $0.634 per warrant [$0.0634 before the share consolidation], or $0.317 per unit [$0.0317 before the share consolidation]. The significant assumptions used were: share price of $1.00 [$0.10 before the share consolidation]; exercise price of $1.50 [$0.15 before the share consolidation]; expected life of two years; annualized volatility of 144%; dividend yield of 0%; and risk-free interest rate of 2.58%.

The flow-through share premium liability represents the estimated premium paid by subscribers for the tax benefits associated with the flow-through shares. The premium was determined based on the excess of the issue price of the flow-through units over the estimated fair value of comparable non-flow-through units without the flow-through tax attributes. The estimated fair value of the comparable non-flow-through unit was $1.317 [$0.1317 before the share consolidation], resulting in a flow-through premium of $0.233 per unit [$0.0233 before the share consolidation] and a flow-through share premium liability of $419,400.

The flow-through units require the Company to incur eligible Canadian exploration expenditures and renounce such expenditures to subscribers under the *Income Tax Act* (Canada). As the financing closed on December 30, 2025, no qualifying expenditures had been incurred or renounced as at December 31, 2025. Accordingly, no recovery of the flow-through share premium liability was recognized during the year.

The flow-through share premium liability has been classified as current, as the Company expects to satisfy the related expenditure and renunciation obligations within the next twelve months. The obligation does not represent a cash liability to subscribers, except to the extent the Company fails to meet its obligations under the flow-through share agreements.

14. Share-based payments

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

	Number of options	Weighted average exercise price
Balance, December 31, 2023	**600,000**	**$ 3.50**
Options expired	(600,000)	$ 3.50
Balance, December 31, 2024	**-**	**$ -**
Options from Acquisition	286,750	$ 0.42
Balance, December 31, 2025	**286,750**	**$ 0.42**

During the year ended December 31, 2025, 286,750 options [2,867,504 options before the share consolidation] were issued or assumed as part of the acquisition of Macdonald Mines Exploration Ltd. (Note 20). The options were valued at $119,318 using the Black-Scholes option pricing model with the following assumptions, adjusted to reflect the share consolidation: share price of $0.70; exercise prices ranging from $0.40 to $8.68; expected life of two years; annualized volatility of 137%; dividend yield of 0%; and risk-free interest rate of 2.58%. All options were vested as at December 31, 2025 and expire on May 6, 2027, with a remaining contractual life of 1.35 years as at December 31, 2025.

On February 18, 2026, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All share, warrant, option and per-share amounts disclosed in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation, unless otherwise noted. The share consolidation did not affect the Company’s share capital dollar amount or total shareholders’ equity.

15. Loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2025 was based on the loss attributable to common shareholders of $9,441,107 (2024 - $1,042,206) and the weighted average number of common shares outstanding of 22,990,670 (2024 - 16,000,615).

Basic and diluted loss per share were the same for the years ended December 31, 2025 and 2024, as the effect of outstanding warrants and options would have been anti-dilutive. For the year ended December 31, 2025, diluted loss per share excluded 3,882,690 warrants and 286,750 options (2024 - 2,237,500 warrants and 600,000 options).

The weighted average number of common shares outstanding and basic and diluted loss per share for all periods presented have been adjusted retrospectively to reflect the share consolidation completed subsequent to December 31, 2025.

16. 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.

	December 31, 2025	December 31, 2024
VAT held in foreign currency (MXN Peso)	**$ 7,269,977**	$ **6,681,624**
Value of VAT in Canadian dollars	**$ 505,824**	$ **462,970**

(Expressed in Canadian Dollars)

17. 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).

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Canuc has the following balances with related parties:

	2025	2024
Companies with Common Directors, recorded in amounts receivable (Note 4)	$ 405,500	$ 25,500
Companies with Common Directors, recorded in prepaids and advances (Note 4)	$ 91,000	$ 157,882
Companies with Common Directors, recorded in accounts payable (Note 9)	$ 125,958	$ -

As at December 31, 2025, the Company owed $80,958 to a company with a common director (December 31, 2024 - $157,882 receivable), which is included in accounts payable and accrued liabilities. The balance includes amounts owing between the Company and its subsidiaries.

As at December 31, 2025, the Company owed $45,000 to a company controlled by a Director, which is included in accounts payable and accrued liabilities. In addition, the Company had $11,000 included in receivables, prepaids and other in respect of expenses paid on behalf of the related party.

During the year ended December 31, 2025, the Company incurred $80,000 for exploration services provided by a company controlled by common directors. As at December 31, 2025, The Company was owed $405,500 (December 31, 2024 - $25,500).

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

	2025	2024
Salaries and benefits	**$ 294,157**	$ **287,310**

(Expressed in Canadian Dollars)

18. Income taxes

The following table reconciles the expected income tax recovery from continuing operations at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the period ended December 31, 2025 and 2024:

	2025	2024
Loss for the year before income taxes	**($9,441,107)**	($1,042,206)
Statutory tax rate	**26.5%**	26.5%
Expected income tax recovery	**(2,501,893)**	(267,185)
Non-deductible items	**1,742,893**	(1,279)
Change in deferred tax assets not recognized	**759,000**	274,906
Deferred income tax (recovery) provision	**$ -**	$ -

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:

	2025	2024
Property, plant, and equipment	$ 7,908	$ 41,313
Intangible assets	58,138	35,165
Depletable assets	47,620	47,620
Decommissioning obligations	85,336	84,868
Leased liabilities	61,150	61,150
Non-capital losses – Canada	20,658,757	18,262,868
Non-capital losses – Mexico	5,160,258	4,970,679
Exploration properties	2,644,947	3,851,715

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.

(Expressed in Canadian Dollars)

18. Income tax (continued)

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.

	Canada	**Mexico**
2026	$2,289,259	$-
2027	1,405,794	-
2028	394,880	-
2029	793,672	-
2030	367,130	-
2031	578,556	-
2032	184,501	-
2033	329,247	-
2034	593,756	-
2035	546,660	-
2036	104,103	2,131,326
2037	1,013,908	-
2038	344,250	-
2039	408,822	481,557
2040	1,733,952	532,413
2041	3,183,809	1,825,383
2042	1,091,480	-
2043	1,793,144	-
2044	805,437	-
2045	2,696,397	189,579
	$20,434,755	$5,160,258

19. Segmented information

The Company is engaged in the exploration and evaluation of mineral properties and the holding and development of oil and gas properties. Management reviews the Company's activities by business activity and geographic location. The Company's reportable business segments consist of mineral exploration and oil and gas interests, and the Company's geographic areas of operation are Canada, the United States of America and Mexico.

During the year ended December 31, 2025, the Company's oil and gas interests in Texas represented 100% of the Company's revenue. The Company's mineral exploration activities included the San Javier Project in Sonora, Mexico and the Sudbury Project in Ontario, Canada, which was acquired through the acquisition of Macdonald Mines Exploration Ltd. during the year. Corporate assets are primarily located in Canada.

A geographic breakdown of assets is as follows:

		2025		2024
Canada	**$**	**3,665,426**	$	428,708
United States - Texas		**51,352**		91,900
Mexico – Sonora		**43,042**		80,122
	$	**3,759,820**	$	600,730

20. Acquisition of Macdonald Mines Exploration Ltd.

On May 8, 2025, the Company completed the acquisition of Macdonald Mines Exploration Ltd. (“Macdonald”). Pursuant to the terms of the transaction, the Company issued common shares to the shareholders of Macdonald in exchange for all of the issued and outstanding shares of Macdonald.

The acquisition was accounted for as an acquisition of mineral exploration assets and related working capital balances, as substantially all of the value acquired related to Macdonald’s mineral exploration interests. The acquisition consideration consisted of common shares with an estimated fair value of $5,181,766, warrants with an estimated fair value of $715,566, and options with an estimated fair value of $119,318, for total consideration of $6,016,650. Refer to Note 11 for the common shares issued, Note 12 for the warrants issued and Note 14 for the options issued, including the related valuation assumptions.

The principal asset acquired was Macdonald’s exploration and evaluation interest in the Sudbury Project, to which a value of $6,555,131 was assigned. The Company also acquired other working capital balances and assumed liabilities and other net obligations of approximately $500,000. After considering the assets acquired and liabilities assumed, the net assets acquired approximated the total acquisition consideration. No goodwill or gain on acquisition was recognized.

Following the acquisition, management assessed the acquired exploration and evaluation asset in accordance with the Company’s accounting policy. The Sudbury Project remains at the exploration stage, and technical feasibility and commercial viability have not yet been demonstrated. The Company’s ability to advance the project is dependent on future exploration results, completion of further technical work, and the availability of sufficient financing.

Given the uncertainty associated with the project’s future exploration and development, management determined that no carrying value should be recognized for the acquired exploration and evaluation asset as at December 31, 2025. Accordingly, the amount assigned to the acquired exploration and evaluation asset was recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2025, in accordance with the Company’s accounting policy. This treatment reflects management’s assessment for financial reporting purposes as at December 31, 2025 and does not preclude the Company from undertaking further exploration and evaluation activities on the Sudbury Project in future periods should circumstances support such activities.

21. Subsequent events

On February 18, 2026, the Company completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. The share consolidation was completed subsequent to December 31, 2025 and before the consolidated financial statements were authorized for issue. All share, warrant, option and per-share amounts disclosed in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation, unless otherwise noted.

The share consolidation did not affect the Company’s share capital dollar amount or shareholders’ equity as at December 31, 2025.

Subsequent to year-end, a legal claim was filed against a related party of the Company and certain associated entities, including the Company. The Company has no contractual relationship with the claimant. Based on management’s assessment and information currently available, the Company believes the claim is without merit; however, the matter is at an early stage and the ultimate outcome cannot be determined at this time. Accordingly, no provision has been recognized in these consolidated financial statements.