



CANASIL RESOURCES INC.

**NOTICE OF MEETING AND
MANAGEMENT INFORMATION CIRCULAR FOR
A SPECIAL MEETING OF SHAREHOLDERS
IN RESPECT OF AN ARRANGEMENT INVOLVING
CANASIL RESOURCES INC. and CANMINE MINERALS INC.**

DATED: NOVEMBER 3, 2017

CANASIL RESOURCES INC.
Suite 1760 - 750 West Pender Street
Vancouver, British Columbia, V6C 2T8
Telephone No. (604) 708-3788 Fax No. (604) 708-3728

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that a special meeting (the “**Meeting**”) of shareholders (“**Canasil Shareholders**”) of Canasil Resources Inc. (“**Canasil**” or the “**Company**”) will be held at Suite 2600 - 1066 West Hastings Street, Vancouver, British Columbia on December 12, 2017, at 10:00 a.m., local time, for the following purposes:

1. to consider and, if thought advisable, pass, with or without variation, a special resolution approving an arrangement (the “**Arrangement**”) under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) which involves, among other things, the distribution to the shareholders of the Company of common shares of Canmine Minerals Inc. (“**Canmine**”), as more fully set forth in the Circular;
2. to consider and, if thought advisable, pass, with or without variation, an ordinary resolution approving the Canmine Stock Option Plan, as more fully set forth in the Circular;
3. to consider any permitted amendment to or variation of any matter identified in this Notice and transact such other business as may properly come before the Meeting or any adjournment thereof.

AND TAKE NOTICE that Canasil Shareholders who validly dissent from the Arrangement will be entitled to be paid the fair value of their Canasil Shares subject to strict compliance with the provisions of the Interim Order, Plan of Arrangement and sections 237 to 247 of the BCBCA. The dissent rights are described in Schedule E of the Circular. Failure to comply strictly with the requirements set forth in the Plan of Arrangement and sections 237 to 247 of the BCBCA may result in the loss of any right of dissent.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this Notice. Also accompanying this Notice and Circular is a form of proxy. Any adjourned meeting resulting from an adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only Canasil Shareholders of record at the close of business on November 3, 2017 will be entitled to receive notice of and vote at the Meeting.

Registered Canasil Shareholders unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy, or another suitable form of proxy, and deliver it in accordance with the instructions set out in the proxy and in the Circular. If you are a non-registered Canasil Shareholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or the other intermediary. Failure to do so may result in your Canasil Shares not being voted at the Meeting.

Dated at Vancouver, British Columbia, on November 3, 2017.

BY ORDER OF THE BOARD

“Bahman Yamini”

Bahman Yamini
President and Chief Executive Officer



Action No. **S1710414**
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT,
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF AN ARRANGEMENT AGREEMENT BETWEEN
CANASIL RESOURCES INC. AND CANMINE MINERALS INC.

Re: CANASIL RESOURCES INC., PETITIONER

**NOTICE OF HEARING
(PETITION)**

TO: Without Notice

TAKE NOTICE that the petition of CANASIL RESOURCES INC. dated November 8, 2017 will be heard at the courthouse at 800 Smithe Street, Vancouver, British Columbia on Wednesday, December 20, 2017 at 9:45 am.

1. Date of hearing

☒ The petition is unopposed, by consent or without notice.

2. Duration of hearing

☐ The parties have been unable to agree as to how long the hearing will take and


(a) the time estimate of the petitioner is 15 minutes, and

(b) the petition respondent(s) has(ve) not given a time estimate.

3. Jurisdiction

☒ This matter is not within the jurisdiction of a master.

Dated: November 8, 2017



Signature of [x] lawyer for Petitioner
Robert D. Holmes, Q.C.

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CANASIL RESOURCES INC.
Suite 1760 - 750 West Pender Street
Vancouver, British Columbia, V6C 2T8
Telephone No. (604) 708-3788
Fax No. (604) 708-3728

This Circular is furnished in connection with the solicitation of proxies by the management of Canasil Resources Inc. (the “Company”) for use at the Meeting to be held on December 12, 2017.

(Capitalized terms in this part of the Circular have the meanings set out in the Glossary of Terms in the Circular.)

INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at November 3, 2017, except where otherwise noted.

No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and Canasil Shareholders are urged to consult their own professional advisers in connection therewith.

Descriptions in the body of this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are merely summaries of the terms of those documents. Canasil Shareholders should refer to the full text of the Arrangement Agreement and Plan of Arrangement for complete details. The full text of the Arrangement Agreement is attached to the Circular as Schedule B and the Plan of Arrangement is Exhibit II to the Arrangement Agreement.

GLOSSARY OF TERMS

The following is a glossary of general terms and abbreviations used in this Circular:

“Arrangement” means the arrangement under the Arrangement Provisions pursuant to which the Company proposes to reorganize its business and assets, and which is set out in detail in the Plan of Arrangement;

“Arrangement Agreement” means the agreement dated as of October 5, 2017 between the Company and Canmine, a copy of which is attached as Schedule B to this Circular, and any amendments or variations thereto;

“Arrangement Provisions” means Part 9, Division 5 of the BCBCA;

“Arrangement Resolution” means the special resolution which will be considered by the Canasil Shareholders to approve the Arrangement, the full text of which is set out in Schedule A to this Circular;

“Assets” means a 100% interest in each of the Brenda, Lil, Granite and Vega mineral properties that the Company will transfer to Canmine, all associated reclamations bonds and \$500,000 in cash, as further set out in Exhibit I to the Arrangement Agreement;

“BCBCA” means the *Business Corporations Act*, S.B.C. 2002, c.57, as amended;

“Beneficial Shareholder” means a Canasil Shareholder who is not a Registered Shareholder;

“Board” means the board of directors of the Company;

“Business Day” means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, B.C.;

“Canasil Class A Shares” means the renamed and redesignated Canasil Shares described in subparagraph 3.1(c)(i) of the Plan of Arrangement;

“Canasil Share Commitments” means Canasil Stock Options and Canasil Warrants;

“Canasil Shareholder” means a holder of Canasil Shares;

“Canasil Shares” means the common shares without par value in the authorized share structure of the Company, as constituted prior to the Effective Time;

“Canasil Stock Option Plan” means the incentive stock option plan of the Company;

“Canasil Stock Options” means incentive stock options issued pursuant to the Canasil Stock Option Plan which are outstanding on the Effective Date;

“Canasil Warrants” means the means common share purchase warrants exercisable into Canasil Shares;

“Canmine” means Canmine Minerals Inc., a private company existing under the BCBCA;

“Canmine Option Plan Resolution” means an ordinary resolution which will be considered by the Canasil Shareholders to approve the Canmine Option Plan, the full text of which is set out in Schedule C to this Circular;

“Canmine Shareholder” means a holder of Canmine Shares;

“Canmine Shares” means the common shares without par value in the authorized share structure of Canmine as constituted on the date of the Arrangement Agreement;

“Canmine Stock Option Plan” means the proposed incentive stock option plan of Canmine, which is subject to Exchange acceptance and Canasil Shareholder approval;

“CIMM” means the Canadian Institute of Mining, Metallurgy and Petroleum;

“Circular” means this Management Information Circular;

“Company” means Canasil Resources Inc.;

“Computershare” means Computershare Investor Services Inc.;

“Court” means the Supreme Court of British Columbia;

“Dissenting Shareholder” means a Canasil Shareholder who validly exercises rights of dissent under the Arrangement and who will be entitled to be paid fair value for its Canasil Shares in accordance with the Interim Order and the Plan of Arrangement;

“Dissenting Shares” means the Canasil Shares in respect of which Dissenting Shareholders have exercised a right of dissent;

“Distributable Canmine Shares” means the Canmine Shares owned by the Company which are to be distributed to the Canasil Shareholders under the Arrangement on the basis of one Canmine Share for each two (2) Canasil Shares held;

“Effective Date” means the date upon which the Arrangement becomes effective;

“Effective Time” means the time on the Effective Date on which the Arrangement becomes effective;

“Encumbrance” means, with respect to any property or asset, any mortgage, pledge, assignment, hypothec, charge, lien, security interest, adverse right or claim, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

“Exchange” means the TSX Venture Exchange;

“Final Order” means the final order of the Court approving the Arrangement;

“Interim Order” means the interim order of the Court providing advice and directions in connection with the Meeting;

“Intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders;

“Listing Date” means the date the Canmine Shares are listed on the Exchange;

“Meeting” means the special meeting of the Canasil Shareholders to be held on December 12, 2017 and any adjournments thereof, which is being held to consider the Arrangement and other matters;

“New Shares” means the new class of common shares without par value which the Company will create pursuant to subparagraph 3.1(d)(ii) of the Plan of Arrangement and which, immediately after the Effective Time, will be identical in every relevant respect to the Canasil Shares immediately prior to the Effective Time;

“NI 43-101” means National Instrument 43-101, Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators;

“Notice of Meeting” means the Notice of Special Meeting of the Canasil Shareholders in respect of the Meeting;

“Plan of Arrangement” means the plan of arrangement attached as Exhibit II to the Arrangement Agreement which is annexed as Schedule B to this Circular, and any amendments or variations thereto;

“Property Purchase Agreement” means the agreement dated October 5, 2017 between the Company and Canmine, which provided for the sale of the Assets by the Company to Canmine in contemplation of and as part of the Arrangement;

“Proxy” means the form of proxy which accompanies this Circular;

“Qualified Person” or **“QP”** means an individual who is a “qualified person” within the meaning of National Instrument 43-101;

“Record Date” means November 3, 2017 and is the date for the determination of persons entitled to receive notice of and to vote at the Meeting;

“Registered Shareholder” means a registered holder of Canasil Shares as recorded in the shareholder register of the Company maintained by Computershare;

“Registrar” means the Registrar of Companies under the BCBCA;

“SEC” means the United States Securities and Exchange Commission;

“SEDAR” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;

“Share Distribution Record Date” means the close of business on the day that is four Business Days after the date of the Meeting or such other day as agreed to by the Company and Canmine, which date establishes the Canasil Shareholders who will be entitled to receive Canmine Shares pursuant to the Plan of Arrangement;

“Tax Act” means the *Income Tax Act* (Canada), as amended;

“U.S. Exchange Act” means the United States *Securities Exchange Act of 1934*, as amended; and

“U.S. Securities Act” means the United States *Securities Act of 1933*, as amended.

NOTICE TO UNITED STATES SHAREHOLDERS

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The Canmine Shares to be distributed under the Arrangement have not been registered under the United States *Securities Act* of 1933, as amended (the “**U.S. Securities Act**”), and are being distributed in reliance on the exemption from registration set forth in Section 3(a)(10) thereof on the basis of the approval of the Court as described under “The Arrangement – Resale of New Shares and Canmine Shares”, in this Circular. The solicitation of proxies is not subject to the requirements of Section 14(a) of the United States *Securities Exchange Act* of 1934, as amended (the “**U.S. Exchange Act**”). Accordingly, this Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the U.S. Exchange Act.

Likewise, information concerning the properties and operations of the Company, including those that are to be transferred to Canmine as part of the Arrangement, has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” used in this Circular are Canadian mining terms as defined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects (“**NI 43-101**”), under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “**CIMM**”) Standards on Mineral Resources and Mineral Reserves Definitions and guidelines adopted by the CIMM Council on August 20, 2000, as amended.

While the terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” are recognized and required by Canadian regulations, they are not defined terms under Industry Guide 7 of the United States Securities and Exchange Commission (the “SEC”). As such, certain information contained in this Circular concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and there is great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “Inferred Mineral Resource” will ever be upgraded to a higher category. **Investors are cautioned not to assume that any part or all of an “Inferred Mineral Resource” exists, or is economically or legally mineable.**

In addition, the definitions of Proven Mineral Reserves and Probable Mineral Reserves under CIMM standards differ in certain respects from the SEC standards.

Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards and subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements of United States companies. Canasil Shareholders should be aware that the reorganization of the Company pursuant to the Plan of Arrangement as described herein may have tax consequences in both the United States and Canada. Such consequences for Canasil Shareholders may not be described fully herein. See “Income Tax

Considerations – Certain Canadian Federal Income Tax Considerations” and “Income Tax Considerations – Certain United States Federal Income Tax Considerations” in this Circular.

The enforcement by Canasil Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that Canasil and Canmine are incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein are residents of a foreign country, and that all of the assets of Canasil and Canmine are located outside the United States.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Except for the statements of historical fact contained herein, the information presented in this Circular constitutes “forward-looking statements” or “information” (collectively “statements”) as such terms are used in the *Private Securities Litigation Reform Act of 1995* and similar Canadian laws. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning Mineral Reserves and Mineral Resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of Mineral Reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be “forward-looking statements”. Such forward-looking statements, including but not limited to those with respect to the price of metals, the timing and amount of estimated future mineralization and economic viability of properties, capital expenditures, costs and timing of exploration projects, permitting time lines, title to properties, the timing and possible outcome of pending exploration projects and other factors and events described in this Circular involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of each of the Company and Canmine to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others: the actual results of exploration activities; the estimation or realization of Mineral Reserves and Resources; variations in the underlying assumptions associated with conclusions of economic evaluations including the timing and amount of estimated future production, costs of production, capital expenditures, the failure of plant, equipment or processes to operate as anticipated; and possible variations in ore grade or recovery rates; costs and timing of the acquisition of and development of new deposits; availability of capital to fund programs and the resulting dilution caused by the raising of capital through the sale of shares; significant and increasing competition for mineral properties; accidents, labour disputes and other risks of the mining industry including, without limitation, those associated with the environment, delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities, title disputes or claims limitations on insurance coverage and risks associated with international mineral exploration and development activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this Circular and in any documents incorporated into this Circular.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

GLOSSARY OF MINING TERMS

The following is a glossary of technical terms and abbreviations used in this Circular:

“Alteration” means chemical and mineralogical changes in a rock mass resulting from the passage of fluids, generally produced by weathering or hydrothermal solutions.

“Alteration - Argillic” means hydrothermal alteration that is marked by low temperature hydrous silicate minerals such as clay minerals including kaolinite, smectite and illite. It occurs at the edges of porphyry systems.

“Alteration – Advanced Argillic” means hydrothermal argillic alteration that is marked by higher temperature clay minerals such as dickite, as well as aluminous minerals such as andalusite and pyrophyllite. Marks passage of fluids that are higher temperature and low pH

“Alteration - Phyllic” means hydrothermal alteration that is characterised by the assemblage of quartz + sericite + pyrite, and occurs at high temperatures and moderately acidic (low pH) condition

“Alteration - Potassic” means hydrothermal alteration that involves the formation of new potassium feldspar minerals and possibly some biotite. There may also be small amounts of sericite, chlorite and quartz. This type of alteration is typically found at the core of porphyry copper deposits, the result of alteration by very high temperature potassium-rich fluids.

“Alteration- Propylitic” means hydrothermal alteration that is characterized by epidote–chlorite–albite alteration and veining along with pyrite or pyrrhotite. Propylitic alteration is found at the margins of porphyry copper deposits

“Anomaly” means a departure from the norm which may indicate the presence of mineralization in the underlying bedrock. Geochemical and Geophysical anomalies are two of the most common anomalies described in exploration.

“Assay” means the chemical analysis of a rock or mineral to determine the amount of particular element or compound of interest. Precious metals are usually given in ounces per short ton or grams per metric tonne, while base metals are given in percentage.

“Base metal” means any non-precious metal (e.g. copper, lead, zinc, nickel, etc.).

“Blank” means a sample designed to monitor the introduction of artifacts into the analytical process. Preferably it is devoid of the primary elements of commercial interest and is hard and abrasive such that it “cleans” crushing and pulverizing equipment.

“Breccia” means a rock whose components are angular fragments that are not water-worn surrounded by a matrix of finer-grained minerals. These fragments may be produced by magmatic/volcanic explosion, faulting or sedimentary deposition.

“Certified Reference Material (CRM) or Standard” means a control or standard used to validate analytical measurement methods.

“Chalcopyrite” means one of the main sources of copper. Chemical formula is CuFeS_2 .

“Channel Sample” means a sample composed of pieces of vein or mineral deposit that have been cut out of a small trench or rock face over a measured distance.

“Chip Sample” means a method of sampling a rock exposure whereby a regular series of small chips of rock is broken off along a line across the face.

“CIM” means the Canadian Institute of Mining, Metallurgy and Petroleum.

“CIM Standards” means the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council from time to time. The most recent update adopted by the CIM Council is effective as of May 10, 2014.

“Clay” means fine-grained material mostly composed of phyllosilicate minerals and containing variable amounts of water trapped in the mineral structure.

“Conductivity” means the degree to which a material conducts electricity, calculated as the ratio of the current density in the material to the electric field that causes the flow of current. It is the reciprocal of the resistivity.

“Contact” means a geological term used to describe the line or plane along which two different rock formations meet.

“Copper Porphyries” means large low-grade deposits of copper which may also carry minor recoverable amounts of molybdenum, gold and silver. They must be amenable to bulk mining methods, that is open pit or, if underground, block caving. The typical porphyry copper deposit occurs within or enveloping an igneous intrusive body.

“Core” means the long cylindrical piece of rock, brought to surface by diamond drilling.

“Core sample” means one or several pieces of whole or split parts of core selected as a sample for analysis or assay.

“Cut-off grade” means the lowest grade of mineralized rock that qualifies as ore grade in a given deposit, and is also used as the lowest grade below which the mineralized rock currently cannot be profitably exploited. Cut-off grades vary between deposits depending upon the amenability of ore to metal extraction and upon costs of production.

“Dacite” means the extrusive (volcanic) equivalent of quartz diorite.

“Deposit” refers to an informal term for an accumulation of mineralization or other valuable earth material of any origin.

“Diamond Drill-holes” means holes drilled by a method whereby rock is drilled with a diamond impregnated, hollow drilling bit that produces a continuous, in situ record of the rock mass intersected in the form of solid cylinders of rock which are referred to as core.

“Diorite” means an intrusive igneous rock composed chiefly of sodic plagioclase, hornblende, biotite or pyroxene.

“Dip” means the angle at which a feature is inclined from the horizontal

“Dipole, Pole-Dipole Array” means, in IP surveys, the pole-dipole array contains four collinear electrodes. One of the current (source) electrodes is installed at an “effective infinity” distance, which is approximately five to ten times the survey depth. The other current electrode is placed in the vicinity of the two potential (receiver) electrodes.

“Disseminated” means a lithographic texture in which minerals occur as scattered grains in the rock.

“Drill Core” means the cylindrical piece of rock, usually between one and three inches in diameter brought to surface by diamond drilling.

“Drill-hole Collar” refers to the marker indicating location of past drill holes. Information about the hole will be indicated by a tag and will generally include: Drill-hole identification number (drilling log), location, depth, azimuth, and dip).

“Dyke/Dike” means an intrusive tabular body of igneous rock that cuts across the layering or fabric of the host rock.

“Electromagnetic Survey” means a geophysical survey method which measures the electromagnetic properties of rocks.

“Environmental Impact Study” means a written report that examines the effects proposed exploration and mining activities will have on the natural surroundings.

“Epithermal” means a term applied to hydrothermal mineral deposits formed within one kilometre of the earth’s surface, in the temperature range of 50 to 200°C.

“Exploration” means prospecting, sampling, mapping, diamond drilling and other work involved in searching for mineral deposits.

“Fault” means a fracture in a rock across which there has been displacement.

“Fire assay” means an assaying method commonly used for the determination of precious metal content.

“Footwall” means the rock on the underside of a vein or mineralized structure or deposit.

“Fracture” means a break in the rock, the opening of which may allow mineral-bearing solutions to enter. A "cross-fracture" is a minor break extending at more-or-less right angles to the direction of the principal fractures.

“Geochemical surveying” means a technique that measures the content of specific metals in soils and rocks, geochemical sampling defines anomalies for further testing to see if they are produced by concealed mineralization.

“Geophysical surveying” means a technique which measures the physical properties (chargeability, resistivity, magnetism etc) of rocks and define anomalies for further testing.

“Grab samples” means samples of outcrop that are taken to confirm the presence of mineralization. They do not measure grades over lengths of rock but are instead considered to be “point” samples.

“Grade” means a term used to indicate the concentration of an economically desirable mineral or element in its host rock as a function of its relative mass.

Cut-off grade: the minimum metal grade at which an orebody can be economically mined (used in the calculation of ore reserves).

High grade – Highly concentrated or “rich” mineralization.

“Grade (assay) capping” refers to assay data that is statistically analysed for “outlier” or extreme high values that may significantly skew simple summary statistics like the mean grade. Assay results above a certain concentration are reduced to an upper limit, or “capped”. This is to lower the risk of distorting the average grade.

“Gram” means one gram, equal to 0.0321507 troy ounces.

“Hanging wall” means the rock on the upper side of a vein or mineral deposit.

“Hectare” means an area equal to 100 meters by 100 meters.

“Host rock” means the volume of rock within which mineralization occurs.

“Hydrothermal” means the rocks or ore deposit types, alteration products, and springs produced by hot water in metamorphic and magmatic emanations.

“Hypogene” means the primary form of mineralization formed deep below the surface.

“Igneous” means a type of rock that is crystallized from a liquid magma.

“Induced Polarization (“IP”) means a method of ground geophysical surveying employing an electrical current to determine indications of mineralization by applying an electrical charge to the ground and measuring the electrical chargeability of the minerals in the rocks.

“Intrusive” means a body of igneous rock formed by the consolidation of magma intruded into other, usually older rocks. Contrast with lavas, which are extruded upon the surface.

“Inversion Modelling” means an analytical approach to treating geophysical data based upon geology, location, topography etc., and bringing in the field data is brought into the theoretical model that considers a logical fit balancing geological and geophysical factors.

“km” means kilometer.

“Limestone” means a bedded, sedimentary deposit consisting chiefly of calcium carbonate.

“Logging” means the process of recording geological observations of drill core either on paper or on computer disk.

“m” means metre, 100 centimetres.

“Magmatic Hydrothermal” means hydrothermal activity derived from magmatic (intrusive) sources.

“**Magnetite**” means an iron oxide (Fe_3O_4) and a member of the spinel group.

“**Massive sulphide**” means rock with greater than 70% sulphide minerals by volume.

“**Metallurgical test**” means studies pertaining to the production, separation, purification and properties of minerals and the extraction of their metals.

“**Mineral Concession**” means that portion of public mineral lands which a party has acquired in accordance with mining laws to acquire the right to explore for and exploit the minerals under the surface

“**Mineral Reserve**” means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

“**Mineral Resource**” means, in accordance with CIM Definition Standards, a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

“**Mineralization**” means the concentration of metals and their chemical compounds within a body of rock.

“**National Instrument 43-101**” refers to a policy developed by the Canadian Securities Administrators (CSA) and administered by the provincial securities commissions that governs how issuers disclose scientific and technical information about their mineral projects to the public. It covers oral statements as well as written documents and websites. It requires that all disclosure be based on advice by a "qualified person" and in some circumstances that the person be independent of the issuer and the property.

“**Net Smelter Return (NSR)**” means the net revenues generated from the sale of metal produced by a mine.

“**Net Smelter Return Royalty**” means a payment made by a producer of metals based on the value of the gross metal production from the property, less deduction of certain limited costs usually including smelting, refining, transportation and insurance costs.

“**Open pit**” means a mine where the minerals are mined entirely from the surface. Also referred to as open-cut or open-cast mine.

“**Ounce (oz)**” means a troy ounce weighing 31.103 grams or an imperial ounce weighing 28.4 grams. The avoirdupois ounce is widely used as part of the United States customary and British imperial systems, but the troy ounce is now only commonly used for the mass of precious metals.

“**Outcrop**” means an exposure of rock or mineral deposit that can be seen on surface not covered by soil or water.

“Pathfinder elements” means, in geochemical exploration, a relatively mobile element that occurs in close association with the commodity being sought, but can be more easily found because it forms a broader halo or can be detected more readily by analytical methods. A pathfinder serves to lead investigators to a deposit of a desired substance.

“Polymetallic mineralization” means mineralization that is the source of more than one metal suitable for recovery.

“Porphyry” means igneous rock in which relatively large crystals, called phenocrysts, are set in a fine-grained groundmass.

“Porphyry copper deposit” means a disseminated large-tonnage, low-grade deposit, in which the copper minerals occur as discrete grains and veins throughout a large volume of rock.

“Primary Mineralization” means valuable minerals deposited during the original period or periods of mineralization as opposed to those deposited as a result of alteration or weathering. Also called “hypogene”.

“Pyrite” means an iron sulphide with the chemical formula Fe_2S .

“QA/QC” means quality assurance/quality control in a mineral exploration and mining context is the combination of quality assurance, the process or set of processes used to assure data quality, and quality control, the process of identifying data outside of established tolerance limits.

“Qualified Person” means a qualified person (QP) as defined in NI 43-101 as an individual who:

- a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these;
- b) has experience relevant to the subject matter of the mineral project and the technical report; and
- c) is a member in good standing of a professional association.

“Quartz” means a mineral composed of silicon dioxide.

“Reclamation” means the process by which lands disturbed as a result of exploration and mining activity are reclaimed back to a beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings impoundments, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock piles and other disturbed areas.

“Resistivity and Resistivity Survey” means the geophysical technique used to measure the resistance of a rock formation to an electric current.

“Rhyolite” means a volcanic rock containing more than 69% SiO_2 .

“Sample” means a small quantity of rock or a mineral deposit taken so that the metal content can be determined by assaying. This term can also be applied to environmental monitoring as samples are taken to establish baseline studies as well as to observe over time.

“**Strike**” means the direction or trend of a geologic structure as it intersects the horizontal. Always perpendicular to the dip direction.

“**Strike length**” means the longest horizontal dimension of an orebody or zone of mineralization.

“**Sulphide (sulfide)**” means a mineral that is sulphur-bearing but has no oxygen.

“**System**” means a regularly interacting or interdependent group of items forming a unified whole.

“**Tenure**” means the act, right, manner, or term of holding something (such as a land, property or buildings).

“**Ton**” also referred to as “short ton”, means a United States Customary unit of weight equivalent to 2000 pounds.

“**Tonne**” means a metric unit of weight equivalent to volume multiplied by specific gravity; equivalent to 1.102 tons or 1,000 kilograms (2,204.6 pounds).

“**Trenching**” means exposing near-surface geology by digging a trench.

“**Tuffs**” means consolidated deposits of volcanic debris. Debris is usually less than 4 mm in size. Ash-flow tuff was deposited by flowage of a turbulent mixture of gas and pyroclastic materials. Air-fall tuff is usually bedded and deposited away from the volcanic source.

“**UTM**” means universal transverse Mercator (geographical coordinates system).

“**Vein**” means a sheet-like body of minerals formed by fracture-filling or replacement of the host rock, but with edges clearly separating it from neighboring rock.

“**Veinlet**” means a very narrow vein.

“**Volcanic**” means formed by volcanic activity.

“**Wall rocks**” means rock units on either side of an orebody.

“**Waste**” means un-mineralized, or sometimes mineralized, rock that is not minable at a profit.

“**Weathering**” means the degradation of rocks at the Earth's surface by climatic forces.

“**Working(s)**” refers to a shaft, quarry, level, open-cut, open pit, or stope etc. Usually noted in the plural.

“**Zone**” means an area of distinct mineralization.

SUMMARY

The following is a summary of the information contained elsewhere in this Circular, concerning a proposed reorganization of the Company by way of a statutory Plan of Arrangement. Certain capitalized words and terms used in this summary are defined in the preceding Glossary of Terms. This summary is qualified in its entirety by the more detailed information and financial statements appearing or referred to elsewhere in this Circular and the schedules attached hereto.

The Meeting

The Meeting will be held at Suite 2600 - 1066 West Hastings Street, Vancouver, British Columbia on December 12, 2017 commencing at 10:00 a.m., Vancouver time. At the Meeting, the Canasil Shareholders will be asked to consider and, if thought fit, to pass the Arrangement Resolution approving an arrangement pursuant to Part 9, Division 5 of the BCBCA, among the Company, Canmine and the Canasil Shareholders. The arrangement will consist of the distribution of Canmine Shares to the Canasil Shareholders. Canasil Shareholders will also be requested to consider and, if thought fit, to pass the Canmine Stock Option Plan Resolution approving a stock option plan for Canmine.

By passing the Arrangement Resolution, the Canasil Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Arrangement without any requirement to seek or obtain any further approval of the Canasil Shareholders.

The Arrangement

The Arrangement has been proposed to facilitate the formation of Canmine as an exploration company holding mineral properties in British Columbia that are prospective for precious and base metal mineralization. Currently, Canasil holds interests in properties in British Columbia and in Mexico, and in recent years has focused its exploration activities primarily on the Mexican properties.

The Board believes that the Plan of Arrangement is in the best interests of Canasil for the following reasons:

1. Transferring the British Columbia Properties to Canmine will accelerate the further exploration and development of the British Columbia Properties, since such activities can be financed in part by the issuance of “flow-through” shares;
2. The Plan of Arrangement will allow the market to value Canasil’s Mexico Properties independent of the British Columbia Properties

Pursuant to the Arrangement, \$500,000 in cash, \$40,000 in reclamation bonds, and four mineral properties located in north central British Columbia (the “**Assets**”) will be acquired by Canmine from the Company in exchange for 56,000,000 Canmine Shares, of which 50,948,686 Canmine Shares (the “**Distributable Canmine Shares**”) will be distributed to the Canasil Shareholders. Subsequent to the completion of the Arrangement, Canmine will independently finance and explore the Assets and any other mineral properties it may acquire.

Pursuant to the Arrangement, the Company will distribute to the Canasil Shareholders who hold Canasil Shares on the Share Distribution Record Date their pro rata portion of the Distributable Canmine Shares on the basis of one Canmine Share for each two (2) Canasil Shares held. The remaining Canmine Shares after the completion of the Arrangement will be retained by the Company for investment purposes.

Accordingly, each Canasil Shareholder as of the Share Distribution Record Date, other than a Dissenting Shareholder, will, immediately after the Arrangement, hold one New Share in the capital of the Company and its pro rata share of the Distributable Canmine Shares for each currently held Canasil Share. The New Shares will be identical in every respect to the present Canasil Shares. See “The Arrangement - Details of the Arrangement”.

Effect of the Arrangement on Canasil Stock Options

After the Effective Date, each Canasil Stock Option outstanding on the Share Distribution Record Date will entitle the holder thereof to receive, upon exercise on or after the Effective Date, one New Share by the exercise of a new Canasil Stock Option and one half (½) of one Canmine Share by the exercise of a Canmine Stock Option, and the exercise prices shall be calculated as follows:

(a)

$$A = B \left(\frac{C}{C + 0.5D} \right)$$

Where:

A = Exercise price of the new Canasil Stock Option;

B = Exercise price of the Canasil Stock Option on the Effective Date;

C = Five day volume weighted average price (“VWAP”) of the New Shares following the Effective Date;

D = Five day VWAP of the Canmine Shares following the Effective Date,

And the exercise price of the Canmine Stock Option will be:

$$2(B - A)$$

Effect of the Arrangement on Canasil Warrants

For each Canasil Warrant held, a holder of Canasil Warrants will receive two share purchase warrants: one warrant (a “New Canasil Warrant”) to purchase one New Share and one warrant to purchase one half of one Canmine share (each whole warrant being referred to herein as a “Canmine Warrant”. The exercise price of the New Canasil Warrant shall be determined as follows:

$$A = B \left(\frac{C}{C + 0.5D} \right)$$

Where:

A = Exercise price of the New Canasil Warrant;

B = Exercise price of the Canasil Warrant on the Effective Date;

C = Five day VWAP of the New Shares following the Effective Date;

D = Five day VWAP of the Canmine Shares following the Effective Date,

And the exercise price of the Canmine Warrant will be:

$$2(B - A)$$

Recommendation and Approval of Board of Directors

The directors of the Company have concluded that the terms of the Arrangement are fair and reasonable to, and in the best interests of, the Company and the Canasil Shareholders. Accordingly, the Board has approved the Arrangement and authorized the submission of the Arrangement to the Canasil Shareholders and the Court for approval. The Board recommends that Canasil Shareholders vote FOR the approval of the Arrangement. See “The Arrangement - Recommendation of Directors”.

Reasons for the Arrangement

The decision to proceed with the Arrangement was based on the following primary determinations:

1. the ownership by Canmine of the Assets is expected to improve the public market’s identification and valuation of the Assets. The separation of the Assets from the Company will allow investors and analysts to more accurately value the Company and Canmine on a stand-alone basis against similar mineral exploration companies and industry benchmarks, thereby enhancing the likelihood that both the Company and Canmine will achieve appropriate market recognition. This will allow the holders of New Shares and Canmine Shares to more fully realize value that the Board believes should be attributed to the two separate entities;
2. the sale to Canmine of the Assets will facilitate separate fund-raising, exploration and development strategies that will be required to move these mineral properties forward and, assuming favourable results, deliver a profit to the Company and the Canmine Shareholders;
3. the distribution of Canmine Shares to the Canasil Shareholders will give the Canasil Shareholders a direct interest in a new aggressive exploration company that will focus on properties that are prospective for precious and base metals-enriched, bulk tonnage mineralization; and
4. as a separate public mineral exploration company, Canmine will have direct access to public and private capital markets and will be able to issue debt and equity to fund exploration and development of the Assets (including the sale of “flow-through shares”) and to finance the acquisition and exploration of new mineral properties without the Canasil Shareholders having their interest in Canasil diluted.

See “The Arrangement - Reasons for the Arrangement”.

Conduct of Meeting and Shareholder Approval

The Interim Order provides that, in order for the Arrangement to proceed, the Arrangement Resolution must be passed, with or without variation, by at least two-thirds (2/3s) of the eligible votes cast with respect to the Arrangement Resolution by Canasil Shareholders present in person or by proxy at the Meeting.

See “The Arrangement - Shareholder Approval”.

Court Approval

The Arrangement, as structured, requires the approval of the Court. Prior to the mailing of this Circular, the Company obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. The Interim Order does not constitute approval of the Arrangement or the contents of this Circular by the Court.

The Notice of Hearing of Petition for the Final Order is attached to the Notice of Meeting. Counsel to the Company has advised that the Court in hearing the petition for the Final Order will consider, among other things, the fairness of the Arrangement to the Canasil Shareholders, and the Court will be advised that based on the Court's approval of the Arrangement, the Company and Canmine will rely on an exemption from registration pursuant to Section 3(a)(10) of the U.S. Securities Act for the issuance of the New Shares and Distributable Canmine Shares to Canasil Shareholders based in the United States. Assuming approval of the Arrangement by the Canasil Shareholders at the Meeting, the hearing for the Final Order is scheduled to take place at 9:45 a.m., Vancouver time, on December 20, 2017, at the Court House, 800 Smithe Street, Vancouver, British Columbia or at such other date and time as the Court may direct. At this hearing, any Canasil Shareholder or creditor of the Company who wishes to participate or to be represented or who wishes to present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements. See "The Arrangement - Court Approval of the Arrangement".

Income Tax Considerations

Certain Canadian Federal income tax considerations for Canasil Shareholders who participate in the Arrangement or who dissent from the Arrangement are set out in the summary herein entitled "Income Tax Considerations - Certain Canadian Federal Income Tax Considerations", and certain United States Federal income tax considerations for Canasil Shareholders who participate in the Arrangement or who dissent from the Arrangement are set out in the summary entitled "Income Tax Considerations - Certain U.S. Federal Income Tax Considerations".

Canasil Shareholders should carefully review the tax considerations applicable to them under the Arrangement and are urged to consult their own tax advisors in regard to their particular circumstances.

Right to Dissent

The Interim Order provides that Canasil Shareholders will have the right to dissent from the Plan of Arrangement as provided in Sections 242 to 247 of the BCBCA. Any Canasil Shareholder who dissents will be entitled to be paid in cash the fair value for the Canasil Shares held so long as such Dissenting Shareholder (i) does not vote any of his or her Canasil Shares in favour of the Arrangement Resolution, (ii) provides to the Company written objection to the Plan of Arrangement no later than 10:00 a.m. (Pacific Time) on the second Business Day prior to the Meeting, and (iii) otherwise complies with the requirements of the Plan of Arrangement and Sections 242 to 247 of the BCBCA. See "Rights of Dissent".

Stock Exchange Listings

The Canasil Shares are currently listed and traded on the Exchange and the New Shares will continue to be listed following completion of the Arrangement. **The closing of the Arrangement is conditional upon the Exchange approving the listing of the Canmine Shares on the Exchange.**

Information Concerning the Company and Canmine After the Arrangement

Following completion of the Arrangement the Company will continue to carry on its business under the name Canasil Resources Inc. The Company's common shares will continue to be listed on the Exchange. Each Canasil Shareholder will continue to be a shareholder of the Company, with each currently held Canasil Share representing one New Share in the capital of the Company, and each Canasil Shareholder on the Share Distribution Record Date will receive its pro rata share of the Distributable Canmine Shares. See "The Company After the Arrangement" for a summary description of the Company, assuming completion of the Arrangement.

Following completion of the Arrangement, Canmine will be a public company in Canada, the shareholders of which will initially be the Company and the holders of Canasil Shares on the Share Distribution Record Date. Canmine will hold four mineral properties in north central British Columbia along with the related reclamation bonds, and have approximately \$500,000 in cash and the benefit of the reclamation bonds lodged in respect of the properties. Closing of the Arrangement is conditional upon the Canmine Shares being listed on the Exchange. See "Canmine After the Arrangement" for a description of the properties, corporate structure and business of Canmine, assuming completion of the Arrangement.

Selected Audited and Unaudited Financial Information for Canasil

The following selected financial information for the Company is derived from its audited annual financial statements prepared as at December 31, 2016, which are attached to this Circular as Schedule F and which are available on SEDAR at www.sedar.com under the Company's profile.

	As at December 31, 2016
	(audited)
Cash and cash equivalents:	\$ 2,265,376
Marketable securities:	1,659,000
Receivables:.....	47,230
Prepaid expenses.....	11,381
Reclamation bonds:.....	28,000
Property and equipment:	47,187
Total assets:	\$ 4,058,174
Current liabilities:	\$ 137,597
Shareholders' equity:	3,920,577
Total liabilities and shareholders' equity:	\$ 4,058,174

The following selected financial information for the Company is derived from its unaudited condensed interim financial statements prepared as at June 30, 2017, which are attached to this Circular as Schedule G and which are available on SEDAR at www.sedar.com under the Company's profile.

	As at June 30, 2017
	(unaudited)
Cash and cash equivalents:	\$ 1,008,378
Marketable securities:	1,071,000
Receivables:.....	94,648
Prepaid expenses.....	43,665
Reclamation bonds:.....	40,000
Property and equipment:	46,716
Total assets:	\$ 2,304,407
Current liabilities:	\$ 61,678
Shareholders' equity:	2,242,729
Total liabilities and shareholders' equity:	\$ 2,304,407

Selected Audited Financial Information for Canmine

The following selected financial information for Canmine is derived from Canmine's audited financial statements prepared as at June 30, 2017 attached to this Circular as Schedule H.

	As at June 30, 2017
	(audited)
Cash:	1
Total assets:	1
Shareholders' equity:	1
Total liabilities and shareholders' equity:	1

Risk Factors

In considering whether to vote for the approval of the Arrangement, Canasil Shareholders should be aware that there are various risks, including those described below and those described in the Circular. Canasil Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

Canmine will not have, upon completion of the Arrangement, any producing mineral property. There is no assurance that commercial quantities of minerals will be discovered on the properties held by Canmine nor is there any guarantee that Canmine's exploration programs on its properties will yield positive results.

Canmine has no sources of revenue and will fund its exploration activities from its working capital. Exploration, development and mining operations involve a high degree of risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. It will be necessary for Canmine to raise additional funds to carry out further exploration and development of its mineral properties and to enable Canmine to acquire additional mineral properties. Canmine may not be able to raise such funds on terms acceptable to it or at all and if it does, the holders of Canmine Shares will be diluted in their percentage shareholding in Canmine. Canmine's operations will be subject to regulatory

and environmental control by, and require licenses, permits and approvals from, governmental bodies over which Canmine has no control. See “Risk Factors”.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. Intermediaries will be arranged to forward the meeting materials to Beneficial Shareholders held of record by those Intermediaries and may be reimbursed for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “Proxy”) are the President and Chief Executive Officer and the Chief Financial Officer of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.** However, if you do so, you must submit the proxy by mail, hand delivery or fax.

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Canasil Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Canasil Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Canasil Shares represented by the Proxy for the approval of such matter.

Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may, except as stated above under “Appointment of Proxyholders”, do so by:

- (a) completing, dating and signing the enclosed form of Proxy and returning it to the Company’s transfer agent, Computershare Investor Services Inc., by fax at (604) 689-8144, or by mail or hand delivery at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to a toll free number as shown on the Proxy. Registered shareholders must follow the instructions of the voice response system and refer to

the enclosed proxy form for the toll free number, the holder's account number and the proxy access number; or

- (c) using the internet through the website of the Company's transfer agent at www.webvote.pctc.com. Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the holder's account number and the Proxy access number;

in all cases ensuring that the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof at which the Proxy is to be used.

Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Canasil Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Canasil Shares).

If Canasil Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Canasil Shares will not be registered in the shareholder's name on the records of the Company. Such Canasil Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such Canasil Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

If you are a Beneficial Shareholder:

There are two kinds of Beneficial Shareholders - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

The Company is taking advantage of those provisions of National Instrument 54-101 of the Canadian Securities Administrators, which permits it to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scannable Voting Instruction Form (VIF). These VIFs are to be completed and returned to Computershare Investor Services Inc. in the envelope provided or by facsimile to the number provided on the VIF. In addition, Computershare Investor Services Inc. will provide instructions for voting by either telephone or internet on the VIF. Computershare Investor Services Inc. will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Canasil Shares represented by the VIFs it receives.

This Circular, with related material, is being sent to both Registered and Beneficial Shareholders. If you are a Beneficial Shareholder and the Company or its agent has sent these materials directly to you, your name and address and information about your Canasil Shares have been obtained in accordance with

applicable securities regulatory requirements from the Intermediary which holds your Canasil Shares on your behalf.

By choosing to send these materials to you directly, the Company (and not the Intermediary holding your Canasil Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in the request for voting instructions that you receive.

Beneficial Shareholders who are OBOs should carefully follow the instructions of their Intermediary in order to ensure that their Canasil Shares are voted at the Meeting.

The form of proxy that will be supplied to Beneficial Shareholders by the Intermediaries will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on behalf of the Beneficial Shareholder. Most Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. in the United States and Broadridge Financial Solutions Inc., Canada, in Canada (collectively, "BFS"). BFS mails a voting instruction form in lieu of a Proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent Beneficial Shareholders at the Meeting. Beneficial Shareholders have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than the persons designated in the VIF, to represent them at the Meeting. To exercise this right, Beneficial Shareholders should insert the name of the desired representative in the blank space provided on the VIF. The completed VIF must then be returned to BFS by mail or facsimile or given to BFS by phone or over the internet, in accordance with BFS's instructions. BFS then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Canasil Shares to be represented at the Meeting. **If you receive a VIF from BFS, you cannot use it to vote Canasil Shares directly at the Meeting - the VIF must be completed and returned to BFS, in accordance with its instructions, well in advance of the Meeting in order to have the Canasil Shares voted.**

Although as a Beneficial Shareholder you may not be recognized directly at the Meeting for the purposes of voting Canasil Shares registered in the name of your Intermediary, you, or a person designated by you, may attend at the Meeting as proxyholder for your Intermediary and vote your Canasil Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Canasil Shares as proxyholder for your Intermediary, or have a person designated by you do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the VIF provided to you and return the same to your Intermediary in accordance with the instructions provided by such Intermediary, well in advance of the Meeting.

Alternatively, you can request in writing that your broker send you a legal proxy that would enable you, or a person designated by you, to attend at the Meeting and vote your Canasil Shares.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or, if the Registered Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare Investor Services Inc. or at the address of the registered office of the

Company at Suite 2600 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or

- (b) personally attending the Meeting and voting the Registered Shareholder's Canasil Shares. A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than as may be otherwise set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Record Date

The Board has fixed November 3, 2017 as the record date (the "**Record Date**") for determination of persons entitled to receive notice of and to vote at the Meeting. Only Canasil Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Canasil Shares voted at the Meeting.

Outstanding Canasil Shares

The Company is authorized to issue an unlimited number of Canasil Shares. As of November 3, 2017, there were 101,897,372 Canasil Shares issued and outstanding, each carrying the right to one vote.

Principal Holders of Canasil Shares

To the knowledge of the directors and executive officers of the Company, as of the date of this Circular, no person beneficially owns, directly or indirectly, or exercises control or direction over, Canasil Shares carrying more than 10% of the voting rights attached to all outstanding Canasil Shares.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast in person or by proxy at the Meeting is required to pass the resolutions described herein as ordinary resolutions and an affirmative vote of two-thirds (2/3s) of the votes cast in person or by proxy at the Meeting is required to pass the resolutions described herein as special resolutions.

THE ARRANGEMENT

General

The Arrangement has been proposed in order to facilitate the separation of certain mineral properties situated in British Columbia held by the Company which are prospective for gold-copper porphyry, silver or gold-silver mineralization, from the other assets of the Company. Pursuant to the

Arrangement, a separate corporation, Canmine, will acquire for aggregate consideration of 56,000,000 Canmine Shares, the Company's interest in the mineral properties, and related reclamation bonds, comprising the Brenda, Lil, Granite and Vega properties, all of the reclamation bonds associated with such properties, and \$500,000 in cash.

Following completion of the Arrangement, the Company will retain all of its other mineral property interests and other assets. Each Canasil Shareholder will, immediately after the Effective Date, hold one New Share for each Canasil Share held immediately prior to the Effective Date, which will be identical in every respect to the present Canasil Shares, and each Canasil Shareholder on the Share Distribution Record Date will receive one Distributable Canmine Share for each two (2) Canasil Shares held. All of the remaining Distributable Canmine Shares after the distribution described above will be held by the Company for investment purposes.

See "Details of the Arrangement" and "Canmine After the Arrangement – Selected Financial Information of Canmine".

Reasons for the Arrangement

The Board has determined that the Company should sell certain mineral properties that are prospective for precious and base metal mineralization to Canmine. To this end, the Board approved a reorganization of the Company pursuant to the Arrangement as described in this Circular.

The Board is of the view that the Arrangement will benefit the Company and Canasil Shareholders. This conclusion is based on the following primary determinations:

1. The ownership by Canmine of the Assets is expected to improve the public market's identification and valuation of the Assets. The separation of the Assets from the Company will allow investors and analysts to more accurately value the Company and Canmine on a stand-alone basis against similar mineral exploration companies and industry benchmarks, thereby enhancing the likelihood that both the Company and Canmine will achieve appropriate market recognition. This will allow the holders of New Shares and Canmine Shares to more fully realize value that the Board believes should be attributed to the two separate entities;
2. The formation of Canmine to hold certain mineral properties in north central British Columbia which are prospective for precious and base metals and which will facilitate separate fund-raising and exploration and mining strategies that will be required to advance these properties and, assuming favourable results, deliver a profit to the Company and Canmine Shareholders;
3. The formation of Canmine and the distribution of Canmine Shares to Canasil Shareholders as of the Share Distribution Record Date will give Canasil Shareholders a direct interest in a new aggressive exploration company, which will pursue the exploration and development of the Assets, as well as the potential acquisition and exploration of other mineral properties. Canmine's activities will be aimed at precious and base metal-enriched bulk tonnage targets; and
4. As a separate public mineral exploration company, Canmine will have direct access to public and private capital markets and will be able to issue debt and equity to fund exploration and development of its mineral properties without Canasil Shareholders having their interests in Canasil diluted.

Recommendation of Directors

The Board has approved the Arrangement and authorized the submission of the Arrangement to the Canasil Shareholders and the Court for approval. **The Board has concluded that the Arrangement is in the best interests of the Company and Canasil Shareholders, and recommends that Canasil Shareholders vote FOR the Arrangement Resolution at the Meeting.**

In reaching this conclusion, the Board considered the benefits to the Company and Canasil Shareholders, as well as the financial position, opportunities and the outlook for the future potential and operating performance of the Company and Canmine.

Fairness of the Arrangement

The Arrangement was determined to be fair to Canasil Shareholders by the Board based upon the following factors, among others:

1. The procedures by which the Arrangement will be approved, including the requirement for two-thirds (2/3s) shareholder approval and approval by the Court after a hearing at which fairness will be considered;
2. The proposed listing of Canmine Shares on the Exchange and the continued listing of the New Shares on the Exchange;
3. The opportunity for Canasil Shareholders who are opposed to the Arrangement, upon compliance with certain conditions, to dissent from the approval of the Arrangement in accordance with the Interim Order, and to be paid fair value for their Canasil Shares;
4. Each Canasil Shareholder on the Share Distribution Record Date will participate in the Arrangement on a pro rata basis and, upon completion of the Arrangement, will continue to hold substantially the same pro rata interest that such Canasil Shareholder held in the Company prior to completion of the Arrangement and substantially that same pro rata interest in Canmine through its direct holdings of Canmine Shares and indirectly through the Company's holding of Canmine Shares; and
5. No seed shares of Canmine have been issued and no concurrent financing is planned until after the Canmine Shares have been listed, posted and called for trading on the Exchange; therefore, neither the directors nor officers of the Company nor any new shareholders will be entitled to a proportion of Canmine Shares which exceeds the proportion available to other Canasil Shareholders on the Share Distribution Record Date.

Details of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is annexed as Schedule B to this Circular, and the Plan of Arrangement, which forms Exhibit II to the Arrangement Agreement. Each of these documents should be read carefully in its entirety.

Pursuant to the Plan of Arrangement, the following principal steps have occurred or will occur and/or be deemed to occur in the following chronological order as part of the Arrangement:

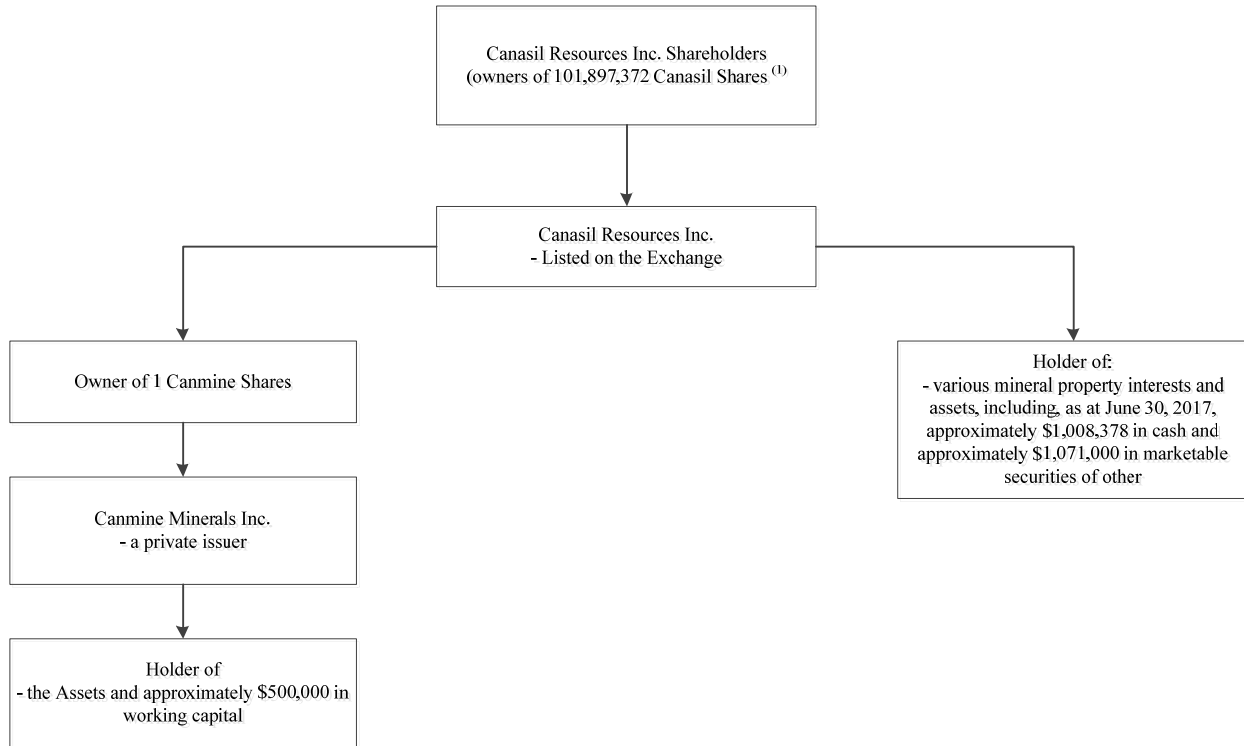
- (a) the Company will transfer cash of \$500,000, reclamation bonds of \$40,000, and the Assets to Canmine pursuant to the Property Purchase Agreement in consideration for 56,000,000 Canmine Shares and the Company has been added to the central securities register of Canmine in respect of such Canmine Shares;
- (b) all Dissenting Shares held by Dissenting Shareholders will be deemed to have been transferred to the Company, and:
 - (i) each Dissenting Shareholder will cease to have any rights as a Canasil Shareholder other than the right to be paid by Canasil, in accordance with the Dissent Rights and net of any applicable withholding tax, the fair value of such Dissent Securities;
 - (ii) the Dissenting Shareholder's name will be removed as the holder of such Dissenting Shares from the central securities register of the Company;
 - (iii) the Dissenting Shares will be cancelled; and
 - (iv) the Dissenting Shareholder will be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Dissenting Shares;
- (c) the Company will undertake a reorganization of capital within the meaning of Section 86 of the Tax Act, which reorganization will occur in the following order and include the following steps:
 - (i) the identifying name of the Canasil Shares will be changed from "Common Shares" to "Class A Common Shares" ("**Canasil Class A Shares**") and the special rights and restrictions attached to such shares will be amended to provide that each Canasil Class A Share is entitled to two votes at any meeting of the shareholders of Canasil, and to reflect such amendments Canasil's articles will be deemed to be amended by adding a new Part 28 as set out in Appendix I to this Plan of Arrangement and Canasil's notice of articles will be deemed to be amended accordingly;
 - (ii) the New Shares will be created as a new class of common shares without par value and without any special rights and restrictions, the identifying name of the New Shares will be "Common Shares," and the maximum number of New Shares which the Company will be authorized to issue will be unlimited;
 - (iii) each outstanding Canasil Class A Share will be exchanged (without any further act or formality on the part of the Canasil Shareholder), free and clear of all Encumbrances, for one (1) New Share and one half (½) of one Distributable Canmine Share, and the Canasil Class A Shares will thereupon be cancelled, and:
 - (A) the holders of Canasil Class A Shares will cease to be the holders thereof and cease to have any rights or privileges as holders of Canasil Class A Shares;
 - (B) the holders of Canasil Class A Shares names will be removed from the securities register of the Company; and
 - (C) each Canasil Shareholder will be deemed to be the holder of the New Shares and the Distributable Canmine Shares exchanged for the Canasil Class A Shares, in each case, free and clear of any Encumbrances, and will be entered

into the securities register of the Company and Canmine, as the case may be, as the registered holder thereof;

- (iv) the authorized share capital of the Company will be amended by the elimination of the Canasil Class A Shares and the special rights and restrictions attached to such shares, and the notice of articles will be deemed to be amended accordingly; and
 - (v) the capital of the Company in respect of the New Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Canasil Shares immediately prior to the Effective Time, less the fair market value of the Distributable Canmine Shares distributed on such exchange;
- (d) after the Effective Date, all Canasil Share Commitments will be exercisable for New Shares and Canmine Shares. See “Effect of the Arrangement on Canasil Stock Options” and “Effect of the Arrangement on Canasil Warrants”.

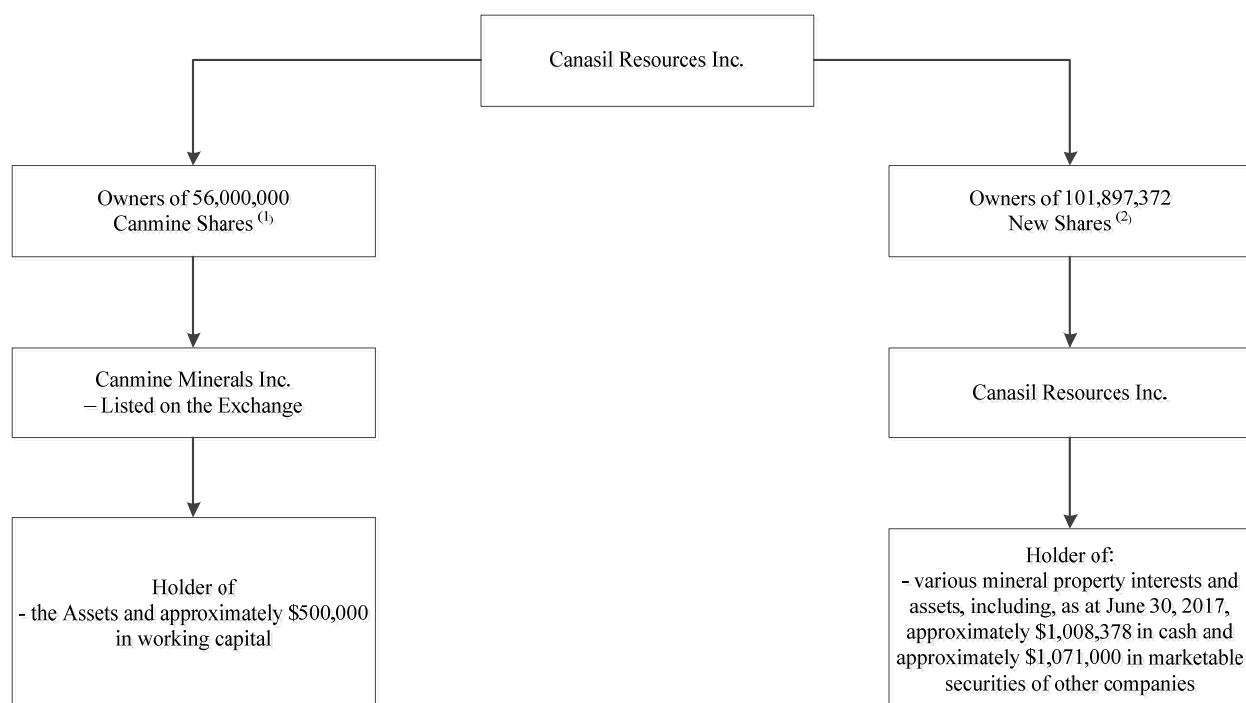
The effect of the Arrangement can be demonstrated by the following diagrams:

CURRENT STATUS



(1) As at November 3, 2017.

FINAL STRUCTURE



(1) Based on one Canmine Share being distributed for each two (2) Canasil Shares held as of November 3, 2017.

(2) As at November 3, 2017.

Authority of the Board

By passing the Arrangement Resolution, the Canasil Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Arrangement without any requirement to seek or obtain any further approval of the Canasil Shareholders.

The Arrangement Resolution also provides that the Plan of Arrangement may be amended by the Board before or after the Meeting without further notice to Canasil Shareholders. The Board has no current intention to amend the Plan of Arrangement; however, it is possible that the Board may determine that it is appropriate that amendments be made.

Conditions to the Arrangement

The Arrangement Agreement provides that the Arrangement will be subject to the fulfilment of certain conditions, including the following:

1. the Arrangement Agreement must be approved by the Canasil Shareholders at the Meeting in the manner referred to under “Shareholder Approval”;
2. the Arrangement must be approved by the Court in the manner referred to under “Court Approval of the Arrangement”;
3. The Exchange must have conditionally accepted the Arrangement, including the delisting of the Canasil Shares and the listing of the New Shares and the listing of the Canmine Shares effective prior to the Effective Time, subject to compliance with the requirements of the Exchange;
4. All other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, required, necessary or desirable for the completion of the Arrangement must have been obtained or received, each in form acceptable to the Company and Canmine;
5. Notices of dissent must not have been delivered by Canasil Shareholders holding greater than 2% of the outstanding Canasil Shares; and
6. The Arrangement Agreement must not have been terminated.

If any of the conditions set out in the Arrangement Agreement are not fulfilled or performed, the Company may terminate the Arrangement Agreement, or in certain cases the Company may waive the condition in whole or in part. As soon as practicable after the fulfilment of the conditions contained in the Arrangement Agreement, the Board intends to cause a certified copy of the Final Order to be filed with the Registrar under the BCBCA, together with such other material as may be required by the Registrar, in order that the Arrangement will become effective.

Management of the Company believes that all material consents, orders, regulations, approvals or assurances required for the completion of the Arrangement will be obtained in the ordinary course upon application therefor.

Shareholder Approval

Canasil Shareholder Approval

In order for the Arrangement to become effective, the Arrangement Resolution must be passed, with or without variation, by a special resolution of at least two-thirds (2/3) of the eligible votes cast in respect of the Arrangement Resolution by Canasil Shareholders present in person or by proxy at the Meeting.

Canmine Shareholder Approval

The Canmine Shareholders have approved the Arrangement by consent resolution.

Court Approval of the Arrangement

The Arrangement as structured requires the approval of the Court. Prior to the mailing of this Circular, the Company obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. The Interim Order is attached as Schedule D to this Circular. The Notice of Hearing of Petition for the Final Order can be found attached to the Notice of Meeting.

Assuming approval of the Arrangement Resolution by the Canasil Shareholders at the Meeting, the Notice of Hearing of Petition states that the hearing for the Final Order is scheduled to take place at 9:45 a.m. Vancouver time, on December 20, 2017 at the Court House, 800 Smithe Street, Vancouver, British Columbia or at such other date and time as the Court may direct. At this hearing, any security holder or creditor of the Company who wishes to participate or to be represented or present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements.

Counsel to the Company has advised that the Court has broad discretion under the BCBCA when making orders in respect of arrangements and that the Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks appropriate. The Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the terms and conditions of the Arrangement to Canasil Shareholders.

Proposed Timetable for Arrangement

The Special Meeting will be held on December 12, 2017. If the Canasil Shareholders approve the Arrangement Resolution by the requisite majority, the Directors of Canasil and Canmine will determine the timing for the remaining steps for the completion of the Arrangement. The remaining steps, in sequence and at the times determined by the Canasil Directors and the Canmine Directors, are required for the completion of the Arrangement: Final Court Approval, Share Distribution Record Date, the Effective Date and the mailing of the certificates for the Distributed Canine Shares.

The determination of the timing of the steps will be made on the basis of all applicable factors, including general market conditions for junior resource companies and the availability of financing to enable Canmine to satisfy the Initial Listing Requirements of the Exchange

Notice of the actual Final Court Approval, Share Distribution Record Date and Effective Date will be given to the Company Shareholders through press releases. The Boards of Directors of the Company and Canmine will determine the exact Effective Date depending on when all the conditions to the completion of the Arrangement are satisfied.

Canmine Share Certificates and Certificates for New Shares

Pursuant to the Plan of Arrangement, the close of business on the fourth Business Day after the day of the Meeting (or such other date as may be determined by Canasil and Canmine) has been established as the Share Distribution Record Date for purposes of determining Canasil Shareholders who will be entitled to receive certificates representing their pro rata share of the Distributable Canmine Shares. After the Share Distribution Record Date, the share certificates representing, on their face, Canasil Shares will be deemed to represent only New Shares with no right to receive Canmine Shares. As of the Share Distribution Record Date, the share certificates representing, on their face, Canasil Shares, will be deemed under the Plan of Arrangement to represent New Shares and an entitlement to receive a pro rata share of the Distributable Canmine Shares in accordance with the terms of the Arrangement. As soon as practicable after the Effective Date, certificates representing the appropriate number of Canmine Shares will be sent to all Canasil Shareholders of record at the close of business on the Share Distribution Record Date.

No new share certificates will be issued for the New Shares created under the Arrangement and therefore holders of Canasil Shares must retain their certificates as evidence of their ownership of New Shares. Certificates representing, on their face, Canasil Shares will constitute good delivery in connection with the sale of New Shares completed through the facilities of the Exchange after the Effective Date.

Relationship Between the Company and Canmine after the Arrangement

On completion of the Arrangement, the Company will, based on information as at November 3, 2017, own 5,051,314 Canmine Shares (9% of the issued and outstanding Canmine Shares). In addition, Bahman Yamini, Alvin Jackson, Michael McInnis, Arthur Freeze, Iain MacPhail and Kerry Spong will be directors and/or officers of each of Canasil and Canmine. See “Canmine After the Arrangement – Principal Shareholders of Canmine” and “Canmine After the Arrangement – Directors and Officers of Canmine”.

Effect of the Arrangement on Canasil Stock Options

After the Effective Date, each Canasil Stock Option outstanding on the Share Distribution Record Date will entitle the holder thereof to receive, upon exercise on or after the Effective Date, one New Share by the exercise of a new Canasil Stock Option and one half (½) of one Canmine Share by the exercise of a Canmine Stock Option, and the exercise prices shall be calculated as follows:

(b)

$$A = B \left(\frac{C}{C + 0.5D} \right)$$

Where:

A = Exercise price of the new Canasil Stock Option;

B = Exercise price of the Canasil Stock Option on the Effective Date;

C = Five day volume weighted average price (“VWAP”) of the New Shares following the Effective Date;

D = Five day VWAP of the Canmine Shares following the Effective Date,

And the exercise price of the Canmine Stock Option will be:

$$2(B - A)$$

Effect of the Arrangement on Canasil Warrants

For each Canasil Warrant held, a holder of Canasil Warrants will receive two share purchase warrants: one warrant (a “New Canasil Warrant”) to purchase one New Share and one warrant to purchase one half of one Canmine share (each whole warrant being referred to herein as a “Canmine Warrant”. The exercise price of the New Canasil Warrant shall be determined as follows:

$$A = B \left(\frac{C}{C + 0.5D} \right)$$

Where:

A = Exercise price of the New Canasil Warrant;

B = Exercise price of the Canasil Warrant on the Effective Date;

C = Five day VWAP of the New Shares following the Effective Date;

D = Five day VWAP of the Canmine Shares following the Effective Date,

And the exercise price of the Canmine Warrant will be:

$$2(B - A)$$

Resale of New Shares and Canmine Shares

Exemption from Canadian Prospectus Requirements and Resale Restrictions

The distribution of New Shares and Canmine Shares pursuant to the Arrangement will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable provincial securities legislation in the provinces of Canada. Under applicable provincial securities laws, such New Shares and Canmine Shares may be resold in Canada without hold period restrictions if (i) the trade is not from the holdings of a person, company or combination of persons or companies holding a sufficient number of New Shares or Canmine Shares to affect materially the control of the Company or Canmine, respectively, (ii) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade, (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade, (iv) if the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the Company or Canmine, as applicable, is in default of securities legislation. In addition, existing hold periods on any Canasil Shares in effect on the Effective Date will be carried forward to the New Shares.

The foregoing discussion is only a general overview of the requirements of Canadian securities laws for the resale of the New Shares and the Canmine Shares received upon completion of the Arrangement. All holders of Canasil Shares are urged to consult with their own legal counsel to ensure that any resale of their New Shares and Canmine Shares complies with applicable securities legislation.

Application of United States Securities Laws

The New Shares and the Canmine Shares to be issued to the Canasil Shareholders under the Arrangement have not been registered under the U.S. Securities Act, or under the securities laws of any state of the United States. Such securities will be issued in the United States in reliance on the registration exemption under section 3(a)(10) of the U.S. Securities Act and registration exemptions provided under the securities laws of each state of the United States in which Canasil Shareholders reside, subject to certain notice requirements. Section 3(a)(10) of the U.S. Securities Act exempts from registration a security which is issued in exchange for outstanding securities where the terms and conditions of such issue and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or governmental authority expressly authorized by law to grant such approval. The Court will be advised that the Court's approval, if obtained, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act.

U.S. Resale Restrictions - Securities Issued to Canasil Shareholders

The restrictions on resale imposed by the U.S. Securities Act on the New Shares and Distributable Canmine Shares will depend on whether the Securityholder will be an "affiliate" of the issuer of such securities after completion of the Arrangement. As defined in Rule 144 under the U.S. Securities Act, an "affiliate" of an issuer is a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer. Typically, persons who are executive officers or directors of an issuer, and persons who beneficially own 10% or more of the voting securities of an issuer, are considered to be the issuer's "affiliates". The resale rules applicable to Canasil Shareholders resident in the United States are summarized below.

Generally, Canasil Shareholders who will not be affiliates of the Company after the Arrangement and who were not affiliates of the Company within 90 days of the completion of the Arrangement or within 90 days of the resale transaction will be able to resell the New Shares issued to them upon closing of the Arrangement without restriction under the U.S. Securities Act. Similarly, Canasil Shareholders who will not be affiliates of Canmine after the Arrangement and who were not affiliates of Canmine within 90 days of the completion of the Arrangement or within 90 days of the resale transaction, will be able to resell the Canmine Shares issued to them upon closing of the Arrangement without restriction under the U.S. Securities Act.

New Shares issued under the Arrangement to Canasil Shareholders who will be affiliates of the Company after the Arrangement or within 90 days of the completion of the Arrangement or of the resale transaction, and Distributable Canmine Shares issued to Canasil Shareholders who will be affiliates of Canmine after the Arrangement or within 90 days of the completion of the Arrangement or of the resale transaction, will be subject to resale restrictions under Rule 144. Generally, such affiliates will not be able to resell their respective securities unless such securities are registered under the U.S. Securities Act, or an exemption from registration is available, such as the safe harbor contained in Rule 144 promulgated under the U.S. Securities Act.

In general, under Rule 144, an affiliate of the Company or Canmine, as the case may be, will be entitled to resell in the United States, during any three-month period, that number of securities that does not exceed one percent of the then-outstanding securities of such class, subject to certain restrictions contained in Rule 144 under the U.S. Securities Act as to manner of sale, notice requirements, aggregation rules and the availability of certain public information about the relevant issuer, provided that the Company or Canmine, as the case may be, was not, at any time in its corporate history, a "shell company". For these purposes, a shell company is defined in Rule 144 to mean an issuer that has: (1) no or nominal operations; and (2) either (i) no or nominal assets, (ii) assets consisting solely of cash and

cash equivalents; or (iii) assets consisting of any amount of cash and cash equivalents and nominal other assets. Neither the Company nor Canmine believes that it has been a shell company at any time.

Despite the resale restrictions applicable under Rule 144 to U.S. security holders who are affiliates of the Company or Canmine, certain affiliates will be able resell such securities in an “offshore transaction” in accordance with Regulation S under the U.S. Securities Act provided the conditions imposed by Rule 904 of Regulation S for offshore resale transactions are satisfied. An “offshore transaction” includes a transaction executed using the facilities of the Exchange, provided the offer of the securities is not made to a person in the United States and, to the knowledge of the seller or any person acting on the seller's behalf, the transaction has not been pre-arranged with a buyer in the United States.

Rule 904 of Regulation S will be available to permit the resale of the New Shares and Distributable Canmine Shares by an affiliate of the issuer of such securities if:

- the security holder is an affiliate solely by virtue of his or her status as an officer or director of the issuer;
- neither the security holder nor any person acting on the security holder's behalf engages in “directed selling efforts” in the United States; and
- no selling concession, fee or other remuneration is paid in connection with such offer or sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

“Directed selling efforts” means any activity undertaken for the purpose, or that could reasonably be expected to have the effect, of conditioning the market in the United States for any of the securities being offered in the resale transaction.

Securities sold in accordance with Rule 904 of Regulation S will cease to be “restricted securities” if the issuer qualifies as a “foreign issuer” as defined in Regulation S at the time of the resale transaction.

The offshore resale provisions of Rule 904 of Regulation S will not be available to permit the resale of the New Shares or Distributable Canmine Shares by a security holder who is an affiliate of the issuer of such securities as a consequence of being a major shareholder of that issuer. As described above, persons who beneficially own 10% or more of the voting securities of an issuer will generally be considered to be an affiliate of the issuer for the purposes of the U.S. Securities Act, and therefore disqualified from relying on Rule 904 of Regulation S to resell securities of the issuer.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the securities received upon completion of the Arrangement. All holders of securities received in connection with the Arrangement are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

Additional Information for U.S. Security Holders

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS MANAGEMENT INFORMATION CIRCULAR AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

This Circular has been prepared in accordance with the applicable disclosure requirements in Canada. Residents of the United States should be aware that such requirements are different than those of the United States applicable to proxy statements under the U.S. Exchange Act. Likewise, information concerning the properties and operations of the Company and Canmine have been prepared in accordance with Canadian standards, and may not be comparable to similar information for United States companies. In particular, the standards for preparing estimates of Mineral Reserves under Canadian disclosure requirements differ from the requirements of the SEC, and the policies of the SEC normally do not permit disclosure concerning “Mineral Resources” to be included in documents filed with the SEC. See “Notice to United States Shareholders” and “Glossary of Mining Terms”.

Financial statements included herein have been prepared in accordance with International Financial Reporting Standards and subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements of United States companies. Company Shareholders should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. See “Income Tax Considerations – Certain U.S. Federal Income Tax Considerations” for certain information concerning United States tax consequences of the Arrangement for investors who are resident in, or citizens of, the United States.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company and Canmine are incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein may be residents of a foreign country, and that all or a substantial portion of the assets of the Company and Canmine and said persons may be located outside the United States.

Expenses of Arrangement

Pursuant to the Arrangement Agreement, the costs relating to the Arrangement, including without limitation, financial, advisory, accounting, and legal fees will be borne by the party incurring them. The costs of the Arrangement to the Effective Date will be borne by the Company.

INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Considerations

The following summarizes certain Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “**ITA**”) generally applicable to Canasil Shareholders in respect of the disposition of Canasil Shares pursuant to the Arrangement, and the acquisition, holding, and disposition of New Shares and Canmine Shares acquired pursuant to the Arrangement.

Comment is restricted to Canasil Shareholders who, for purposes of the ITA, (i) hold their Canasil Shares, and will hold their Canasil Class A Shares, New Shares and Canmine Shares, solely as capital property, and (ii) deal at arm’s length with and are not affiliated with Canmine or Canasil (each such Canasil Shareholder, a “**Holder**”).

This summary does not apply to a Holder that:

- (a) is a “financial institution” for the purposes of the mark-to-market rules in the ITA or a “specified financial institution” as defined in the ITA;
- (b) is a person or partnership an interest in which is a “tax shelter investment” for purposes of the ITA;

- (c) has elected to report its Canadian federal income tax results in a currency other than Canadian currency;
- (d) has entered into or will enter into a “derivative forward agreement”, a “synthetic disposition arrangement”, or a “synthetic equity arrangement” as those terms are or are proposed to be defined in the ITA;
- (e) has acquired Canasil Shares, or will acquire Canasil Class A Shares, New Shares or Canmine Shares, on the exercise of an employee stock option; or
- (f) is otherwise a Holder of special status or in special circumstances,

All such Holders should consult their own tax advisors with respect to the consequences of the Arrangement. In addition, this summary does not address any tax considerations relevant to holders of Canasil Options, and such holders should also consult their own advisors in this regard.

The summary assumes that (i) the redesignation of Canasil Shares as Canasil Class A Shares and the amendment of the terms of such shares to increase the number of votes that may be cast, as contemplated by the Plan of Arrangement, will not, in and of itself, result in Holders being deemed to have disposed of their Canasil Shares for the purposes of the ITA (for purposes of this summary, Canasil Class A Shares are hereafter referred to as “**Canasil Shares**”), and (ii) the Share Exchange (as described below) will be considered to occur “in the course of a reorganization of capital” of Canasil such that section 86 of the ITA will apply in respect of the Share Exchange. **No tax ruling or legal opinion has been sought or obtained in this regard, or with respect to any of the assumptions made throughout this summary of Certain Canadian Federal Income Tax Considerations, and the summary below is qualified accordingly.**

This summary is based on the current provisions of the ITA, the regulations thereunder (the “**Regulations**”), and our understanding of the current published administrative practices and policies of the Canada Revenue Agency (the “**CRA**”). This summary takes into account all specific proposals to amend the ITA and Regulations (the “**Proposed Amendments**”) announced by the Minister of Finance (Canada) prior to the date hereof. It is assumed that the Proposed Amendments will be enacted as currently proposed and that there will be no other change in law or administrative or assessing practice, whether by legislative, governmental, or judicial action or decision, although no assurance can be given in these respects. This summary does not take into account provincial, territorial or foreign income tax considerations, which may differ materially from the Canadian federal income tax considerations discussed below.

This summary is of a general nature only and is not and should not be construed as legal or tax advice to any particular person (including a Holder as defined above). Each person who may be affected by the Arrangement should consult the person’s own tax advisors with respect to the person’s particular circumstances.

Holders Resident in Canada

This portion of this summary applies only to Holders who are or are deemed to be resident solely in Canada for the purposes of the ITA and any applicable income tax treaty or convention (each a “**Resident Holder**”).

Exchange of Canasil Shares for New Shares and Canmine Shares

A Resident Holder who exchanges Canasil Shares for New Shares and Canmine Shares pursuant to the Arrangement (the “**Share Exchange**”) will be deemed to have received a taxable dividend equal to the amount, if any, by which the fair market value of the Canmine Shares distributed to the Resident Holder pursuant to the Share Exchange at the time of the Share Exchange exceeds the “paid-up capital” (as defined in the ITA) (“**PUC**”) of the Resident Holder’s Canasil Shares determined at that time. Any such taxable dividend will be taxable as described below under “Holders Resident in Canada - Taxation of Dividends”. However, Canasil expects that the fair market value of all Canmine Shares distributed pursuant to the Share Exchange under the Arrangement will not exceed the PUC of the Canasil Shares. Accordingly, Canasil does not expect that any Resident Holder will be deemed to receive a taxable dividend on the Share Exchange.

A Resident Holder who exchanges Canasil Shares for New Shares and Canmine Shares on the Share Exchange will realize a capital gain equal to the amount, if any, by which the fair market value of those Canmine Shares at the effective time of the Share Exchange, less the amount of any taxable dividend deemed to be received by the Resident Holder as described in the preceding paragraph, exceeds the “adjusted cost base” (as defined in the ITA) (“**ACB**”) of the Resident Holder’s Canasil Shares determined immediately before the Share Exchange. Any capital gain so realized will be taxable as described below under “Holders Resident in Canada - Taxation of Capital Gains and Losses”.

The Resident Holder will acquire the Canmine Shares received on the Share Exchange at a cost equal to their fair market value as at the Effective Time of the Share Exchange, and the New Shares received on the Share Exchange at a cost equal to the amount, if any, by which the ACB of the Resident Holder’s Canasil Shares immediately before the Share Exchange exceeds the fair market value of the Canmine Shares as at the effective time of the Share Exchange.

Disposition of New Shares or Canmine Shares after the Arrangement

A Resident Holder who disposes or is deemed to dispose of a New Canasil Share or Canmine Share generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition therefor are greater (or less) than the ACB of the share to the Resident Holder, less reasonable costs of disposition. Any such capital gain or capital loss will be subject to the treatment generally described below under “Holders Resident in Canada – Taxation of Capital Gains and Capital Losses”.

Taxation of Dividends

A Resident Holder who is an individual (other than certain trusts) and receives or is deemed to receive a taxable dividend in a taxation year on the Holder’s Canasil Shares, New Shares or Canmine Shares will be required to include the amount of the dividend in income for the year, subject to the dividend gross-up and tax credit rules applicable to taxable dividends received by a Canadian resident individual from a taxable Canadian corporation, including the enhanced dividend gross-up and tax credit that may be applicable if and to the extent that Canasil or Canmine, as the case may be, designates the taxable dividend to be an “eligible dividend” in accordance with the ITA. Canasil and Canmine have made no commitments in this regard. Dividends received by an individual may also give rise to alternative minimum tax.

A Resident Holder that is a corporation and receives or is deemed to receive a taxable dividend in a taxation year on its Canasil Shares, New Shares, or Canmine Shares must include the amount in its income for the year, but generally will be entitled to deduct an equivalent amount from its taxable

income, subject to all restrictions under the ITA and the Proposed Amendments. A Resident Holder that is a “private corporation” or a “subject corporation” (as defined in the ITA) may also be liable under Part IV of the ITA to pay a special tax (refundable in certain circumstances) on any such dividends to the extent that the dividend is deductible in computing the corporation’s taxable income.

Taxation of Capital Gains and Capital Losses

A Resident Holder who realizes a capital gain or capital loss in a taxation year on the actual or deemed disposition of a share, including a Canasil Share, New Canasil Share or Canmine Share, generally will be required to include one half of any such capital gain (a “**taxable capital gain**”) in income for the year, and entitled to deduct one half of any such capital loss (an “**allowable capital loss**”) against taxable capital gains realized in the year and, to the extent not so deductible, in any of the three preceding taxation years or any subsequent taxation year, to the extent and in the circumstances specified in the ITA.

The amount of any capital loss realized by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on the share (or on a share substituted therefor) to the extent and in the circumstances described in the ITA. Similar rules may apply where the corporation is a member or beneficiary of a partnership or trust that held the share, or where a partnership or trust of which the corporation is a member or beneficiary is itself a member of a partnership or a beneficiary of a trust that held the share. Affected Resident Holders should consult their own tax advisors in this regard.

A Resident Holder that is a “Canadian controlled private corporation” (as defined in the ITA) throughout the relevant taxation year may be liable to pay an additional tax (refundable in certain circumstances) on its “aggregate investment income”, which includes taxable capital gains, for the year.

Alternative Minimum Tax on Individuals

A Resident Holder who is an individual (including certain trusts) and receives a taxable dividend on, or realizes a capital gain on the disposition of, a share, including a Canasil Share, New Canasil Share or Canmine Share, may thereby be liable for alternative minimum tax to the extent and within the circumstances set out in the ITA.

Dissenting Shareholders

A Resident Holder who validly exercises Dissent Rights (a “**Dissenting Resident Holder**”) and who consequently transfers or is deemed to transfer Canasil Shares to Canasil for payment by Canasil will be deemed to receive a taxable dividend in the taxation year of payment equal to the amount, if any, by which the payment (excluding interest) exceeds the PUC of the Dissenting Resident Holder’s Canasil Shares determined immediately before the Arrangement. Any such taxable dividend will be taxable as described above under “Holders Resident in Canada – Taxation of Dividends”. The Dissenting Resident Holder will also realize a capital gain (or capital loss) equal to the amount, if any, by which the payment (excluding interest), less any such deemed taxable dividend, exceeds (is exceeded by) the ACB of the Dissenting Resident Holder’s Canasil Shares determined immediately before the Arrangement. Any such capital gain or loss will generally be taxable or deductible as described above under “Holders Resident in Canada – Taxation of Capital Gains and Capital Losses”.

The Dissenting Resident Holder will be required to include any portion of the payment that is on account of interest in income in the year received.

Eligibility for Investment – New Shares and Canmine Shares

A New Canasil Share will be a “qualified investment” for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan or a tax-free savings account (“TFSA”) as those terms are defined in the ITA (collectively, “Registered Plans”) at any time at which the New Shares are listed on a “designated stock exchange” as defined in the ITA (which includes the TSX Venture Exchange), or Canasil is a “public corporation” as defined in the ITA.

A Canmine Share will be a qualified investment for a Registered Plan at any time at which the Canmine Shares are listed on a “designated stock exchange” (which includes the TSX Venture Exchange), or Canmine is a “public corporation”, as those terms are defined in the ITA. **Management of Canasil believes that Canmine should meet the relevant listing requirements of the TSX Venture Exchange once the requisite distribution and other requirements are achieved as of the Effective Date, and intends to request that the TSX Venture Exchange issue a listing bulletin or similar communication deeming the Canmine Shares to be listed as of the Effective Time, but this result, or the CRA’s acceptance thereof for purposes of the potential “qualified investment” status of the Canmine Shares as of any particular time, cannot be guaranteed.** If the Canmine Shares are not considered listed on a designated stock exchange at the Effective Time pursuant to the Arrangement, but become so listed before Canmine’s “filing-due date” (as defined in the ITA) for its second taxation year and Canmine makes the appropriate election in its tax return for that year, Canmine will be deemed under the ITA to be a public corporation from the beginning of the year and the Canmine Shares consequently will be considered to be qualified investments for Registered Plans from their date of issue. **Management of Canmine intends that the Canmine Shares will be listed on a designated exchange before the filing-due date for its second taxation year, and that Canmine will make the appropriate election in its tax return for that year, although this result also cannot be guaranteed. There can be no assurance as to if, or when, the Canmine Shares will be listed or traded on any stock exchange. Should the Canmine Shares be distributed to or otherwise acquired by a Registered Plan other than as “qualified investments”, adverse tax consequences not described in this summary should be expected to arise for the Registered Plan and the annuitant thereunder. Resident Holders that hold Canasil Shares and will or may hold Canmine Shares within a Registered Plan should consult with their own tax advisors in this regard.**

Notwithstanding that the New Shares and/or Canmine Shares may be qualified investments at a particular time, the holder of a TFSA or the annuitant of a RRSP or RRIF will be subject to a penalty tax in respect of a New Canasil Share or a Canmine Share held in the TFSA, RRSP or RRIF, as applicable, if the share is a “prohibited investment” under the ITA. A New Canasil Share or a Canmine Share generally will not be a prohibited investment for a TFSA, RRSP or RRIF of a holder or annuitant thereof, as applicable, provided that (i) the holder or annuitant of the account does not have a “significant interest” within the meaning of the ITA in Canasil or Canmine, as applicable, and (ii) Canasil or Canmine, as applicable, deals at arm’s length with the holder or annuitant for the purposes of the ITA. **Canasil Shareholders should consult their own tax advisers to ensure that the New Shares and Canmine Shares would not be a prohibited investment for a trust governed by a TFSA, RRSP or RRIF in their particular circumstances.**

Holders Not Resident in Canada

This portion of this summary applies only to Holders each of whom at all material times for the purposes of the ITA (i) has not been and is not resident or deemed to be resident in Canada for purposes of the ITA, and (ii) does not and will not use or hold Canasil Shares, New Shares, or Canmine Shares in connection with carrying on a business in Canada (each a “Non-resident Holder”).

Special rules, which are not discussed in this summary, may apply to a Non-resident Holder that is an insurer carrying on business in Canada and elsewhere, or an “authorized foreign bank” as defined in the ITA. Such Non-resident Holders should consult their own tax advisers with respect to the Arrangement.

Exchange of Canasil Shares for New Shares and Canmine Shares

The discussion of the tax consequences of the Share Exchange for Resident Holders under the heading “Holders Resident in Canada - Exchange of Canasil Shares for New Shares and Canmine Shares” generally will also apply to Non-resident Holders in respect of the Share Exchange. The general taxation rules applicable to Non-resident Holders in respect of a deemed taxable dividend or capital gain arising on the Share Exchange are discussed below under the headings “Holders Not Resident in Canada – Taxation of Dividends” and “Holders Not Resident in Canada – Taxation of Capital Gains and Capital Losses” respectively.

Taxation of Dividends

A Non-resident Holder to whom Canasil or Canmine pays or credits (or is deemed to pay or credit) an amount as a dividend in respect of the Arrangement (if at all), or otherwise in respect of the Holder’s Canasil Shares, New Shares, or Canmine Shares, will be subject to Canadian withholding tax equal to 25% (or such lower rate as may be available under an applicable income tax convention, if any) of the gross amount of the dividend.

Taxation of Capital Gains and Capital Losses

A Non-resident Holder will not be subject to Canadian federal income tax in respect of any capital gain arising on an actual or deemed disposition of a Canasil Share, New Canasil Share or Canmine Share unless, at the time of disposition, the share is “taxable Canadian property” as defined in the ITA, and is not “treaty-protected property” as so defined.

Generally, a Canasil Share, New Canasil Share, or Canmine Share, as applicable, of the Non-resident Holder will not be taxable Canadian property of the Holder at any time at which the share is listed on a “designated stock exchange” as defined in the ITA (which includes the TSX Venture Exchange) unless, at any time during the 60 months immediately preceding the disposition of the share,

- (a) the Non-resident Holder, one or more persons with whom the Non-resident Holder did not deal at arm’s length, partnerships in which the Non-resident Holder or persons with whom the Non-resident Holder did not deal at arm’s length held membership interests (directly or indirectly), or any combination of the foregoing, owned 25% or more of the issued shares of any class of the capital stock of Canasil or Canmine, as applicable, and
- (b) the share derived more than 50% of its fair market value directly or indirectly from, or from any combination of, real property situated in Canada, “Canadian resource properties”, “timber resource properties” (as those terms are defined in the ITA), and interest, rights or options in or in respect of any of the foregoing.

Shares may also be deemed to be “taxable Canadian property” under other provisions of the ITA.

A Non-resident Holder who disposes or is deemed to dispose of a Canasil Share, New Canasil Share or Canmine Share that, at the time of disposition, is taxable Canadian property and is not treaty-protected property will realize a capital gain (or capital loss) equal to the amount, if any, by which the Holder’s

proceeds of disposition of the share exceeds (or is exceeded by) the Non-resident Holder's ACB in the share and reasonable costs of disposition. The Non-resident Holder generally will be required to include one half of any such capital gain (taxable capital gain) in the Holder's taxable income earned in Canada for the year of disposition, and be entitled to deduct one half of any such capital loss (allowable capital loss) against taxable capital gains included in the Holder's taxable income earned in Canada for the year of disposition and, to the extent not so deductible, against such taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, to the extent and in the circumstances set out in the ITA.

Non-resident Holders who may hold shares as "taxable Canadian property" should consult their own tax advisors in this regard.

Dissenting Non-Resident Holders

The discussion above applicable to Resident Holders under the heading "Holders Resident in Canada - Dissenting Shareholders" will generally also apply to a Non-resident Holder who validly exercises Dissent Rights in respect of the Arrangement. In general terms, the Non-resident Holder will be subject to Canadian federal income tax in respect of any deemed taxable dividend arising as a consequence of the exercise of Dissent Rights generally as discussed above under the heading "Holders Not Resident in Canada – Taxation of Dividends" and subject to the Canadian federal income tax treatment in respect of any capital gain or loss arising as a consequence of the exercise of Dissent Rights generally as discussed above under the heading "Holders Not Resident in Canada – Taxation of Capital Gains and Capital Losses".

Certain Material United States Federal Income Tax Considerations

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from the Arrangement and the ownership and disposition of New Shares and Canmine Shares received in the Arrangement. This summary does not address the U.S. federal income tax consequences to holders of Canasil Options.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder with respect to the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular U.S. Holder. In addition, this summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. Medicare contribution, U.S. state and local, or non-U.S. tax consequences of the Arrangement or the ownership and disposition of New Shares and Canmine Shares received in the Arrangement. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements.

EACH U.S. HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING ALL U.S. FEDERAL, U.S. STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE ARRANGEMENT AND THE OWNERSHIP AND DISPOSITION OF NEW SHARES AND CANMINE SHARES RECEIVED IN THE ARRANGMENT.

No opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement

or the ownership and disposition of New Shares and Canmine Shares received in the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, any position taken in this summary. In addition, because the authorities upon, which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of This Disclosure

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the “**Canada-U.S. Tax Convention**”), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date hereof. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

- For purposes of this summary, the term “U.S. Holder” means a beneficial owner of Canasil Shares that is for U.S. federal income tax purposes:
- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a “**non-U.S. Holder**” is a beneficial owner of Canasil Shares that is not a partnership (or other “pass-through” entity) for U.S. federal income tax purposes and is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences applicable to non-U.S. Holders arising from the Arrangement or the ownership and disposition of New Shares and Canmine Shares received in the Arrangement. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding all U.S. federal,

U.S. state and local, and non-U.S. tax consequences (including the potential application of and operation of any income tax treaties) relating to the Arrangement and the ownership and disposition of New Shares and Canmine Shares received in the Arrangement.

Transactions Not Addressed

This summary does not address the tax consequences of transactions effected prior or subsequent to, or concurrently with, the Arrangement, including, without limitation, the following:

- any vesting, conversion, assumption, disposition, exercise, exchange, or other transaction involving any rights to acquire Canasil Shares, including options; and
- any transaction, other than the Arrangement.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of the Arrangement or the ownership and disposition of New Shares and Canmine Shares received in the Arrangement by U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) broker-dealers, dealers, or traders in securities or currencies that elect to apply a “mark-to-market” accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders that own Canasil Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired Canasil Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold Canasil Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); and (h) U.S. Holders that own directly, indirectly, or by attribution, 10% or more, by voting power, of the outstanding stock of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold New Shares or Canmine Shares in connection with carrying on a business in Canada; (d) persons whose Canasil Shares, New Shares or Canmine Shares constitute or will constitute “taxable Canadian property” under the Income Tax Act (Canada); or (e) persons that have a permanent establishment in Canada for purposes of the Canada-U.S. Tax Convention.

U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding all U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) relating to the Arrangement and the ownership and disposition of New Shares and Canmine Shares received in the Arrangement.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds or will hold Canasil Shares, New Shares or Canmine Shares, the U.S. federal income tax consequences to such partnership and the partners (or other owners) of such partnership of the Arrangement and the ownership and disposition of New Shares and Canmine Shares received in the Arrangement generally will depend on the activities of the partnership and the status of such partners (or other owners). This summary does not address the U.S. federal income tax consequences for any such partner or partnership (or other “pass-through” entity or its owners). Owners of entities and arrangements that are classified as partnerships (or other “pass-through” entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax

consequences of the Arrangement and the ownership and disposition of New Shares and Canmine Shares received in the Arrangement.

U.S. Federal Income Tax Consequences of the Arrangement

The Arrangement will be effected under applicable provisions of Canadian corporate law, which are technically different from analogous provisions of U.S. corporate law. Therefore, the U.S. federal income tax consequences of certain aspects of the Arrangement are not certain. Nonetheless, the Company believes, and the following discussion assumes, that (a) the renaming and redesignation of the Canasil Shares and (b) the exchange by the Shareholders of the redesignated Canasil Shares for New Shares and Canmine Shares, taken together, will properly be treated for U.S. federal income tax purposes, under the step-transaction doctrine or otherwise, as (i) a tax-deferred exchange by the Shareholders of their Canasil Shares for New Shares, either under Section 1036 or Section 368(a)(1)(E) of the Code, combined with (ii) a distribution of the Canmine Shares to the Shareholders under Section 301 of the Code which will be taxable to U.S. Holders in accordance with the rules discussed below. In addition, except as discussed below, a U.S. Holder should have the same basis and holding period in New Shares as such U.S. Holder had in its Canasil Shares.

There can be no assurance that the IRS will not challenge the U.S. federal income tax treatment of the Arrangement or that, if challenged, a U.S. court would not agree with the IRS. Each U.S. Holder should consult its own tax advisor regarding the proper treatment of the Arrangement for U.S. federal income tax purposes.

Reporting Requirements for Significant Holders

Assuming that the Arrangement qualifies as a reorganization within the meaning of Section 368(a)(1)(E) of the Code, U.S. Holders that are “significant holders” within the meaning of U.S. Treasury Regulation Section 1.368-3(c) are required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Arrangement occurs and all such U.S. Holders must retain certain records related to the Arrangement. Each U.S. Holder should consult its own tax advisor regarding its information reporting and record retention responsibilities in connection with the Arrangement.

U.S. Federal Income Tax Rules Applicable to the Arrangement

Status of Canasil and Canmine as Passive Foreign Investment Companies.

Special, generally adverse, U.S. federal income tax consequences apply to U.S. taxpayers who hold interests in a passive foreign investment company (“**PFIC**”) as defined under section 1297 of the Code, unless certain elections are available and timely and effectively made.

In general, a foreign corporation is a PFIC for any taxable year in which either (i) 75% or more of the foreign corporation’s gross income is passive income, or (ii) 50% or more of the average quarterly value of the foreign corporation’s assets produced are held for the production of passive income. Passive income includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Passive income does not include gains from the sale of commodities that arise in the active conduct of a commodities business by a non-U.S. corporation, provided that certain other requirements are satisfied. In determining whether or not it is classified as a PFIC, a foreign corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest by value. Certain subsidiaries and other entities in which a PFIC has a direct or indirect interest could also

be PFICs (“**Subsidiary PFIC**”) with respect to a U.S. person owning an interest in the first-mentioned PFIC. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or a Subsidiary PFIC) concerning its PFIC status or Canmine’s PFIC status. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of the Company, Canmine and each Subsidiary PFIC.

If the Company has been a PFIC at any time during the period a U.S. Holder has held Canasil Shares, such holder could potentially be subject to the special, generally adverse, rules described below with respect to the exchange of Canasil Shares for New Shares pursuant to the Arrangement. However, proposed Treasury Regulations under section 1291 of the Code provide an exception to application of the PFIC rules in the context of certain nonrecognition transactions where shares in a PFIC are exchanged for shares of an entity that qualifies as a PFIC for the tax year that includes the day after the effective date of the transaction (the “**PFIC for PFIC Exception**”). Assuming the exchange of Canasil Shares for New Shares in connection with the Arrangement qualifies as such a nonrecognition transaction under U.S. tax rules, such exchange should fit within the PFIC for PFIC Exception, in the event that the Company is a PFIC both immediately before and immediately after such exchange.

These proposed Treasury Regulations state that they are to be effective for transactions occurring on or after April 11, 1992. If the proposed Treasury Regulations are adopted in their current form, U.S. Holders could be expected to avoid application of the PFIC rules regarding the exchange of their Canasil Shares for New Shares pursuant to the Arrangement. However, because the proposed Treasury Regulations have not yet been adopted in final form, they are not currently effective and there is no assurance that they will be adopted in the form and with the effective date proposed. Nevertheless, the IRS has announced that, in the absence of final Treasury Regulations, taxpayers may apply reasonable interpretations of Code provisions applicable to PFICs and that it considers the rules set forth in the proposed Treasury Regulations to be reasonable interpretations of those Code provisions.

Receipt of Canmine Shares Pursuant to the Arrangement

Subject to application of the PFIC rules discussed below under “Effect of PFIC Rules on the Distribution of Canmine Shares Pursuant to the Arrangement,” a U.S. Holder that receives Canmine Shares pursuant to the Arrangement will be treated as receiving a distribution of property in an amount equal to the fair market value of the Canmine Shares received on the distribution date (without reduction for any tax withheld from such distribution). Such distribution would be taxable to the U.S. Holder as a dividend to the extent of the Company’s current and accumulated earnings and profits. To the extent that the fair market value of the Canmine Shares distributed exceeds the Company’s adjusted tax basis in such shares (as calculated for U.S. federal income tax purposes), the distribution would generate additional earnings and profits for the Company in an amount equal to the excess of the fair market value of the Canmine Shares distributed by Canasil and the Company’s basis in those shares for U.S. income tax purposes. Any dividend received by a U.S. Holder that is a corporation generally will not be eligible for the “dividends received deduction.” To the extent that the fair market value of the Canmine Shares exceeds the current and accumulated earnings and profits of the Company, the distribution of the Canmine Shares pursuant to the Arrangement will be treated first as a non-taxable return of capital to the extent of a U.S. Holder’s tax basis in the Canasil Shares, with any remaining amount being taxed as a capital gain. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation.

A dividend paid by the Company to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if the Company is a “qualified foreign corporation” (“**QFC**”) and certain holding period and other requirements for the Canasil Shares are met. The Company generally will be a QFC as defined under Section 1(h)(11) of the Code if the Company is eligible for the benefits of the Canada-U.S. Tax Convention or its shares are readily tradable on an established securities market in the U.S. However, even if the Company satisfies one or more of these requirements, the Company will not be treated as a QFC if the Company is a PFIC for the tax year during which it pays a dividend or for the preceding tax year. See “Status of the Company and Canmine as Passive Foreign Investment Companies,” above.

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by the Company to a U.S. Holder generally will be taxed at ordinary income tax rates (rather than the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Dissenting U.S. Holders

Subject to application of the PFIC rules discussed below under “Effect of PFIC Rules on the Distribution of Canmine Shares Pursuant to the Arrangement,” a U.S. Holder that exercises the right to dissent from the Arrangement (a “**Dissenting U.S. Holder**”) and receives cash for such U.S. Holder’s Canasil Shares generally will recognize gain or loss in an amount equal to the difference, if any, of (a) the amount of cash received by such U.S. Holder in exchange for the Canasil Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the adjusted tax basis of such U.S. Holder in the Canasil Shares surrendered, provided such U.S. Holder does not actually or constructively own any New Shares after the Arrangement. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the U.S. Holder’s holding period with respect to the Canasil Shares is more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

If a U.S. Holder that exercises the right to dissent from the Arrangement and receives cash for such U.S. Holder’s Canasil Shares actually or constructively owns New Shares after the Arrangement, all or a portion of the cash received by such U.S. Holder may be taxable as a distribution under the same rules as discussed under “Receipt of Canmine Shares Pursuant to the Arrangement” above.

Effect of PFIC Rules on the Distribution of Canmine Shares Pursuant to the Arrangement

If the Company is a PFIC or was a PFIC at any time during a U.S. Holder’s holding period for the Canasil Shares, the effect of the PFIC rules on a U.S. Holder receiving Canmine Shares pursuant to the Arrangement will depend on whether such U.S. Holder has made a timely and effective election to treat the Company as a qualified electing fund under Section 1295 of the Code (a “**QEF Election**”) or has made a mark-to-market election with respect to its Canasil Shares under Section 1296 of the Code (a “**Mark-to-Market Election**”). In this summary, a U.S. Holder that has made a timely QEF Election or Mark-to-Market Election with respect to its Canasil Shares is referred to as an “**Electing Canasil Shareholder**” and a U.S. Holder that has not made a timely QEF Election or a Mark-to-Market Election with respect to its Canasil Shares is referred to as a “**Non-Electing Canasil Shareholder**.” For a description of the QEF Election and Mark-to-Market Election, U.S. Holders should consult the discussion below under “U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Canmine Shares, New Shares and Canasil Shares - Passive Foreign Investment Company Rules – QEF Election” and “– Mark-to-Market Election”.

An Electing Canasil Shareholder generally would not be subject to the default rules of Section 1291 of the Code discussed below upon the receipt of the Canmine Shares pursuant to the Arrangement. Instead, the Electing Canasil Shareholder generally would be subject to the rules described below under “U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Canmine Shares, New Shares and Canasil Shares - Passive Foreign Investment Company Rules – QEF Election” and “– Mark-to-Market Election”.

With respect to a Non-Electing Canasil Shareholder, if the Company is a PFIC or was a PFIC at any time during a U.S. Holder’s holding period for the Canasil Shares, the default rules under Section 1291 of the Code will apply to gain recognized on any disposition of Canasil Shares and to “excess distributions” from the Company (generally, distributions received in the current taxable year that are in excess of 125% of the average distributions received during the three preceding years (or during the U.S. Holder’s holding period for the Canasil Shares, if shorter)). Under Section 1291 of the Code, any such gain recognized on the sale or other disposition of Canasil Shares and any excess distribution must be ratably allocated to each day in a Non-Electing Canasil Shareholder’s holding period for the Canasil Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the Company became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year without regard to the Non-Electing Canasil Shareholder’s U.S. federal income tax net operating losses or other attributes and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such prior year. Any such Non-Electing Canasil Shareholders that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the distribution of the Canmine Shares pursuant to the Arrangement constitutes an “excess distribution” or results in the recognition of capital gain as described above under “Receipt of Canmine Shares Pursuant to the Arrangement” with respect to a Non-Electing Canasil Shareholder, such Non-Electing Canasil Shareholder will be subject to the rules of Section 1291 of the Code discussed above upon the receipt of the Canmine Shares. In addition, the distribution of the Canmine Shares pursuant to the Arrangement may be treated, under proposed Treasury Regulations, as the “indirect disposition” by a Non-Electing Canasil Shareholder of such Non-Electing Canasil Shareholder’s indirect interest in Canmine, which generally would be subject to the rules of Section 1291 of the Code discussed above.

U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Canmine Shares, New Shares and Canasil Shares

If the Arrangement is approved by the Shareholders, each Shareholder will ultimately receive Canmine Shares and New Shares in connection with the Arrangement. If the Arrangement is not approved by the Shareholders, each Shareholder shall retain its Canasil Shares. The U.S. federal income tax consequences to a U.S. Holder related to the ownership and disposition of Canmine Shares, New Shares or Canasil Shares, as the case may be, will generally be the same and are described below.

In General

The following discussion is subject to the rules described below under the heading “Passive Foreign Investment Company Rules.”

Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Canmine Share, New Canasil Share or Canasil Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the distributing company, as computed for U.S. federal income tax purposes. If the distributing company is a QFC and certain holding period and other requirements are met, a U.S. Holder that is an individual, estate or trust will be taxed on the dividend at preferential tax rates applicable to long-term capital gains. However, if the distributing company is a PFIC for the year of distribution or the preceding year, a dividend generally will be taxed to a U.S. Holder at ordinary income tax rates. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the distributing company, such distribution will be treated first as a non-taxable return of capital to the extent of a U.S. Holder’s tax basis in the shares of the distributing company and thereafter as gain from the sale or exchange of such shares. See the discussion below under the heading “Sale or Other Taxable Disposition of Shares.” However, the distributing company may not determine earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution with respect to the Canmine Shares, New Shares or Canasil Shares will constitute dividend income. Dividends received on Canmine Shares, New Shares or Canasil Shares by a U.S. Holder that is a corporation generally will not be eligible for the “dividends received deduction.” The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Shares

Upon the sale or other taxable disposition of Canmine Shares, New Shares or Canasil Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between (i) the U.S. dollar value of cash received plus the fair market value of any property received and (ii) such U.S. Holder’s tax basis in such shares sold or otherwise disposed of. A U.S. Holder’s tax basis in Canmine Shares, New Shares or Canasil Shares generally will be such holder’s U.S. dollar cost for such shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If Canmine or the Company were to constitute a PFIC within the meaning of Section 1297 of the Code (as described above under “U.S. Federal Income Tax Consequences of the Arrangement – Receipt of Canmine Shares Pursuant to the Arrangement”) for any year during a U.S. Holder’s holding period, then certain potentially adverse rules will affect the U.S. federal income tax consequences to such U.S. Holder resulting from the ownership and disposition of Canmine Shares, New Shares or Canasil Shares, as applicable. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge whether the Company (or a Subsidiary PFIC) was a PFIC in a prior year or whether Canmine or the Company is a PFIC in the current or future years. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of Canmine, the Company and any of their Subsidiary PFICs.

Neither Canmine nor the Company currently intends to provide information to its shareholders concerning whether it is a PFIC for 2017 or future years.

Under certain attribution rules, if either Canmine or the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of its direct or indirect equity interest in any Subsidiary PFIC, and will be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC upon the sale or other taxable disposition of the Canmine Shares, New Shares or Canasil Shares, as applicable, and their proportionate share of (a) any excess distributions on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by Canmine, the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of Canmine Shares, New Shares or Canasil Shares are made.

Default PFIC Rules Under Section 1291 of the Code

If either Canmine or the Company is a PFIC for any tax year during which a U.S. Holder owns Canmine Shares, New Shares or Canasil Shares, as applicable, the U.S. federal income tax consequences to such U.S. Holder of the ownership and disposition of such shares will depend on whether and when such U.S. Holder makes a QEF Election to treat Canmine or the Company, as applicable, and each Subsidiary PFIC, if any, as a QEF under Section 1295 of the Code or makes a Mark-to-Market Election under Section 1296 of the Code. A U.S. Holder that does not make either a timely QEF Election or a Mark-to-Market Election with respect to its Canmine Shares, New Shares or Canasil Shares, as applicable, will be referred to in this summary as a “Non-Electing Shareholder.”

A Non-Electing Shareholder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of Canmine Shares, New Shares or Canasil Shares, as applicable, and (b) any excess distribution received on the Canmine Shares, New Shares or Canasil Shares, as applicable. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the applicable shares, if shorter). Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Canmine Shares, New Shares or Canasil Shares, as applicable (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on such shares, must be ratably allocated to each day in a Non-Electing Shareholder’s holding period for the respective shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year without regard to the shareholder’s net operating losses or other U.S. federal income tax attributes, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing Shareholder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If either Canmine or the Company is a PFIC for any tax year during which a Non-Electing Shareholder holds Canmine Shares, New Shares or Canasil Shares, as applicable, the applicable company will continue to be treated as a PFIC with respect to such Non-Electing Shareholder, regardless of whether that company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing Shareholder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such shares were sold on the last day of the last tax year for which the applicable company was a PFIC.

QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its Canmine Shares, New Shares or Canasil Shares, as applicable, begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to those shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of Canmine or the Company, as applicable, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of Canmine or the Company, as applicable, which will be taxed as ordinary income to such U.S. Holder. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which Canmine or the Company, as applicable, is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder. However, for any tax year in which Canmine or the Company, as applicable, is a PFIC and has no net income or gain as determined for U.S. income tax purposes, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to Canmine or the Company, as applicable, generally (a) may receive a tax-free distribution from the applicable company to the extent that such distribution represents "earnings and profits" of the distributing company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the shares of the applicable company to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Canmine Shares, New Shares or Canasil Shares, as applicable.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the Canmine Shares, New Shares or Canasil Shares in which Canmine or the Company, as applicable, was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder's holding period for the Canmine Shares, New Shares or Canasil Shares, as applicable, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a "purging" election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC in order for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, Canmine or the Company, as applicable, ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which Canmine or the Company, as applicable, is not a PFIC. Accordingly, if Canmine or the Company again qualifies as a PFIC in a subsequent tax year, the initial QEF Election will be effective and the U.S. Holder will be subject to the

QEF rules described above. U.S. Holders should be aware that there can be no assurance that Canmine or the Company will satisfy the recordkeeping requirements that apply to a QEF, or that Canmine or the Company will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in the event that Canmine or the Company is a PFIC. Neither Canmine nor the Company commits to provide information to its shareholders that would be necessary to make a QEF Election with respect to Canmine or the Company for any year in which it is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Canmine Shares, New Shares or Canasil Shares (or with respect to any Subsidiary PFIC). Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the Canmine Shares, New Shares or Canasil Shares, as applicable, are marketable stock. These shares generally will be “marketable stock” if they are “regularly traded” on a “qualified exchange or other market” (within the meaning of the Code and the applicable Treasury Regulations). A class of stock that is traded on one or more qualified exchanges or other markets is considered to be “regularly traded” for any calendar year during which such class of stock is traded in other than de minimis quantities on at least 15 days during each calendar quarter. There is no assurance that Canmine Shares, New Shares or Canasil Shares will be marketable stock for this purpose.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Canmine Shares, New Shares or Canasil Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for such shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, those shares

A U.S. Holder that makes a Mark-to-Market Election with respect to Canmine Shares, New Shares or Canasil Shares will include in ordinary income, for each tax year in which Canmine or the Company, as applicable, is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the applicable shares, as of the close of such tax year over (b) such U.S. Holder’s tax basis in such shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder’s adjusted tax basis in the applicable shares, over (b) the fair market value of such shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years)

A U.S. Holder that makes a Mark-to-Market Election with respect to Canmine Shares, New Shares or Canasil Shares generally also will adjust such U.S. Holder’s tax basis in the applicable shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of such shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Canmine Shares, New Shares or Canasil Shares, as applicable, cease to be “marketable stock” or the IRS consents to revocation of such election. Each U.S. Holder should

consult its own tax advisor regarding the availability of, and procedure for making, a Mark- to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Canmine Shares, New Shares or Canasil Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how they may affect the U.S. federal income tax consequences of the ownership and disposition of Canmine Shares, New Shares or Canasil Shares.

Additional Considerations

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement, or in connection with the ownership or disposition of Canmine Shares, New Shares or Canasil Shares, may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all creditable foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation are treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder are treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Canmine Shares, New Shares or Canasil Shares that is treated as a "dividend" may be different for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in (in some cases) a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income with the result that credits generated within a specific category of income may only offset income taxes with respect to foreign source income within that same category of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Special rules apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, non-U.S. taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complex, and a U.S. Holder should consult its own tax advisor regarding their application to the U.S. Holder.

Receipt of Foreign Currency

The U.S. dollar value of any cash payment in Canadian dollars to a U.S. Holder will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. A U.S. Holder will generally have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and converts or disposes of the Canadian dollars after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, which generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting and Backup Withholding Tax

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a non-U.S. corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of “specified foreign financial assets” includes not only financial accounts maintained in non-U.S. financial institutions, but also, if held for investment and not in an account maintained by certain financial institutions, any stock or security issued by a non-U.S. person, any financial instrument or contract that has an issuer or counterparty other than a U.S. person and any interest in a non-U.S. entity. A U.S. Holder may be subject to these reporting requirements unless such U.S. Holder’s Canmine Shares, New Shares or Canasil Shares, as applicable, are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial.

U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns on IRS Form 8938, and, if applicable, filing obligations relating to PFICs, including possible reporting on IRS Form 8621.

Payments made within the U.S. or by a U.S. payor or U.S. middleman of (a) distributions on the Canmine Shares, New Shares or Canasil Shares, as applicable, and (b) proceeds arising from the sale or other taxable disposition of Canmine Shares, New Shares or Canasil Shares, as applicable, generally will be subject to information reporting. In addition, backup withholding, currently at a rate of 28%, may apply to such payments if a U.S. Holder (a) fails to furnish such U.S. Holder’s correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding. Certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding rules will be allowed as a credit against a U.S. Holder’s U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. The information reporting and backup withholding rules may apply even if, under the Canada-U.S. Tax Convention, payments are exempt from the dividend withholding tax or otherwise eligible for a reduced withholding rate.

The discussion of reporting requirements set forth above is not intended to constitute an exhaustive description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a

tax, and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS OF CANMINE SHARES, NEW SHARES OR CANASIL SHARES WITH RESPECT TO THE DISPOSITION OF THOSE SHARES PURSUANT TO THE ARRANGEMENT OR THE OWNERSHIP AND DISPOSITION OF THOSE SHARES RECEIVED PURSUANT TO THE ARRANGEMENT. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

RIGHTS OF DISSENT

Dissenters' Rights

The BCBCA alone does not entitle a shareholder to exercise its right to dissent with respect to an Arrangement and to require the Company to purchase Canasil Shares from Canasil Shareholders. However, pursuant to the terms of the Interim Order and the Plan of Arrangement, the Company has granted the Canasil Shareholders who object to the Arrangement Resolution the right to dissent (the “**Dissent Right**”) in respect of the Arrangement. A Dissenting Shareholder will be entitled to be paid in cash the fair value of the Dissenting Shareholder’s Canasil Shares so long as the dissent procedures are strictly adhered to. The Dissent Right is granted in Article 5 of the Plan of Arrangement and is summarized in Schedule E hereto of this Circular. **Schedule E is only a summary and Canasil Shareholders are referred to the full text of Sections 242 to 247 of the BCBCA which is attached to the summary of dissent procedures in Schedule E.**

A Canasil Shareholder who wishes to exercise his or her Dissent Right must give written notice of his or her dissent (a “**Notice of Dissent**”) to the Company at its head office at Suite 1760 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T8, marked to the attention of the President, by either delivering the Notice of Dissent to the Company not later than two days before the Meeting or by mailing the Notice of Dissent to the Company by registered mail post marked not later than two days before the Meeting.

The giving of a Notice of Dissent does not deprive a Dissenting Shareholder of his or her right to vote at the Meeting on the Arrangement Resolution. However, the procedures for exercising Dissent Rights given in Schedule E must be strictly followed as a vote against the Arrangement Resolution or the execution or exercise of a proxy voting against the Arrangement Resolution does not constitute a Notice of Dissent.

Canasil Shareholders should be aware that they will not be entitled to exercise a Dissent Right with respect to any Canasil Shares if they vote (or instruct or are deemed, by submission of any incomplete proxy, to have instructed his or her proxyholder to vote) in favour of the Arrangement Resolution. A Dissenting Shareholder may however, vote as a proxy for a Canasil Shareholder whose proxy requires an affirmative vote on the Arrangement Resolution, without affecting his or her right to exercise the Dissent Right.

In the event that a Canasil Shareholder fails to perfect or effectively withdraws its claim under the Dissent Right or forfeits its right to make a claim under the Dissent Right, each Canasil Share held by that Canasil Shareholder will thereupon be deemed to have been exchanged for New Shares and Canmine Shares in accordance with the terms of the Arrangement as of the Effective Date.

Canasil Shareholders who wish to exercise Dissent Rights should review the dissent procedures described in Schedule E and seek legal advice, as failure to adhere strictly to the Dissent Right requirements will result in the loss or unavailability of any right to dissent.

The obligation of the Company to complete the Arrangement is subject to the condition that holders of not more than 2% of the issued and outstanding Canasil Shares in the aggregate will have exercised Dissent Rights (and not withdrawn such exercise in respect of the Arrangement).

RISK FACTORS

In evaluating the Arrangement, Canasil Shareholders should carefully consider, in addition to the other information contained in this Circular, the following risk factors associated with Canmine. These risk factors are not a definitive list of all risk factors associated with Canmine and the business to be carried out by Canmine.

Economics of Developing Mineral Properties

Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines.

Should any substantial quantifiable mineralization exist on the Assets or other properties which Canmine may acquire, large expenditures will be required to confirm Mineral Resources or Reserves, which will be sufficient to support a commercial mining operation, and to obtain the environmental approvals and permits required to commence commercial operations. Should any Mineral Resources be defined on such properties there can be no assurance that the Mineral Resources can be commercially mined or that metallurgical processing will produce economically viable saleable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists, all of which involve significant expense. This decision will necessitate consideration and evaluation of several significant factors many of which will be outside of the control of Canmine, including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) the political climate and governmental regulations and enforcement in the jurisdiction in which a property is located.

The ability of Canmine to sell and profit from the sale of any of its mineral properties will be subject to the prevailing conditions in the minerals marketplace at the time of sale. The global minerals marketplace is subject to global economic activity and changes in attitudes of mineral exploration and development companies and end-users' demand for mineral products. Many of these factors are beyond the control of Canmine and therefore they represent a market risk which could impact the long term viability of Canmine and its operations.

Securities of Canmine and Dilution

Canmine plans to focus on exploring for precious minerals and will use its working capital to carry out such exploration. However, Canmine will require additional funds to further such activities. To obtain such funds, Canmine may sell additional securities including, but not limited to, its common stock or

some form of convertible security, the effect of which would result in a substantial dilution of the equity interests of the holders of Canmine Shares.

There is no assurance that additional funding will be available to Canmine for additional exploration or for the substantial capital that is typically required in order to bring a mineral project to a production decision or to place a property into commercial production. There is no assurance that Canmine will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Title Matters

While Canmine has performed its own due diligence with respect to title of the Assets, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements of transfer or aboriginal land claims. A variety of undetected defects could affect title.

Competition

Significant and increasing competition exists for mining opportunities internationally. There are a number of large established mining companies with substantial capabilities and far greater financial and technical resources than Canmine. Canmine may be unable to acquire additional attractive mining properties on terms it considers acceptable and there can be no assurance that Canmine's exploration and acquisition programs will yield any mineral reserves or result in any commercial mining operation.

Conflicts of Interest

Certain directors and officers of Canmine are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Canmine. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors and officers may conflict with the interests of Canmine. The directors of Canmine are required by law, however, to act honestly and in good faith with a view to the best interests of Canmine and its shareholders. They are required to disclose any personal interest which they may have in any material transaction that is proposed to be entered into with Canmine and to abstain from voting as a director for the approval of any such transaction.

No History of Earnings or Dividends

Canmine has no history of earnings, and there is no assurance that any of Canmine's mineral properties will generate earnings, operate profitably or provide a return on investment in the future. Canmine has not paid dividends in the past and has no plans to pay dividends for the foreseeable future.

Potential Profitability Depends Upon Factors Beyond the Control of Canmine

The potential profitability of mineral properties is dependent upon many factors beyond Canmine's control. For instance, world prices of, and markets for, minerals are: unpredictable; highly volatile; potentially subject to governmental fixing, pegging and controls; and responsive to changes in domestic, international, political, social and economic environments. Profitability depends on many factors including costs of operations related to labour, equipment, electricity, environmental compliance and other production inputs. Such costs will fluctuate in ways Canmine cannot predict and are beyond Canmine's control, and such fluctuations will impact on profitability and may eliminate profitability.

altogether. Additionally, events which cause worldwide economic uncertainty may make raising of funds for exploration and development difficult, if not impossible. These changes and events may materially affect the financial performance of Canmine.

Environmental Risks and Other Regulatory Requirements

The current or future operations of Canmine, including development activities and possibly commencement of production on its properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations respecting exploration, development, mining, production, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, environmental protection and other matters. Companies engaged in the development and operation of mines and related facilities generally experience unexpected increased costs and delays as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits that Canmine may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which Canmine might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Canmine and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties, or require abandonment or delays in the development of new mining properties.

Dependency on a Small Number of Management Personnel

Canmine is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on Canmine.

Uninsurable Risks

In the course of exploration and development of mineral properties, several risks such as rock bursts, cave-ins, fires, flooding, earthquakes and unexpected geological or operating conditions may occur. It is not always possible to fully insure against such risks, and Canmine may decide not to take out insurance against such risks because of high premiums or for other reasons. Should such liabilities arise they could result in a decline in value of the securities of Canmine or, in an extreme case, bankrupt Canmine.

Canmine is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Canmine will periodically evaluate the cost and coverage of the insurance against certain environmental risks which is available, to determine if it would be appropriate to obtain such insurance. Without such insurance, and if Canmine becomes subject to serious environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds Canmine has to pay such liabilities leading to bankruptcy. Should Canmine be unable to fund fully the

remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedy.

Foreign Countries and Regulatory Requirements

Canmine may acquire properties located in other countries where mineral exploration activities may be affected by varying degrees of political instability and haphazard changes in government regulations such as tax laws, business laws and mining laws. Any changes in regulations or shifts in political conditions would be beyond the control of Canmine and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, and mine safety.

Currency Fluctuations

Canmine maintains its accounts in Canadian currency. If Canmine acquires properties in other countries, its operations may be subject to foreign currency fluctuations and such fluctuations may materially affect Canmine's financial position and results. Canmine does not engage in currency hedging activities.

APPROVAL OF THE CANMINE STOCK OPTION PLAN

Stock Option Plan of Canmine

On November 1, 2017, the directors of Canmine established a share purchase option plan (the "**Canmine Option Plan**") as a rolling stock option plan under the policies of the Exchange. The Canmine Option Plan has been approved by the Company, currently the only Canmine Shareholder; it is also subject to acceptance by the Exchange. The maximum number of Canmine Shares reserved for issuance under the Canmine Option Plan is 10% of the issued and outstanding Canmine Shares on a "rolling" basis. It is anticipated that Canmine will have 56,000,000 issued Canmine Shares on the Effective Date such that the Canmine Option Plan will initially have 5,600,000 Canmine Shares allotted to it. It is proposed that 3,948,750 of these shares will be allocated to options for directors, officers and consultants following completion of the Arrangement as a result of such optionees holding Canasil Options on the Effective Date (see "Effect of the Arrangement on Canasil Stock Options").

Under the Canmine Option Plan, options may be granted equal in number to up to 10% of the issued Canmine Shares at the time of the grant of the stock option. The renewal of the Canmine Option Plan will be required to be approved by the Canmine Shareholders at each annual general meeting.

Purpose of the Canmine Stock Option Plan

The purpose of the Canmine Stock Option Plan is to provide an incentive to Canmine's directors, senior officers, employees and consultants to continue their involvement with Canmine, to increase their efforts on Canmine's behalf and to attract new well qualified employees.

General Description/Exchange Policies

The Canmine Stock Option Plan will be administered by the Board of Directors of Canmine (in this section, the "**Canmine Board**") or, if determined by the Canmine Board, by a committee of the Canmine Board (in this section, the "**Committee**"). A full copy of the Canmine Stock Option Plan is available to Canasil Shareholders upon request and will be available at the Meeting.

The following is a brief description of the principal terms of the Canmine Stock Option Plan, which description is qualified in its entirety by the terms of the Canmine Stock Option Plan:

1. The maximum number of Canmine Shares that may be reserved for issuance of stock options (“**Canmine Options**”) granted under the Canmine Stock Option Plan will not exceed 10% of the issued Canmine Shares as at the date of the grant of any Canmine Option.
2. The exercise price of the Canmine Options, as determined by the Canmine Board or the Committee, will not be less than the closing price for the Canmine Shares on the Exchange on the trading day prior to the date of grant of Canmine Options.
3. Canmine Options under the Canmine Stock Option Plan may be granted by the Canmine Board or the Committee to:
 - (a) senior officers, directors or employees of Canmine or an affiliate of Canmine;
 - (b) consultants (other than an employee or director of Canmine) providing consulting, technical, management or other services to Canmine, or a consultant company excluding (unless an exemption from prospectus requirements is available under applicable securities laws) a consultant providing investor relations services; and
 - (c) an employee of a corporation providing management services to Canmine, which management services are required for the ongoing successful operation of the business enterprise of Canmine but excluding a person engaged in investor relations activities.
4. The aggregate number of Canmine Shares that may be reserved for issuance under the Canmine Stock Option Plan is restricted as follows:
 - (a) the aggregate number of Canmine Shares that may be reserved for issuance for Canmine Options to any one individual in a 12 month period must not exceed 5% of the issued Canmine Shares at the time the Canmine Option is granted;
 - (b) the aggregate number of Canmine Shares subject to Canmine Options granted to a consultant in a 12 month period must not exceed 2% of the issued Canmine Shares at the time the Canmine Option is granted; and
 - (c) the aggregate number of Canmine Shares subject to Canmine Options granted to employees involved in investor relations activities must not exceed 2% of the issued Canmine Shares in any 12 month period, at the time of grant of the Canmine Options.
5. The term for exercise of Canmine Options is a maximum of ten years from the date of grant.
6. All Canmine Options will be non-assignable and non-transferable except as between an optionee and a wholly owned personal corporation, with the consent of the Exchange.
7. The decrease in the exercise price of Canmine Options previously granted to insiders requires approval by a “disinterested shareholder vote” prior to exercise of such re-priced Canmine Options.

The Canasil Shareholders will be asked at the Meeting to approve by ordinary resolution the Canmine Stock Option Plan Resolution in substantially the form set out on Schedule C attached to this Circular. If

the Canmine Stock Option Plan is not approved by the Canasil Shareholders, Canmine will not be in a position to offer increased incentives to its present or future directors, officers, employees and independent consultants.

The Board unanimously recommends that shareholders vote FOR the Canmine Stock Option Plan Resolution.

THE COMPANY AFTER THE ARRANGEMENT

The following is a description of the Company assuming completion of the Arrangement.

Name and Exchange Listing

Upon completion of the Arrangement, the Company will continue to carry on business under the name of Canasil Resources Inc. and the New Shares will be listed on the Exchange. Share certificates for Canasil Shares will represent New Shares.

Directors and Officers

Completion of the Arrangement will not cause any changes in the directors of the Company who are elected at the Meeting or of the current officers of the Company.

Mineral Assets to be Held by the Company Following the Arrangement

The Company will have and will continue to have following the completion of the Arrangement an attractive exploration portfolio comprising seven properties in Mexico, as follows:

- Salamandra Project, Durango State
- La Esperanza, Zacatecas State
- Sandra-Escobar, Durango State
- Carina, Durango State
- Vizcaino, Durango State
- Nora Project, Durango State
- Colibri, Durango State

The Company, through its Mexican subsidiaries holds a 100% interest in all properties except the Sandra-Escobar Property, in which it holds a 45% interest and is in an oral joint venture arrangement with Orex Minerals Inc. The Company will continue to research and acquire quality projects that may be subsequently optioned or sold to third parties for cash, share and/or royalty considerations. In addition, the Company will advance key projects, such as its Salamandra and La Esperanza properties, on a wholly- owned basis. The Company has a balance sheet, including, as at June 30, 2017, approximately \$1,008,378 in cash and approximately \$1,071,000 worth of marketable securities in other companies.

Following completion of the Arrangement, the Company will continue to hold the rights to all of its properties that it held prior to the completion of the Arrangement, except those comprising the Assets sold to Canmine.

Description of Share Capital

The authorized share capital of the Company consists of an unlimited number of Canasil Shares, of which 101,897,372 were issued and outstanding as at November 3, 2017.

Canasil Shareholders are, as such, entitled to receive notice of any meeting of Canasil Shareholders and to attend and vote thereat, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each Canasil Share entitles its holder to one vote at meetings at which they are entitled to attend and vote. The holders of Canasil Shares are entitled to receive on a pro rata basis such dividends as the Board may declare out of funds legally available for the payment of dividends. On the dissolution, liquidation, winding-up or other distribution of the assets of the Company, Canasil Shareholders are entitled to receive on a pro rata basis all of the assets of the Company remaining after payment of all of the Company's liabilities and subject to the prior rights attached to preferred shares of Canasil to receive a return of capital and unpaid dividends. The Canasil Shares carry no pre-emptive or conversion rights.

Changes in Share Capital

From January 1, 2016 to November 3, 2017, the Company issued a total of 17,237,500 Canasil Shares pursuant to private placements and the exercise of share purchase options and share purchase warrants. As at November 3, 2017, the Company had outstanding share purchase options to purchase up to 7,897,500 Canasil Shares at prices ranging from Cdn.\$0.06 to Cdn.\$0.021 and outstanding share purchase warrants to purchase up to 4,194,250 Canasil Shares at a price of Cdn.\$0.50 per Canasil Share.

Trading Price and Volume

The Canasil Shares are listed and posted for trading on the Exchange under the symbol "CLZ". The following tables set forth information relating to the trading of the Canasil Shares on the Exchange for the months indicated (Source: stockwatch.com):

2015	Sales Price		Volume
	Low	High	
	(Cdn.\$)		
January	0.04	0.065	332,700
February	0.045	0.055	137,400
March	0.035	0.045	1,145,999
April	0.03	0.04	241,300
May	0.035	0.04	85,000
June	0.04	0.05	352,600
July.....	0.03	0.045	307,553
August	0.03	0.04	111,500
September	0.03	0.035	1,772,381
October.....	0.035	0.05	427,000
November.....	0.035	0.05	772,000
December	0.035	0.05	734,900

2016	Sales Price		Volume
	Low	High	
	(Cdn.\$)		
January	0.045	0.20	6,583,302
February	0.15	0.27	6,763,966
March	0.195	0.28	3,771,712
April	0.19	0.25	6,058,378
May	0.22	0.39	5,903,478
June	0.29	0.44	7,189,889
July	0.425	0.51	5,355,980
August	0.47	0.73	7,058,388
September	0.71	0.72	3,391,647
October.....	0.25	0.53	8,714,441
November.....	0.225	0.32	4,946,645
December	0.14	0.32	7,723,556

2017	Sales Price		Volume
	Low	High	
	(Cdn.\$)		
January	0.17	0.20	3,757,947
February	0.18	0.21	5,332,355
March	0.14	0.185	4,465,627
April	0.15	0.17	2,156,561
May	0.15	0.195	2,395,064
June	0.15	0.19	1,901,823
July	0.13	0.17	1,207,862
August.....	0.125	0.17	1,832,683
September.....	0.13	0.15	1,402,946
October.....	0.10	0.15	2,136,344
November (to November 3, 2017)	0.10	0.105	59,048

The price of the Canasil Shares as reported by the Exchange at the close of business on November 3, 2017 was \$0.10.

Selected Audited and Unaudited Financial Information of the Company

The following selected financial information for the Company is derived from its audited annual financial statements prepared as at December 31, 2016 which are attached to this Circular as Schedule F and which are available on SEDAR at www.sedar.com under the Company's profile.

As at December 31, 2016

	<u>(audited)</u>
Cash and cash equivalents:	\$ 2,265,376
Marketable securities:	1,659,000
Receivables:.....	47,230
Prepaid expenses.....	11,381
Reclamation bonds:.....	28,000
Property and equipment:	47,187
Total assets:	\$ 4,058,174
Current liabilities:	\$ 137,597
Shareholders' equity:	3,920,577
Total liabilities and shareholders' equity:	\$ 4,058,174

The following selected financial information for the Company is derived from its unaudited condensed interim financial statements prepared as at June 30, 2017, which are attached to this Circular as Schedule G and which are available on SEDAR at www.sedar.com under the Company's profile.

**As at
June 30, 2017**

	<u>(unaudited)</u>
Cash and cash equivalents:	\$ 1,008,378
Marketable securities:	1,071,000
Receivables:.....	94,648
Prepaid expenses.....	43,665
Reclamation bonds:.....	40,000
Property and equipment:	46,716
Total assets:	\$ 2,304,407
Current liabilities:	\$ 61,678
Shareholders' equity:	2,242,729
Total liabilities and shareholders' equity:	\$ 2,304,407

The Company's Financial Statements

The Company's consolidated audited financial statements for the years ended December 31, 2016 and 2015 are attached hereto as Schedule F, and the Company's unaudited condensed interim financial statements for the six months ended June 30, 2017 are attached hereto as Schedule G.

CANMINE AFTER THE ARRANGEMENT

The following is a description of Canmine assuming completion of the Arrangement.

Name and Incorporation

Canmine was incorporated pursuant to the BCBCA on May 24, 2016 under the name “Canmine Minerals Inc.” Canmine’s registered and records office is located at 2600 – 1066 West Hastings Street, Vancouver, BC, V6E 3X1.

General Development of Canmine’s Business

The principal business of Canmine following the Arrangement will be the exploration and development of mineral resource properties in British Columbia.

Canmine’s Business History

Canmine is a precious and base metals focused company that was formed to explore highly prospective projects located in north central British Columbia. As part of the Arrangement, the Brenda Gold-Copper, Lil Silver, Granite Gold and Vega Copper-Gold mineral properties, their respective reclamation bonds and \$500,000 in cash (collectively, the “Assets”) were acquired from the Company pursuant to the Property Purchase Agreement.

Intercorporate Relationships

Canmine does not currently have any subsidiaries, nor will it have any subsidiaries upon completion of the Arrangement.

Trends

Other than as disclosed in this Circular, Canmine is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect upon its net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Selected Financial Information of Canmine

Canmine was incorporated on May 24, 2016. The following is a summary of certain audited financial information for Canmine as at December 31, 2016, and should be read in conjunction with the audited financial statements of Canmine appended to this Circular as Schedule H.

	Selected Financial Information of Canmine as at December 31, 2016 (audited)
Cash and cash equivalents	\$1
Total assets	\$1
Shareholders’ equity	\$1
Total liabilities and shareholders’ equity	\$1

	Selected Financial Information of Canmine as at December 31, 2016 (audited)
Working capital ⁽¹⁾	\$1
Number of issued Canmine Shares	1

Note:

(1) Working capital as of the date of this Circular is estimated to be approximately \$1 (unaudited).

Dividends

Canmine does not anticipate paying any dividends on its common shares in the short or medium term. Any decision to pay dividends on common shares in the future will be made by the board of directors of Canmine on the basis of the earnings, financial requirements and other conditions existing at such time.

Business of Canmine

General

Canmine will be a Canadian based mineral exploration company whose focus will be the acquisition and exploration of mineral properties. Canmine intends to carry on exploring the Assets acquired from the Company and to acquire and explore additional mineral properties.

Canmine will initially operate and will have interests in four mineral properties located in north central British Columbia. Canmine, building on these assets, intends to acquire additional mineral properties, focusing exploration in districts and areas with potential for high margin precious metal-enriched deposits. Canmine's activities will be aimed to take these projects through discovery to capture the high discovery value of significant deposits.

At the date of this Circular, none of the mineral properties acquired by Canmine has a known body of commercial grade ore and the ability of Canmine to recover any costs it has or will incur on these properties is dependent upon Canmine being able to sell, option or joint venture the properties or identify a commercial ore body. There can be no assurance that Canmine will be able to do this.

Canmine's projected administrative expenditures are largely dependent upon the level of financing and exploration activities that are being proposed, which in turn may depend on the general market conditions relating to the availability of funding for exploration-stage mineral companies.

The audited financial statements of Canmine have been prepared assuming that Canmine will carry on its business on a going concern basis. The ability of Canmine to continue as a going concern depends upon its ability to develop profitable operations and/or to continue to raise adequate financing. Canmine's only sources of financing are through the issue of common shares from treasury or securities convertible into common shares, the optioning or otherwise selling an interest in one or more of its properties, and the exercise of outstanding options and warrants of Canmine.

Management notes that Canmine's ability to finance additional exploration on its mineral properties, beyond the currently planned programs on the Assets, is contingent upon the outcome of its exploration and the condition of capital markets, factors which are beyond Canmine's control. (See "Risk Factors"). There can be no assurance that Canmine will be able to continue to raise funds, in which case Canmine may be unable to fund future exploration and property acquisitions. Should Canmine be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its

assets may be materially less than the amounts recorded on Canmine's balance sheet, and insolvency and liquidation with a total loss to shareholders could result.

Liquidity and Capital Resources

Canmine received \$500,000 in cash pursuant to the Property Purchase Agreement, which is NOT sufficient to meeting the Initial Listing Requirements of the TSX Venture Exchange. Canmine anticipates raising additional equity capital subsequent to the Meeting Date by way of one or more private placements, the terms of which will be negotiated pursuant to applicable Exchange policies.

Results of Operations

Canmine acquired the Brenda, Lil, Granite and Vega mineral properties, all located in north central British Columbia, pursuant to the Property Purchase Agreement.

Outlook

Canmine's exploration programs and ongoing business will be funded from its working capital. See "Selected Financial Information of Canmine" above.

Description of the Assets of Canmine

The Assets that were sold to Canmine as part of the Arrangement include the Brenda, Lil, Granite and Vega mineral properties.

Summary of Planned Property Expenditures

The following table summarizes Canmine's property expenditures that are planned for the first 12 months following the Effective Date. All expenditures are proposed to be made on and in connection with the Brenda Property.

Activity	Est. Cost
Soil Sampling & Field Mapping	\$50,000
ZTEM Geophysical Survey	\$70,000
Diamond Drilling (1,000m @ \$150/m)	\$150,000
Sub-Total	\$270,000
Contingency (10%)	\$30,000
Total	\$300,000

- (1) Canmine has not allocated any of its existing working capital to exploration expenditures on any of its other properties. Any such exploration expenditures will be funded by one or more financings negotiated by Canmine subsequent to the Listing Date.

Principal Property

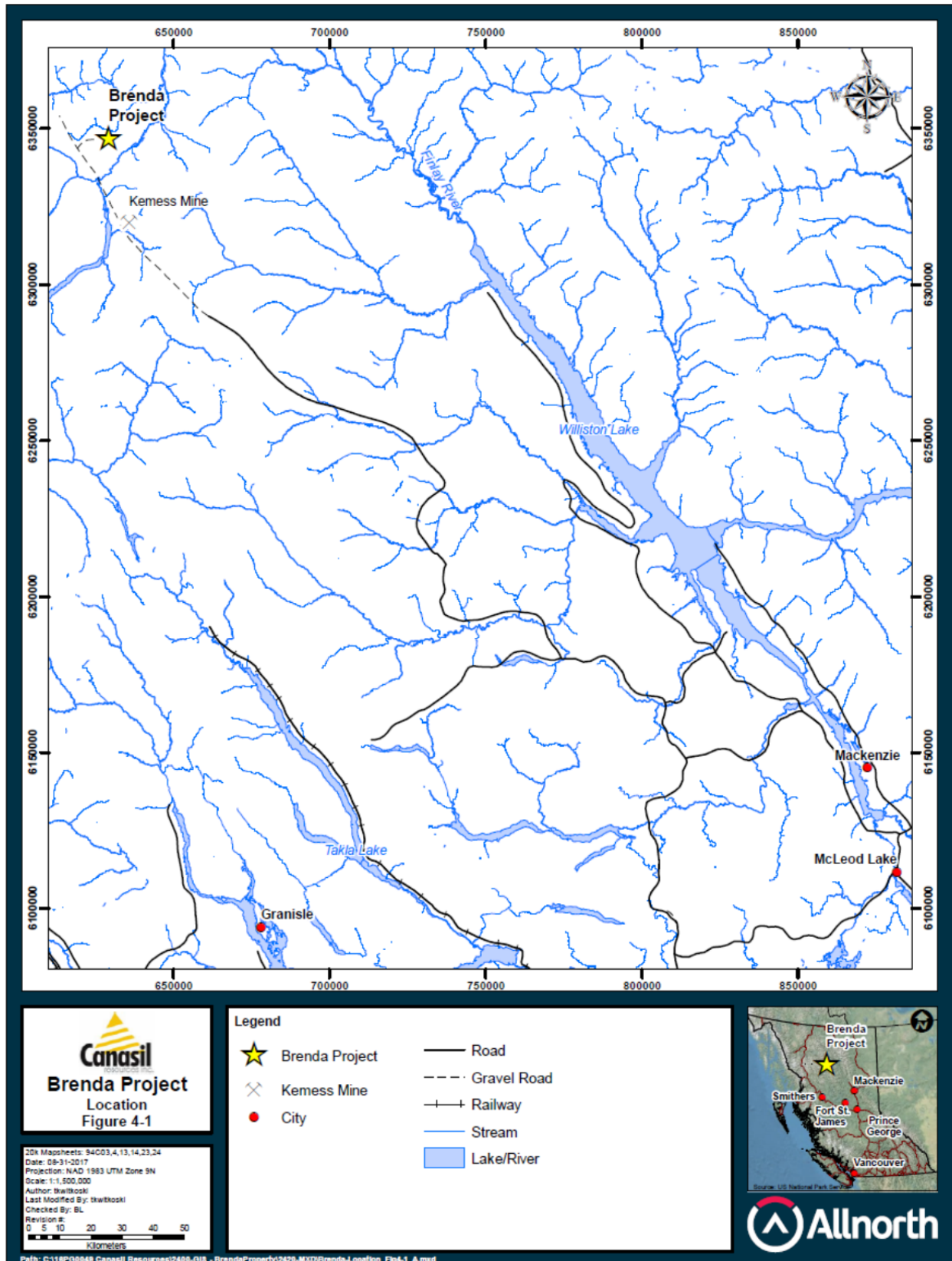
The Brenda Property is considered by Canmine to be its only material mineral property for the purposes of NI 43-101. Accordingly, a technical report relating to the Brenda Property has been filed with the Exchange and with the securities regulatory authorities pursuant to NI 43-101.

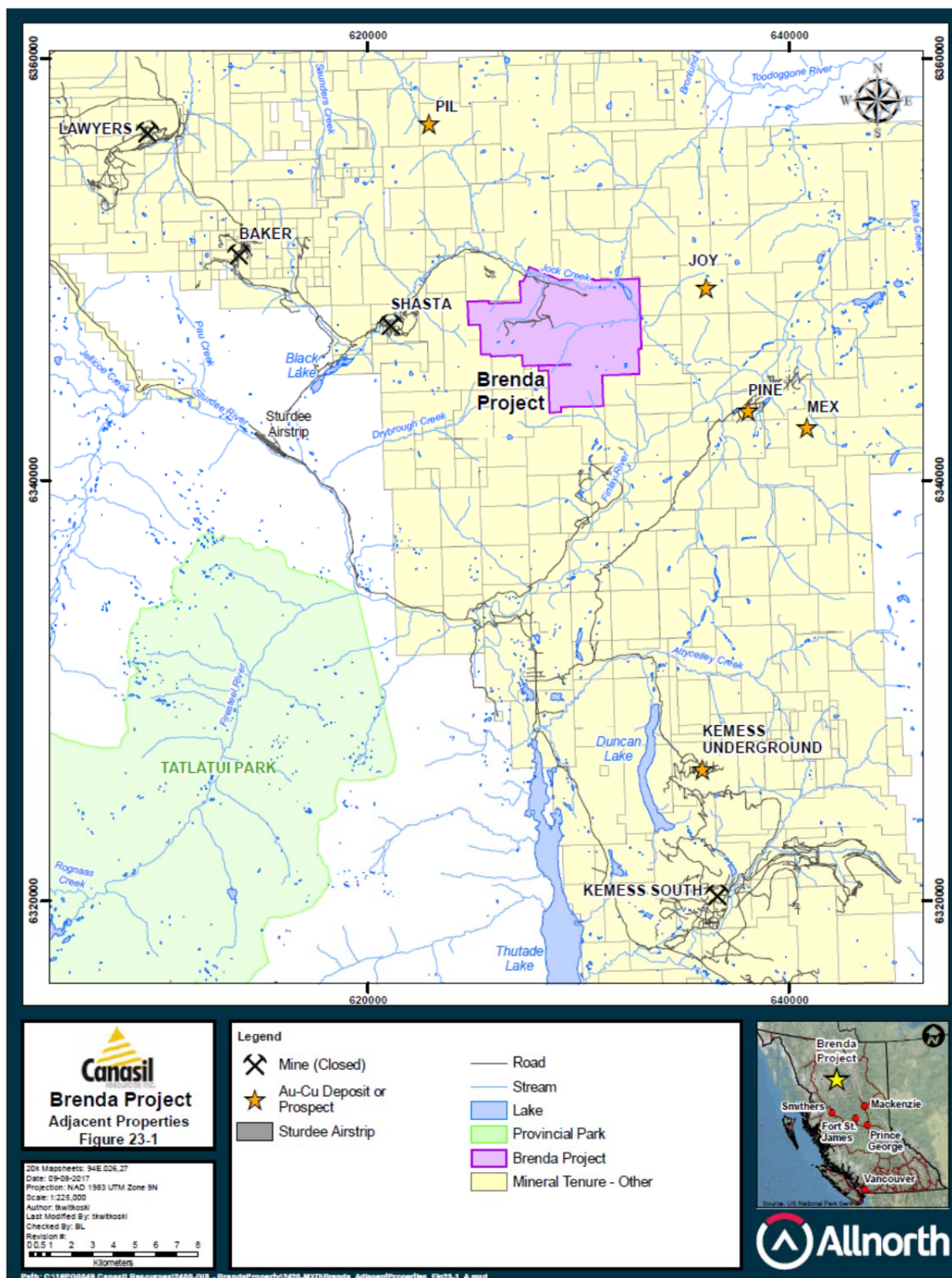
Brenda Project

The following information is condensed and extracted from the technical report prepared by Robert A. Lane, MSc, PGeo. dated October 10, 2017, prepared under NI 43-101 guidelines. Mr. Lane is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of British Columbia (Registration #18993) and is a qualified person under NI 43-101. The technical report is entitled “NI 43-101 Technical Report on the Brenda Gold - Copper Project.” References to Figures and tables are references to those numbers that appear in the technical report.

The Brenda Gold - Copper Project (the “**Brenda Project**”, or the “**Project**”) is located approximately 450km northwest of Prince George and 270km north of Smithers in north-central BC. The Project is situated in mountainous terrain east of the Spatsizi Plateau, west of the Swannell Ranges and north-northwest of Thutade Lake.

The Brenda Project consists of 22 contiguous mineral claims totaling 4,450.0 hectares of subsurface mineral rights in the Omineca Mining Division. All of the claims are presently 100%-owned by Canasil and are in good-standing until at least May 30, 2024. None of the claims are subject to any underlying interests or royalties. See Figures 4.1 and 23-1.





The Project is located centrally within the northwest-trending Toodoggone-Kemess district. The district forms part of the Stikine terrane, which consists predominantly of Late Paleozoic to Mesozoic island-arc volcanic and related sedimentary rocks that are invaded by important Early Jurassic rocks of the Black Lake suite. Mineralization in the district is characterized by epithermal gold-silver veins and porphyry gold-copper systems. The Toodoggone-Kemess district includes three former precious metal mines (Lawyers, Baker and Shasta) and one past-producing gold-copper mine (Kemess South). The Brenda Project includes both porphyry gold-copper prospects and epithermal gold-silver showings. Four mineralized zones, including White Pass, Creek, EB and Takla, have been the subject of detailed exploration including diamond drilling.

The Project has excellent road access from Prince George by way of well-maintained Forest Service Roads, the Omineca Resource Access Road (ORAR) and mining access roads that provide direct road access onto the Project. The local access roads are open from late spring through to early fall. The Project is 25km northwest of the former Kemess South mine.

History

The first claims in the Project area were staked in 1950 by Emil Bronlund who discovered auriferous quartz veins in the Jock Creek and Red Creek drainages. Thirty years later the ground was re-staked by Canmine Development Company Inc. (CDC) who primarily explored for gold and silver-bearing epithermal quartz vein systems. In 1985, CDC optioned the claims to Canasil Resources Inc. (Canasil) who continued to evaluate the claims for its gold-silver potential. A number of quartz vein prospects were located, including the Takla and EB zones, with samples returning values of up to 42.16 g/t Au and 1,628.3 g/t Ag. However, gold and silver grades were generally more modest and the zones were limited in their extent. The first drilling on the Project was completed in 1988 by Cyprus Gold Canada Inc. (Cyprus) under a joint-venture agreement with Canasil, but the 12-hole program encountered only low concentrations of gold and silver over narrow widths. From 1989 through 1991, Canasil completed grid-based soil sampling surveys, modest trenching programs, and geophysical and geochemical surveys. The work outlined a broad gold-silver-copper geochemical anomaly with coincident high chargeability anomalies called the White Pass zone. These characteristics were indicative of possible porphyry style mineralization and changed the exploration strategy for the Project.

In 1992, Canasil completed a modest drilling campaign on the Brenda Project that included the first four holes in White Pass zone. In 1993, Romulus Resources Ltd. (Romulus) completed a multi-parameter exploration program on the Project, including soil geochemical sampling, Induced Polarization (IP) and magnetic geophysical surveys and diamond drilling. Romulus drilled four holes (957m) in the White Pass area that substantiated the gold-rich character of the porphyry mineralization on the Project. Results included 1.10 g/t Au, 0.13% Cu and 4.8 ppm Ag over 47.86m in hole 93-1 and 0.48 g/t Au, 0.144% Cu and 1.0 g/t Ag over 108.8m in hole 93-3. These results confirmed the presence of a significant gold-copper porphyry system that warranted further exploration.

From 1995-1997, Canasil drilled another 16 holes (1,919m) on the Brenda Project, 13 of which tested the White Pass zone. Results were mixed, and none of the holes tested the zone to significant depths. Results included: 0.605 g/t Au and 0.123% Cu over 60.35m in hole BR-96-03, and 0.832 g/t Au and 0.139% Cu over 62.50m in hole BR-96-07. Drillhole 97-02 was highly anomalous in gold to a depth of 105.76m and included a 39.93m interval that averaged 1.12 g/t Au, 0.18% Cu, 3.2 g/t Ag and >800 ppm Pb and >800 ppm Zn. The high concentrations of zinc in the central White Pass zone were considered surprising and are more typical of the periphery of a porphyry system.

Northgate Exploration Ltd. (Northgate) undertook exploration programs in 2002, 2003 and 2004 under an Option and Joint Venture agreement that it signed with Canasil in July, 2002. This work included

initial airborne high resolution magnetic, radiometric and satellite imaging surveys followed by three consecutive diamond drilling campaigns totaling 4,580m in 14 holes. Northgate showed that significant mineralization occurs over a strike length of at least 520 m and to depth of at least 450m, and returned significantly longer intersections of gold and copper mineralization (up to 243m) than those from earlier programs (see table below). Gold mineralization was shown to be reasonably evenly distributed in the 0.5 g/t Au range, while copper grades were typically in the 0.05-0.15% Cu range.

In 2007, Canasil completed a 3-dimensional Induced Polarization (3D-IP) geophysical survey and five-hole (1,708m) HQ diamond drilling program. The results were thought to indicate potential for a deep porphyry gold-copper system at the White Pass zone. Drillholes BR-07-04 and BR-07-05 intersected broad zones of gold-copper mineralization beneath previous drillholes that appeared to be increasing with depth. These results, in conjunction with the strong anomalies observed in the geophysical survey, were encouraging.

The most recent exploration program on the Project took place in 2013. It consisted of one deep NQ-diameter diamond drillhole designed to test the central White Pass area 500m deeper than previous drilling. Drillhole BR-13-01 was collared within 2m of the collar location of 2007 drillhole BR-07-04 and drilled to a depth of 962.6m. The top 500m of drillhole BR-13-01 was not analyzed because it was a twin of drillhole BR-07-04; the highest grade intersection in drillhole BR-13-01 returned 0.376 g/t Au and 0.073% Cu over 68m from 504-572m. This intersection was, however, significantly lower in average grade than the equivalent section of drillhole BR-07-04 between 504-562m. The deeper part of drillhole BR-13-01 was dominated by post-mineral monzonite dykes that were effectively barren. The 2013 drillhole was interpreted to have passed into a non-mineralized portion of the system and missed flanking mineralization. Deep-penetrating, three-dimensional geophysical surveys and additional deep diamond drilling were recommended.

Geology, Alteration and Mineralization

Geology

The Brenda Project is situated in a Mesozoic volcanic arc assemblage within the Stikine terrane along the eastern margin of the Intermontane belt. The Project lies within the Toodoggone-Kemess district, a northwesterly trending belt of Paleozoic to Tertiary sedimentary, volcanic and intrusive rocks. The district is dominated by northwest and northeast trending block faults.

The Brenda Project is underlain by basaltic volcanic rocks of the Upper Triassic Takla Group, andesitic, latitic and dacitic volcanic stratigraphy of the Lower to Middle Jurassic Toodoggone Formation (Hazelton Group) and monzonitic plutons, dykes and sills of the Black Lake suite that are co-magmatic with the Toodoggone Formation. Numerous precious metal-bearing epithermal type vein deposits and deeper-seated porphyry gold-copper deposits are associated with this magmatic event.

The northeastern two thirds of the Project are underlain by mainly porphyritic volcanic flows of the Metsantan member (lower Toodoggone Formation). A large zone of hydrothermally altered Metsantan volcanic rocks, associated with porphyritic dyke swarms, characterize the main area of exploration interest in the northern part of the Project. In the southwestern part of the Project volcanic rocks of the Takla Group are generally in fault contact with the Metsantan units or are intruded by a granitic pluton. The most westerly part of the Project is underlain by mainly ash flows of the Duncan member, the basal unit of the Toodoggone Formation.

Three types of dykes are recognized on the Project. They are generally from a few metres to tens of metres wide. From oldest to youngest they are i) quartz monzonite that appear to be syn- to late

mineralization intrusions, ii) hornblende feldspar porphyry (or monzonite/quartz monzonite), the most common type of dyke on the Project; in the White Pass area the dykes trend dominantly northwest- to north-northwest, and iii) syenite/monzonite.

Alteration

In the northern part of the Project a widespread propylitic alteration zone consisting of illite, chlorite, epidote, carbonate and gypsum with disseminated pyrite, is surrounded and locally overprinted by a distal zone with fracture fillings containing pink zeolite (laumontite) and carbonate minerals.

In the central White Pass area of the Project, a north-trending zoned argillic-phyllic-potassic alteration sequence, associated with gold and copper mineralization, occurs over a distance of about 2.5km. It is dominated by argillic alteration with irregular flat lying areas of quartz alunite along dyke margins. Drilling beneath the north and south extremities of the argillic-quartz alunite alteration has intersected phyllic alteration suggesting that the argillic alteration is supergene. Drilling under the central portion of the argillic alteration at the top of White Pass has intersected a vertical central zone of potassic alteration averaging 300m thick. It is enveloped by phyllic alteration that averages 150m thick. This alteration is cut by barren post-mineral dykes.

Mineralization

Low sulphidation epithermal gold-silver mineralization and gold-copper porphyry mineralization are recognized on the Brenda Project. The two styles of mineralization are distinct, but are likely genetically-related. The Takla and EB zones are located in the headwaters of Red Creek, the Creek zone is located in the valley bottom immediately south of Jock Creek, and the White Pass zone is situated on a high-standing ridge about 1.5km south of Jock Creek.

Takla Zone

The Takla zone is characterized by quartz-chalcedony breccias, quartz veinlets and zones of silicification within andesitic volcanic rocks of the Takla Group. The area measures at least 200m long by 40-60m wide. The veins consist of colorless to pale grey quartz and chalcedony that strike northeast and east with steep variable dips. Banding and cockscomb textures are common. The veins contain from 1-10% euhedral pyrite. Minor amounts of chalcopryite, galena and sphalerite occur in some veins. Late-stage calcite occurs in the centre of some veins. Epidote occurs as fracture fillings peripheral to the quartz-chalcedony breccia zones (Weishaupt, 1987).

At the Takla showing, six select grab samples collected along a 14m width returned values ranging from 0.34 to 1.52 oz/ton Au and 1.13 to 37.09 oz/ton Ag (Weishaupt (1989). These values coincide with a resistivity anomaly which is more than 490m in length. The highest grade intersection from 1988 drilling of the zone returned 0.710 g/t Au, 9.50 g/t Ag over 1.37m in drillhole Tak-88-8 (Weishaupt, 1989).

No work has been done on the Takla zone since 1988. The Takla zone was not visited by the writer during his field visit.

EB Zone

The EB zone consists of a large quartz stockwork and breccia zone within pyritic, augite phyric grey-green andesite of the Takla Group. The zone is oriented 008/68-82°E and has been exposed by trenching for approximately 24m by 4-6m (Figure 7-4). Assay results from 1m chip samples taken across the

strike of the zone returned values that ranged from 99-4920 ppb Au and from 3.7-138.2 ppm Ag (Weishaupt, 1991). Seven holes drilled on the zone in 1992 failed to intersect encouraging grades of mineralization. The highest assay value was 0.675 g/t Au and 6.5 g/t Ag over 1m in drillhole EB-92-04 (Weishaupt, 1993). No work has been done on the zone since 1992.



Figure 7-4: Trench exposing mineralization, EB zone, Brenda Project

Creek Zone

The Creek zone is centered near the Brenda camp, and measures approximately 1000m northwest by 300m northeast. The zone is underlain by silicified green andesite to dacite crystal tuffs of the Toodoggone Formation. They are cut by quartz fractures and veinlets carrying variable amounts of pyrite, sphalerite, galena and chalcopyrite. In 1986, chip samples from hand-dug trenches and core samples from short 'winkie' test holes returned values ranging from 1-640 ppb Au and 0.4-135.5 ppm Ag. In 1988, results from limited chip sampling in machine-excavated trenches included a 6m averaging 0.187 g/t Au, 0.169% Cu, 6.9 g/t Ag, 37 ppm Mo, 0.09% Pb and 1.25% Zn. Four 1988 drillholes returned background to weakly anomalous results for gold, copper and silver. In 1992, Canasil drilled two holes on the Creek zone; drillhole CR 92-01 contained an interval (from 5.2-7.2m) that assayed 0.359 g/t Au, 0.044% Cu, 26.8 g/t Ag, 0.29% Pb and 0.66% Zn (Weishaupt, 1993). Three additional holes drilled on a potential eastern extension of the zone in 1995-1996 did not produce encouraging results.

The relatively high grades of zinc and lead are characteristic of the Creek zone, while silver and molybdenum values in are not insignificant. No work has been done on the zone since 1996. The Creek zone was not visited by the writer during his field visit.



Figure 7.5: Looking northwest toward the Creek zone, camp and core storage areas, with area of argillic alteration in foreground, Brenda Project

White Pass Zone

The White Pass zone is marked by a conspicuous colour anomaly (Figure 7-6) and is characterized by a central zone of strongly potassic-altered latite with narrow quartz-magnetite stockworks. Gold-copper mineralization has been defined over a width of 300-400m. The potassic-altered zone is capped by a conspicuous zone of argillic alteration and surrounded by an intense phyllic (quartz-sericite-pyrite) alteration that averages 100-150m in width and carries weak gold-copper mineralization. The potassic-altered gold-copper zone has been traced by drilling over a strike length of 500m and to a depth of 560m. The deep mineralization is open along strike and to depth. A 3D-IP geophysical survey completed over the area suggests that the mineralization extends for at least 1000m along strike. Sulphide mineralization also occurs beneath and surrounding the large quartz-alunite cap located 1000m to the east.

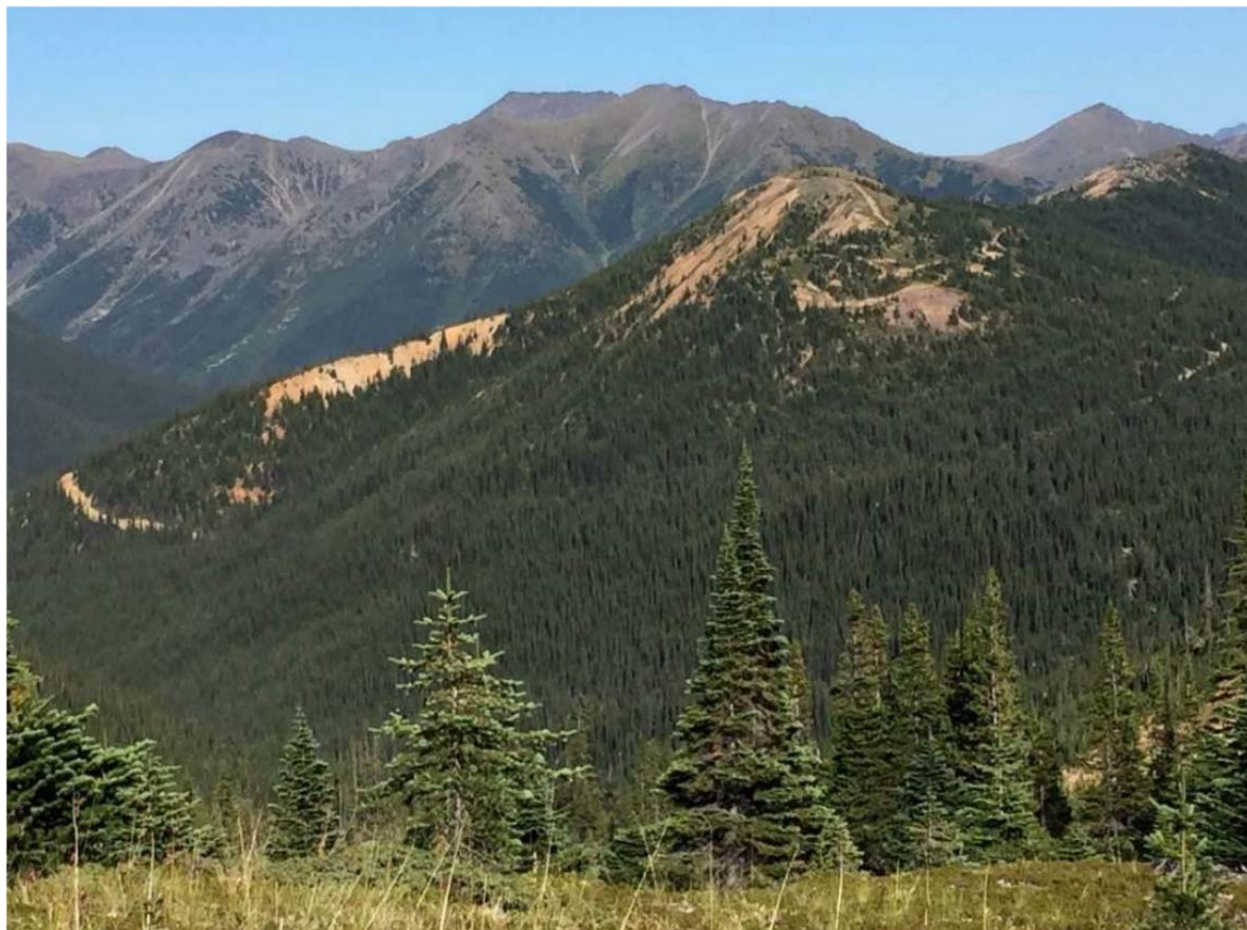


Figure 7-6: Looking northeast at the White Pass zone, Brenda Project

The White Pass zone is cut by a swarm of eight or more, 8-45m thick post-mineral monzonite dykes with an average orientation of 132/77°SW. The dykes have bleached and altered the potassic and phyllic-altered areas to a pale green siliceous sericite-pyrite rock, and lowered the grades near the dyke contacts. Locally the post mineral dykes have assimilated sections of the potassic quartz–magnetite stockwork.

In the potassic alteration zone, mineralization consists mainly of well-developed 1-5mm quartz±magnetite±pyrite±chalcopyrite veinlets, locally with epidote, that have formed crosscutting stockworks. Veinlets are not as prominent in propylitic and phyllic alteration zones, but do contain pyrite and minor chalcopyrite as fine-grained disseminations and clots. Veinlets of gypsum are widespread in both propylitic and argillic alteration zones. Anhydrite occurs in short veins and irregular dilational openings, especially in the phyllic alteration zone.

In the phyllic alteration zones, sulphide mineralization consists mainly of widespread 2-3% disseminated pyrite, but can exceed 10% when present as grains in quartz+/-magnetite veinlets, on fractures and as patchy, fine-grained replacements. Chalcopyrite is erratically distributed and occurs in small aggregates and in quartz+/-magnetite veinlets. Molybdenite was noted as rare small grains in quartz veinlets. Dark brown to black sphalerite and lesser galena occur as disseminations and as fracture fillings primarily in a zone 500m wide that encompasses the phyllic and propylitic alteration zones, resulting in a broad zinc-lead geochemical halo.

Zones of gold and copper mineralization are dissected and diluted by the barren, younger porphyritic monzonite dykes resulting in has been modeled as alternating intervals, or panels of well-mineralized volcanic rock separated by panels of post-mineral, unmineralized dyke rock. Select drillhole intersections from the White Pass zone are shown in Table 7-2.

Table 7-2: Select drillhole intersections, White Pass zone, Brenda Project

Drillhole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	Ag (g/t)
BR-92-04	16.40	43.00	26.60	0.915	0.028	3.0
BR-93-01	9.13	57.00	47.87	1.100	0.130	4.8
BR-93-03	12.20	121.00	108.80	0.480	0.144	1.0
BR-95-03	20.40	61.90	41.50	0.770	0.110	3.3
BR-96-03	15.54	75.89	60.35	0.605	0.123	-
BR-96-07	7.30	69.80	62.50	0.832	0.139	-
BR-97-02	17.35	122.83	105.48	0.708	0.083	2.2
BR-03-06	53.30	133.20	79.90	0.375	0.111	-
BR-03-07	95.50	262.10	166.60	0.565	0.079	-
BR-04-10	91.40	251.00	159.60	0.411	0.038	-
BR-04-14	343.10	448.00	104.90	0.399	0.031	-
BR-07-04	90.12	260.00	169.88	0.466	0.088	-
and	312.00	378.00	66.00	0.310	0.038	-
and	420.08	460.00	39.92	0.418	0.080	-
and	504.00	561.96	57.96	0.707	0.119	-
BR-13-01*	504.00	572.00	68.00	0.376	0.074	3.4

* the top 500m of the drillhole was not analyzed because it was drilled as a twin of BR-07-04

Exploration, Drilling and Deposit Modelling

Previous exploration on the Project consisted of prospecting, bedrock mapping, soil and rock geochemical sampling, aerial and ground-based geophysical surveys, trenching and diamond drilling. This work identified epithermal gold-silver prospects and porphyry gold-copper prospects. The geophysical surveys that have been completed over parts of the Project do not appear to penetrate as deeply as is required by today's exploration targeting of deeply buried porphyry systems.

A total of 65 surface exploration diamond drillholes with an aggregate length of 12,067m have been completed on the Project. The holes were drilled from 1988 to 2013 by various operators and tested five different targets on the Project. The White Pass zone has been tested by 41 of these drillholes (10,034m) over the course of nine drilling campaigns that took place from 1992-2013. This data, coupled with 2007 IP data, was used to create a geological model for the zone consisting of a Mineralized Zone (MZ) that is characterized by drillhole intersections of >0.1 g/t Au and several smaller Higher Grade Zones (HGZ) that are characterized by drillhole intersections of >0.4 g/t Au. The geological model and the defined zones are not part of any resource estimate and do not constitute a resource.(see below). Based on drillhole intervals and weighted averages, the average grades of the modelled MZ are 0.410 g/t Au, 0.066% Cu and 2.74 g/t Ag, and the average grades of the modelled HGZ are 0.659 g/t Au, 0.092% Cu and 3.32 g/t Ag. Three-dimensional shapes for the MZ and HGZ were generated in similar fashion to that of grade shell interpolation. The shape for the MZ has approximate dimensions of 1000m by 400m and is from 100-600m thick. The HGZ has estimated dimensions of 200m by 300m and is 150m thick.

3D geological modelling of the White Pass zone was completed to assist future exploration. The modelling was carried out only in support of defining targets for further exploration within the project area, and was not intended as and does not form part of any resource estimate. The preliminary model characterizes the zones geometry and establishes the position and orientation of the smaller HGZ relative to the broader MZ. The potential quantity and grade outlined by the model is conceptual in nature and there has been insufficient exploration on the White Pass zone to define a mineral resource. Also, it is uncertain if further exploration will result in the White Pass zone being delineated as a mineral resource.

Sample Preparation, Security and Analysis

The writer concludes that sample collection, sample preparation, security and analytical procedures utilized during historical programs were completed by professional geologists working for well-established junior mining exploration companies and therefore likely met or exceeded the best management practices and standards for the era in which the work was performed.

Use of a comprehensive QAQC program is recommended for all future exploration programs on the Brenda Project to insure that all analytical data can be confirmed to be reliable.

Data Verification

The data verification process included review of drill logs, analytical database, analytical certificates, project core handling, logging, sampling, QAQC and analytical protocols, geophysical reports and a site visit. The review of the QAQC program and results is presented in Section 11 of this Report. The data base for the Project is considered to be reliable and appropriate to prepare this Report.

The QP visited the Project on August 27-28, 2017. There was no activity on the Project at the time of the visit, therefore a review of active drill core handling, drill core Chain-of-Custody procedures, and QAQC methodologies could not be completed. A tour of the camp, core logging and core storage facilities presented as a clean and well-organized work environment consistent with small-scale exploration camps seen elsewhere in BC.

Verification samples were collected by the writer to validate earlier analytical results. The suite of samples consisted of eight drill core samples representing a total of five holes drilled in the White Pass zone. The batch of samples was submitted to MS Analytical (MS) in Langley, BC, for analysis. The analytical methods used were Fire Assay with AAS finish for Au and four-acid digestion with ICP-AES/MS for ultra-trace multi-element analysis. The 2017 results for gold and copper were compared with those from the original samples and were shown to have a reasonably good correlation for both gold and copper.

Overall, the new data produced from the re-sampling and re-analysis of selected intervals of historical drill core correlated well with the original values and verified that mineralization occurs at interesting grades and are comparable to those reported for the Project.

Resource Estimates

There are no resources estimated for the Project.

Interpretation and Conclusions Recommendations

The Brenda Project has a relatively short exploration history from its discovery in 1950 to its first diamond drilling in 1988.

The Brenda Project includes four principal zones that have been the focus of exploration, including the EB, Takla, Creek and White Pass zones.

The EB and nearby Takla zones are vein occurrences in the western part of the Brenda Project. The EB zone carries low values of gold and silver in weakly silicified and quartz-veined pyritic andesite of the Takla Group. The EB zone appears to be limited in extent. The Takla zone is described as an epithermal vein occurrence, also within Takla Group rocks, that includes high grades of gold and silver in surface samples. Drilling of the zone was not encouraging. Both of the zones should be evaluated as part of a Project-wide reassessment.

The Creek zone is a gold-copper porphyry prospect that occurs near the northern boundary of the Brenda Project. Results from surface sampling and short, near-surface drillhole intersections returned low to moderate concentrations of silver, lead and zinc with anomalous levels of copper and gold. A detailed review of all existing data and, if warranted, modelling of the zone should be completed prior to any further physical work on the zone.

The White Pass zone has been the focus of exploration on the Brenda Project since 1993. It is an important gold-copper-silver porphyry prospect that is characterized by a strong colour anomaly caused by pervasive argillic and phyllic alteration of exposed volcanic rocks, a broad gold-silver soil geochemical anomaly, a spotty copper soil geochemical anomaly, and a high chargeability anomaly. The zone has been tested by 41 diamond drillholes (10,034m) over the course of nine drilling programs that took place from 1992-2013.

The drilling demonstrated that White Pass zone mineralization occurs mainly within intermediate volcanic rocks of the Toodoggone Formation. Mineralization consists of quartz-magnetite ±pyrite±chalcopyrite veinlets and stockwork zones and, locally, disseminated magnetite and pyrite within zones of strong phyllic and weak to moderate potassic alteration. Elevated concentrations of zinc and silver are common in the White Pass zone.

Drillhole data for the White Pass zone has been compiled and modelled. The resulting work recognized eight barren post-mineral dykes ("PMD") oriented approximately 135°/75°S and distinguished them from

weakly mineralized (anomalous to weak gold and copper values) Black Lake intrusive rocks that are distinguished by infrequent quartz±magnetite veins. White Pass zone mineralization is cut by the series of PMD resulting in alternating panels of mineralized rock and barren rock.

Modelling of White Pass zone data resulted in a Mineralized Zone (MZ), characterized by drillhole intersections of >0.1 g/t Au, and Higher Grade Zones (HGZ), characterized by drillhole intersections of >0.4 g/t Au. Three-dimensional shapes for the MZ and HGZ were generated in similar fashion to that of grade shell interpolation; some mineralized intervals cross PMD intervals if mineralization occurs on both sides of the PMD. The trend of the MZ has an orientation of 315°/30°NE. The modelled shape for the MZ has approximate dimensions of 1000m by 400m and is from 100-600m thick. The modelled shape for the HGZ has estimated dimensions of 200m by 300m and is 150m thick.

Modelling of the White Pass zone suggests that additional mineralization may exist northeast and southwest of the zone. A chargeability anomaly is shown just below current shapes for the MZ and HGZ, and chargeability anomalies to the northeast and southwest of the shapes have not been drilled. Drilling has not tested beneath the chargeability anomalies. The modelling also identified several gaps between mineralized intervals. Targeted infill drilling may connect some of the existing higher grade intervals thereby expanding the dimensions of the HGZ.

The zone shows reasonably good correlation between gold, copper and silver. These metals are commonly accompanied by geochemically anomalous concentrations of zinc. Molybdenum is present over short intervals.

The reader is reminded that 3D geological modelling of the White Pass zone was completed to assist future exploration. The modelling was carried out only in support of defining targets for future exploration within the project area, and was not intended as and does not form part of any resource estimate. The 3D modelling of the White Pass zone is preliminary and was performed in an attempt to characterize its geometry, to establish the position and orientation of the smaller HGZ relative to the broader MZ, and to be used as a guide to assist in future drilling. The potential quantity and grade outlined by the model is conceptual in nature and there has been insufficient exploration on the White Pass zone to define a mineral resource. Also, it is uncertain if further exploration will result in the White Pass zone being delineated as a mineral resource.

The modelling of the White Pass zone suggests that additional mineralization may exist northeast and southwest of the zone. A chargeability anomaly is shown just below current shapes for the MZ and HGZ, and chargeability anomalies to the northeast and southwest of the shapes have not been drilled. Drilling has not tested beneath the chargeability anomalies. Figures 25-1 to 25-4 show the position of the modelled MZ and HGZ shapes relative to high chargeability anomalies. The modelling also identified several gaps between mineralized intervals. Targeted infill drilling may connect some of the existing higher grade intervals thereby expanding the dimensions of the HGZ.

The generalized porphyry deposit model is characterized by anomalous concentrations of zinc and silver peripheral to its core. This relationship is common in other deeper porphyry deposits in British Columbia. The White Pass zone is unusual in that the central gold-copper zone carries significant levels of zinc. This may be the result of overprinting by multiple mineralizing events, such as the overlapping of a high level porphyry system with that of a genetically related epithermal system, a feature not uncommon with telescoped porphyry systems (Sillitoe, 2010) or from post-mineral tilting of the porphyry system. Alternatively it may suggest that a higher grade copper-gold zone is yet to be discovered at the Brenda Project.

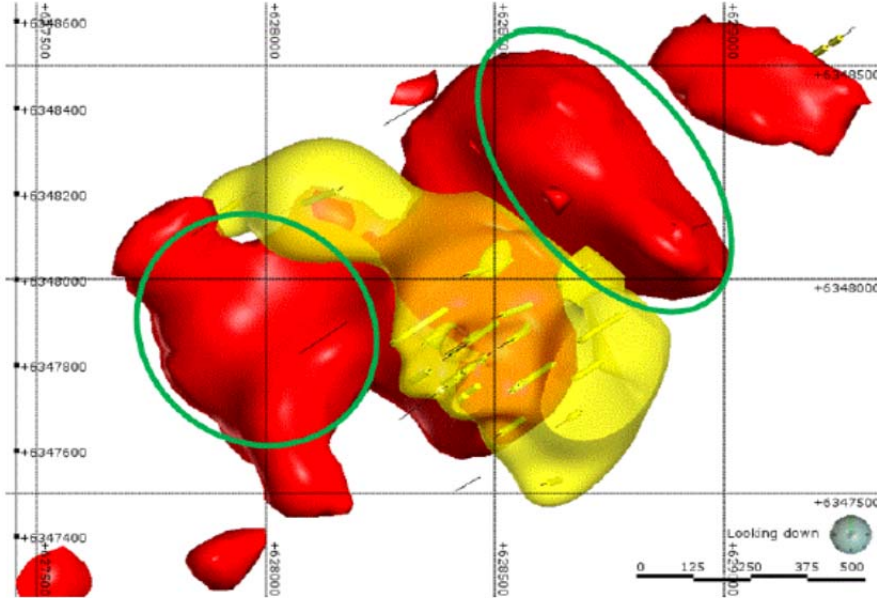


Figure 25-1: Plan view of the MZ in yellow and chargeability high in red. Green circles show untested areas

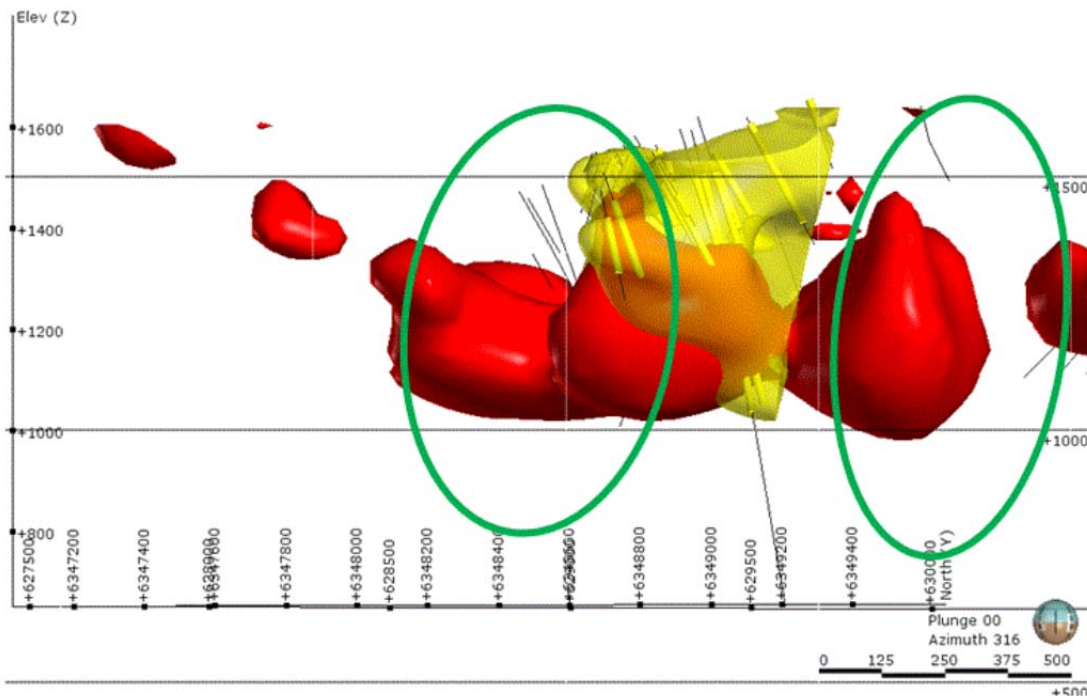


Figure 25-2: View at 315° of the MZ in yellow and chargeability high in red. Green circles show untested areas

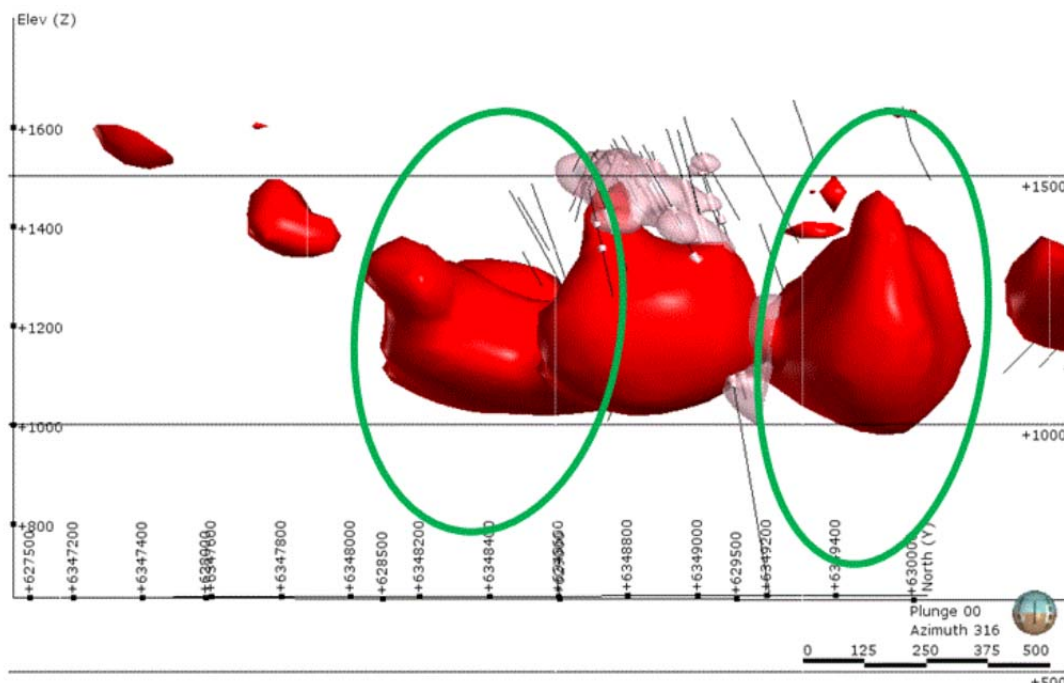


Figure 25-4: View at 315° of the HGZ in pink and chargeability high in red. Green circles show untested areas

Recommendations

The following multi-parameter Phase I exploration program is recommended.

Phase I

- A LiDAR survey should be flown over the entire Project area. Added control should be obtained by placing markers at highly visible known locations such as the camp, and drill sites and/or trenches.
- Relogging of select drillholes to confirm the PMD and mineralized Black Lake Intrusive intervals, and to check for mineralogical/alteration characteristics that distinguish higher grade zone mineralization from lower grade zone mineralization,
- Perform a data entry review to ensure that all compiled data is accurately represented in the database,
- Detailed field mapping and bedrock sampling of areas defined as anomalous by previous prospecting or regional mapping,
- Conduct soil geochemical sampling in select areas, as required, to expand upon or add further definition to existing geochemical anomalies,
- Complete a 400 line-km helicopter-borne ZTEM survey of the entire Brenda Project utilizing contractor Geotech Ltd. The airborne survey uses an electromagnetic method suitable for porphyry copper-gold exploration because of its deep penetrating capabilities and its capacity to map weak resistivity contrasts associated with alteration systems. The magnetic and resistivity

results from the survey may help identify major structures, alteration zones and mineralized zones for drillhole targeting.

- Drill 3-4 oriented core holes to depths of at least 700m on priority targets identified by the ZTEM survey and/or the exploration model presented in Section 25 of this report.

All analysis should include gold by fire assay and multi-element analysis by four acid ICP-AES.

The estimated cost of the recommended Phase I exploration program is \$530,000 and is laid out in Table 26-2. A second phase of exploration is also recommended to further define and assess targets on the Project, but is dependent on successful results arising from the completion of the Phase I program.

Table 26-1: Preliminary Proposed Drillhole Locations, Brenda Project

Drillhole Name	Easting	Northing	Elevation	Azimuth	Dip	Depth m
BR1701	628073	6347828	1476.853	235	-80	700
BR1702	628268	6347844	1543.926	55	-70	700
BR1703	628385	6347875	1580	55	-70	700
BR1704	628475	6348075	1522.224	55	-70	700
BR1705	628550	6348275	1506.523	55	-75	700
BR1706	628700	6348100	1604.028	55	-75	700
BR1707	628625	6347950	1623.65	55	-70	700
BR1708	628375	6347600	1530.905	55	-70	700

Table 26-2: Estimated Budget for Phase I Exploration Program, Brenda Project

Activity	Est. Cost
LiDAR survey	\$40,000
Soil Sampling & Field Mapping	\$50,000
ZTEM Geophysical Survey	\$70,000
Diamond Drilling (2,100m @ \$150/m)	\$320,000
Sub-Total	\$480,000
Contingency (10%)	\$50,000
Total	\$530,000

OTHER PROPERTIES

The following mineral properties are not currently considered to be material to Canmine. Further technical work on such properties will be carried out at the discretion of Canmine.

Vega Copper-Gold Project

The Vega Copper-Gold Project covers 9,102 hectares, and is a copper-gold prospect located between the Osilinka and Mesilinka river systems in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George.

The property lies on a north-northwest trending fault structure in Takla Group Volcanic rocks of Upper Triassic to Jurassic age. This volcanic sequence has been intruded by syenite, monzonite and diorite dykes and sills related to the Hogem Batholith to the southwest. Intrusive volcano-sedimentary contacts typically parallel the regional northwest structural trend. Mineralization on the Vega property occurs in brecciated and altered andesite/basalt, altered syenite and altered brecciated syenite. Concentration of sulphides, consisting of pyrite, chalcopyrite, magnetite and minor bornite, occur along shear and fracture zones. Exploration to date has identified two areas of interest for further exploration within the project overall project area, the Vega East and Vega West corridors.

In the Vega East area, early prospecting in the project area by Cominco Ltd. in the 1930's reported exposed mineralization with copper and gold mineralization on the south bank of Vega Creek. Cominco completed approximately 200 metres of underground workings to investigate the mineralization, identifying a 10.5 metre zone with average 1.46% copper and 4.82 g/t gold. In subsequent years various companies explored the area outlining copper anomalies and in the mid 1970's BP Minerals undertook geochemical and geophysical surveys and over 2,000 metres of diamond drilling, however there is no data available from these programs. In the 1980's, carried out geochemical sampling over the original cominco showings, outlining several large zones with anomalous values in copper, gold and arsenic. This work resulted in an option agreement with Cyprus Gold (Canada). In 1988 Cyprus completed 1,088 metres of diamond drilling in 8 drill holes. The highest gold value intersected was 2.03 g/t over 1.45 metres in V-88-01, and the best weighted average intercept was 0.51 g/t over 5.96 metres in V-88-08.

In the Vega West area, reconnaissance work in 2011 and 2016 identified and investigated (the Pluto showings) where sulphide rich gossans are located in the hanging wall of a steeply-dipping shear zone on the contact between deformed syenite porphyry and andesite tuffs. Chlorite and sericite alteration are observed in a 12 metre wide exposure of the hanging wall, along with stringers and veinlets of quartz-pyrite-chalcopyrite.

In 2016 a detailed helicopter-borne magnetics survey was completed over most of the project area to develop a better understanding of the bedrock trends and structures. The airborne survey identified a number of distinct features including the feldspar porphyry shear zone, several possible intrusive bodies and other corridors of faulting and possibly favourable geology. The north-striking feldspar porphyry shear zone contact in the Vega West area is identified as a distinct magnetic feature and has been traced for 2,000 metres south of the Pluto prospect to a second known copper-gold prospect that has not been sampled. The magnetic feature in this area is a minimum of four kilometres long and is covered by glacial till over most of its length. The airborne survey has highlighted multiple targets for further exploration in the Vega East and Vega West areas.

Granite Gold Project.

The Granite Gold Project covers 1,268 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, and is located 360 km northwest of Prince George.

Three mineralized shear zones with gold/silver mineralization have been identified to date on the property. Values from rock sampling in 1993 returned gold and silver grades ranging from 1.99 g/t to 43.88 g/t gold and 9.94 g/t to 546.77 g/t silver. Soil and rock geochemistry completed in 1994 outlined a broad gold soil anomaly measuring 300 metres by 2000 metres within the auriferous shears in the center

of the anomalous area. Rock samples from Zone 1 contained up to 10.7 g/t gold and 14.8 g/t silver over 0.5 metres.

The earliest recorded exploration work was carried out in 1936 and 1937 by Cominco Ltd, and consisted of hand trenching and underground workings, reporting assays from trenches across widths of as much as 15 metres, with grades of up to 10.3 g/t gold across 10 metres. The B.C. Department of Mines records indicate sampling in the old underground workings with a grade of 6.86 g/t gold over 12.2 metres including 14.4 g/t gold over 3.0 metres.

A program of mapping, rock sampling and 190m diamond drilling in 2 holes was completed by Hemlo Gold Mines Inc. in 1995. Trench sampling within Zone 1 returned assays averaging 6.8 g/t gold over 7.5 metres. DD hole 95-2 (88.4 meters) intersected Zone 2 with 9.1 meters of mineralization averaging 3.36 g/t gold and 11.7 g/t silver of which 3.1 metres showed values of 8.9 g/t gold and 28.4 g/t silver.

In 1996, further trenching and channel sampling was carried out to test the grades and extent of the previously identified gold-silver anomalous zones. Average gold and silver values from the three mineralized zones ranged between 1.82 g/t to 9.44 g/t gold and 19.87 g/t to 43.10 g/t silver over widths of 3.0 to 11.0 metres. Two grab samples from shear Zone 2 returned 10.22 g/t and 16.99 g/t gold and 274.6 g/t and 492.0 g/t silver respectively. Chip samples from Zone 3 contained 3.8 g/t gold and 23.0 g/t silver over 5.0 metres. It is possible that Zones 2 and 3 are part of the same structure and that these may connect at depth with Zone 1. If this is the case, the strike length of the shear hosted Gold-silver mineralization on this property could be 600 metres.

A 500m diamond drill program by Canasil in 1997 within Zone 1 and 2 intersected several sections with anomalous gold and silver values (best section in GB 97-01 5.0 metres with 2.37 g/t gold and 5.85 g/t silver) however failed to locate sections corresponding in grade to the many samples recovered from these zones. In 2016 limited prospecting attempted to identify and sample mineralization east and southeast of the old workings. Most of the samples collected were of silicified, pyritic and locally sheared fine-grained clastic and intermediate volcanic rocks. The altered rocks returned gold values ranging from less than detection to 7.93 g/t gold (sample GB16-BL03). The property requires further detailed exploration to define targets for future exploration programs.

Lil Silver Property

The Lil claims cover 821 hectares located in the Omineca Mining Division, approximately 350 kilometres north of Prince George, British Columbia.

Mineralization on the property consists of narrow high grade, silver bearing quartz veins and breccia zones, which are hosted in quartzite and a granitic dyke near fault intersections. The silver-bearing structures have been identified over a distance of 300 metres. Two types of silver bearing floats have been identified in the drift fan of LIL creek. Smaller floats from narrower veins contain arsenopyrite in addition to silver-bearing sulphides, corresponding well with the vein outcrops along LIL creek. Larger floats, indicating greater widths, contain no arsenopyrite, very little sphalerite and more polybasite and ruby silver. Their internal structure also shows less quartz and more quartzite inclusions. As this structure is not seen in the outcrops, it is assumed that the larger floats come from other veins not outcropping in the canyon.

The narrow silver bearing quartz and breccia veins show similarities to the Keno Hill-Galena Hill mining camp in the Yukon. Some local dolomitized carbonate rocks at the Knoll Hill and Burn showings indicate possibilities of a carbonate replacement system, particularly as limited sampling has shown elevated lead and zinc values at these showings.

Channel sampling of the exposed silver veins along LIL Creek has returned values ranging from 4.3 ounces/ton silver to 325.4 ounces/ton silver over widths ranging from 0.20 to 0.90 metres. The average grade and width of 22 vein samples is 53.6 ounces/ton over 0.41 metres. Silver mineralization consists primarily of argentite, pyrargyrite (ruby silver), and frieborgite in quartz vein and breccia zones developed within a quartzite host.

The property is considered to have the potential to host a high-grade silver deposit based on the quartz vein and breccias, as well as potential for a larger carbonate replacement deposit. Further exploration work should be aimed at diamond drilling to test the high grade silver veins and further surface mapping and sampling as well as an airborne geophysical survey to investigate the potential for a larger mineralized system. Canasil has applied for and received a multi-year permit covering 4,000 metres of diamond drilling for the LIL project.

AVAILABLE FUNDS

As at December 31, 2016, Canmine had a working capital of \$1. Working capital as of the date of this Circular is estimated to be \$1 (unaudited).

Principal Purposes for Available Funds

Assuming completion of the Arrangement and the subsequent completion of at least one equity financing, Canmine expects to have working capital of minimum of \$600,000 (the “**Available Funds**”) and will use the Available Funds, as follows:

Use of Available Funds

To carry out the first year of the Phase One program of work on the Brenda Property.....	\$300,000
To fund ongoing administration costs for 12 months	\$200,000
To provide working capital	<u>\$100,000</u>
Total	<u>\$600,000</u>

Canmine currently intends to spend the Available Funds as set out above. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. Canmine will only redirect funds to other mineral properties on the basis of a recommendation from a professional geologist or engineer.

ADMINISTRATION EXPENSES

The following table discloses the estimated aggregate monthly and yearly administration costs that will be incurred by Canmine:

Item	Monthly (\$)	Annual (\$)
Administrative services	\$2,500	\$30,000
Advertising and Promotion	\$500	\$6,000

Regulatory and Stock Transfer fees	\$3,500	\$42,000
Salaries	\$5,000	\$60,000
Technical Committee fees	\$500	\$6,000
Office expense and miscellaneous	\$1,667	\$20,000
Professional fees	\$3,000	\$36,000
Total:	\$16,667	\$200,000

SHARE AND LOAN CAPITAL OF CANMINE

The following table represents the share and loan capitalization of Canmine as at November 3, 2017 and assuming completion of the Arrangement.

Share Capital	Authorized	November 3, 2017	After Completion of the Arrangement
Common Shares	unlimited	1	56,000,000

Each Canmine Share carries one vote at all meetings of shareholders, participates rateably in any dividends declared by the directors of Canmine on the Canmine Shares, and is entitled, on the liquidation, dissolution, winding-up or other distribution of assets of Canmine for the purposes of winding-up its affairs, to a pro rata share of the assets of Canmine after payment of all its liabilities and obligations.

Canmine currently has no long-term liabilities.

FULLY DILUTED SHARE CAPITAL OF CANMINE

The pro-forma fully diluted share capital of Canmine, assuming completion of the Arrangement and the exercise of all options, warrants and other rights to purchase Canmine Shares, is set out below:

	Number of Canmine Shares	Percentage of Total
Designation of Canmine Securities		
Subscriber's share issued on incorporation	1	0.00%
Subscriber's share cancelled	(1)	0.00%
Canmine Shares issued in exchange for the Assets	56,000,000	90.26%
Canmine Shares issued upon exercise of stock options	3,948,750	6.36%
Canmine Shares issued upon exercise of warrants	2,097,125	3.38%
Totals	62,045,875	100.00%

PRIOR SALES OF SECURITIES OF CANMINE

The following table sets out the details of securities sold for cash since May 24, 2016, the date of incorporation of Canmine:

Date	Number of Shares	Price Per Share	Total Cash Received
May 24, 2016	1	\$1.00	\$1.00
Totals	1	\$1.00	\$1.00

OPTIONS AND WARRANTS

Stock Options

The Canasil Shareholders will be asked at the Meeting to approve the Canmine Stock Option Plan. See “Approval of the Canmine Stock Option Plan”. As of the Effective Date, assuming approval of the Canmine Stock Option Plan by the Canasil Shareholders, there will be 5,600,000 Canmine Shares available for issuance under the Canmine Stock Option Plan.

As of the date of this Circular, Canmine had not granted any incentive stock options. Subsequent to the Listing Date, Canmine intends to grant incentive stock options under the Canmine Stock Option Plan to its directors, officers, employees and consultants pursuant to applicable Exchange policy, provided Canasil Shareholders have approved the Canmine Stock Option Plan at the Meeting.

Convertible Securities

There will be no convertible securities of Canmine outstanding as of the Effective Date.

PRINCIPAL SHAREHOLDERS OF CANMINE

The following table sets forth the names of those persons who the Company believes will hold, directly or indirectly, as of the Effective Date or who will have control or direction over, or a combination of direct or indirect beneficial ownership of and control or direction over, voting securities that will constitute more than 10% of the issued Canmine Shares as of the Effective Date:

Name and Municipality of Residence	Ownership	Number of Canmine Shares held as at November 3, 2017	Number of Canmine Shares held upon Completion of the Arrangement	Percentage of Canmine Shares After Giving Effect to the Arrangement
Canasil Resources Inc.	Direct	1	56,000,000 ⁽¹⁾	100% ⁽¹⁾

Note:

- (1) Upon completion of the Arrangement, the Company will distribute to the Canasil Shareholders who hold Canasil Shares on the Share Distribution Record Date their pro rata portion of the Distributable Canmine Shares on the basis of one Canmine Share for each two (2) Canasil Shares held. The remaining Canmine Shares after the completion of the Arrangement will be retained by the Company for investment purposes.

DIRECTORS AND OFFICERS OF CANMINE

The following table sets out the names of the current and proposed directors and officers of Canmine, the municipalities of residence of each, all offices currently held by each of them, their principal occupations within the five preceding years, the period of time for which each has been a director or executive officer of Canmine, and the number and percentage of Canmine Shares to be beneficially owned by each, directly or indirectly, or over which control or direction will be exercised, upon completion of the Arrangement:

Name and Municipality of Residence	Position(s) Held in Canmine	Principal Occupation During the Past 5 Years	Period as a Director or Officer of Canmine	No. of Canmine Shares to be Beneficially Owned on Completion of Arrangement⁽¹⁾	Shares to be Held as a % of Outstanding Canmine Shares⁽²⁾
Bahman Yamini West Vancouver, British Columbia, Canada	President, Chief Executive Officer and Director	President and CEO of Canasil since May 14, 2002	May 24, 2016 to date	2,888,103	5.16%
Kerry Spong West Vancouver, British Columbia, Canada	Chief Financial Officer, Secretary and Director	Self-employed Accountant. Canasil Resources Inc.: CFO from November 2006 to present. Gitennes Explorations Inc.: CFO from July 2004 to present Blackheath Resources Inc.: Director and CFO from May 2011 to present. Abacus Mining and Exploration Corp.: Director from September 2015 to present.	May 24, 2016 to date	1,572,925	2.81%
Alvin W. Jackson British Columbia, Canada	Director	Director and VP Exploration and Development of Freegold Ventures Limited.	October 31, 2017 to date	352,667	0.06%
Michael McInnis British Columbia, Canada	Director	Chairman, President, CEO and a Director of Abacus Mining & Exploration Corp. and director of Victoria Gold Corp.	October 31, 2017 to date	272,000	0.05%

Name and Municipality of Residence	Position(s) Held in Canmine	Principal Occupation During the Past 5 Years	Period as a Director or Officer of Canmine	No. of Canmine Shares to be Beneficially Owned on Completion of Arrangement⁽¹⁾	Shares to be Held as a % of Outstanding Canmine Shares⁽²⁾
Arthur Freeze British Columbia, Canada	Director	Director of Ores Minerals Inc. and Barsele Minerals Corp.	October 31, 2017 to date	525,333	0.94%
Iain MacPhail British Columbia, Canada	Director	CFO of Far West Mining Ltd. from January, 2006, to June, 2011. President of Iain F. MacPhail Ltd. since August 10, 1995.	October 31, 2017 to date	754,325	1.35%

Notes:

- (1) These include Canmine Shares that the persons will receive through their ownership of Canasil Shares on the Share Distribution Record Date.
- (2) Based upon the number of Canmine Shares to be issued and outstanding immediately after the Effective Date.

The members of Canmine's Audit Committee are Alvin W. Jackson, Michael McInnis and Iain MacPhail.

Management of Canmine

The following is a description of the individuals who will be directors and officers of Canmine following the completion of the Arrangement:

Bahman Yamini, President, Chief Executive Officer and Director: Mr. Yamini has served as President & CEO since May 2002. His professional career has focused on international trade and the supply of industrial products and systems to developing economies, specializing in the automotive and telecommunications industries, which has involved cooperation with a number of major international corporations. His primary focus is Canasil's development strategy and operations, project acquisition agreements and the Company's cooperation agreements with joint venture partners. Mr. Yamini holds degrees in Engineering Science, Production Engineering and Business Management.

Kerry Spong, Chief Financial Officer, Secretary and Director: Mr. Spong is an Accountant with over 20 years of experience in public and private practice. He has conducted audit work for a wide range of mining and mineral exploration companies, serves as CFO and Director of a number of junior mining companies.

Alvin W. Jackson, Director: Mr. Jackson has over 35 years of worldwide experience in mineral exploration and development. During his career he has been directly involved with the exploration drilling and pre-feasibility studies on two major gold deposits (Detour Lake, Ontario, Canada and Golden Cross in New Zealand) and one porphyry copper deposit (Huckleberry, B.C., Canada), all of which subsequently became producers. His experience includes work as an Exploration Manager for Cyprus

Minerals Canada Inc. and serving as President and COO of EuroZinc Mining Corp, between 1989 to 1992 and from 1999 to 2005, where he directed that company in its acquisition of the Aljustrel and Neves Corvo zinc and copper mines in Portugal. EuroZinc subsequently grew to a market cap of over \$1.5 billion before merging with Lundin Mining. Currently, Mr. Jackson serves as Director and VP Exploration and Development of Freegold Ventures Ltd. As well as serving on the boards of several publicly listed companies.

Michael McInnis, Director: Mr. McInnis brings over 35 years of experience in mineral exploration in North America and overseas to the Company. He provides sound management expertise with over 25 years of experience in managing public resource companies and has a demonstrated track record in acquiring and developing high quality mineral projects. He serves on the Boards of several other minerals companies including Riverstone Resources Inc., Abacus Mining & Exploration Corp., and Victoria Gold Corp.

Arthur Freeze, Director: Mr. Freeze has extensive experience in mineral exploration and mining development programs and evaluating projects for both senior and junior resource companies. He has held consulting, supervising, and management positions with major and junior mining companies including: Cominco Ltd., Echo Bay Mines and Pan American Silver Corporation. He has extensive international experience in North, Central and South America, and acted as the principal Consulting Geologist for Wheaton River Minerals and Goldcorp Inc. from 2003 to 2007. Mr. Freeze serves on the boards of several publicly listed companies.

Iain MacPhail, Director: A Chartered Accountant, Mr. MacPhail served as a principal of a public accounting practice in Vancouver, B.C., from 1988 to 2007. Prior to establishing his own firm, he specialized in the tax practices of two major accounting firms in Vancouver and Toronto. Mr. MacPhail has been an officer, director and Chief Financial Officer of several private and public resource companies where his responsibilities included finance, administration and regulatory reporting. Mr. MacPhail was Chief Financial officer of Far West Mining Ltd. until the acquisition of Far West in June 2011 by Capstone Mining in a transaction valued at \$725 million.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

None of the persons who will be directors, officers or promoters of Canmine is, or has been within the past ten years, a director, officer or promoter of any other issuer that, while such person was acting in that capacity, was:

- (a) the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trust appointed to hold the assets of that person.

PENALTIES OR SANCTIONS

No director, officer, promoter or other member of management of Canmine has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

PERSONAL BANKRUPTCIES

No director, officer, promoter or other member of management of Canmine has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

CONFLICTS OF INTEREST

The directors of Canmine are required by law to act honestly and in good faith with a view to the best interest of Canmine and to disclose any interests which they may have in any project or opportunity of Canmine. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Canmine will participate in any project or opportunity, that director will primarily consider the degree of risk to which Canmine may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of the Company's knowledge, there are no known existing or potential conflicts of interest among Canmine and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public or private companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS OF CANMINE

No individual who is, or at any time from the date of Canmine's incorporation to the date hereof was a director or executive officer of Canmine, or an associate or affiliate of such an individual, is or has been indebted to Canmine.

CANMINE'S TRANSFER AGENT AND REGISTRAR

Canmine's registrar and transfer agent is Computershare Investor Services Inc., of 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

CANMINE'S AUDITOR

Davidson & Company LLP, Chartered Professional Accountants, of 1200-609 Granville Street, Vancouver, British Columbia, V7Y 1G6 are the auditors of Canmine.

CANMINE'S MATERIAL CONTRACTS

The following are the contracts which are material to Canmine and which have been entered into within the two years prior to the date of this Circular:

1. Property Purchase Agreement between the Company and Canmine dated October 5, 2017.
2. Arrangement Agreement between the Company and Canmine dated October 5, 2017.

3. Transfer Agency, Registrar and Dividend Disbursing Agent Agreement between Canmine and Computershare Investor Services Inc.

The material contracts described above may be inspected at the head office of Canmine at Suite 1760 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T8, during normal business hours prior to the Meeting and for a period of 60 days thereafter.

PROMOTERS

The Company is the promoter of Canmine.

LEGAL PROCEEDINGS

There are no pending legal proceedings to which the Company or Canmine is or is likely to be a party or of which any of its properties are or, to the best of knowledge of management of Canmine, are likely to be subject, other than as follows:

- Canasil understands that Pan American Silver Corp. filed a Writ of Summons in British Columbia Supreme Court on September 8, 2017, alleging a breach by Canasil of the agreement with Pan American Silver Corp. with respect to Canasil's Escobar property in Mexico, but Canasil has not been served with the Writ, and therefore the particulars of the legal action are not known to Canasil. Unless and until Canasil has been served, Canasil cannot comment on the merits of any such action.

ADDITIONAL INFORMATION

Additional information relating to the Company is included in the Company's audited financial statements for the years ended December 31, 2016 and December 31, 2015 and the accompanying auditor's report and management's discussion and analysis. A copy of these financial statements and related management's discussion and analysis, as well as additional copies of this Circular, may be obtained from Sedar free of charge at www.sedar.com and upon request from the Company as follows:

Canasil Resources Inc.
Suite 1760 - 750 West Pender Street
Vancouver, B.C.
V6C 2T8
Telephone: 604 708-3788
Fax: 604 708-3728

EXPERTS

The audited financial statements of the Company as at December 31, 2016 and 2015 and for the years then ended, and the audited financial statements of Canmine for the period from May 24, 2016 to June 30, 2017 and for the periods then ended, each incorporated in this Circular, have been so incorporated in reliance upon the reports of Davidson & Company LLP, independent Chartered Professional Accountants, and upon the authority of such firm as experts in accounting and auditing. Davidson & Company LLP is independent within the meaning of the applicable rules of professional conduct in Canada.

Robert A. (Bob) Lane, is the author of the technical report entitled "Technical Report on the Brenda Gold-Copper Project" dated September 12, 2017, which was prepared in accordance with NI 43-101.

The technical information concerning the Canmine Project that is described in this Circular has been extracted from this technical report.

The above technical report is available on SEDAR at www.sedar.com under the Company's profile. The author of the above technical report did not hold any securities of the Company or of Canmine when she prepared said technical report, nor following the preparation of said technical report did she receive any direct or indirect interest in any securities of the Company or Canmine.

Each of the above named experts has advised the Company that they beneficially own, directly or indirectly, none of the outstanding Canasil Shares.

DIRECTORS' APPROVAL

The contents and the sending of this Notice of Meeting and Circular have been approved by the Board of Directors.

Dated this 3rd day of November, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

"Bahman Yamini"

Bahman Yamini
President and Chief Executive Officer

SCHEDULE A
FORM OF ARRANGEMENT RESOLUTIONS

SPECIAL RESOLUTION - ARRANGEMENT UNDER PART 9, DIVISION 5 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

BE IT RESOLVED as a special resolution that:

1. the Arrangement Agreement dated effective October 5, 2017 between Canasil Resources Inc. (the “**Company**”) and Canmine Minerals Inc. (“**Canmine**”) attached as Schedule B to the Circular is hereby confirmed, ratified and approved;
2. the arrangement (the “**Arrangement**”) under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) substantially as set forth in the Plan of Arrangement attached as Exhibit II to Schedule B to the Circular is hereby approved and authorized;
3. notwithstanding that this special resolution has been passed by the Canasil Shareholders or that the Arrangement has received the approval of the Supreme Court of British Columbia, the board of directors of the Company may amend the Arrangement Agreement and the Plan of Arrangement to the extent permitted by the Arrangement Agreement and/or decide not to proceed with the Arrangement or revoke this special resolution at any time prior to the filing of a certified copy of the court order approving the Arrangement with the Registrar of Companies for British Columbia without further approval of the Canasil Shareholders; and
4. any one director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and deliver all documents and instruments and take all such other actions as may be necessary or desirable to implement this special resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

SCHEDULE B

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated as of the 5th day of October, 2017.

BETWEEN:

CANASIL RESOURCES INC., a company incorporated under the laws of British Columbia, and having an office at Suite 1760 – 750 West Pender Street, Vancouver, BC, V6C 2T8,

(hereinafter referred to as “**Canasil**”)

AND:

CANMINE MINERALS INC., a company incorporated under the laws of British Columbia, and having an office at Suite 1760 – 750 West Pender Street, Vancouver, BC, V6C 2T8,

(hereinafter referred to as “**Canmine**”)

RECITALS:

WHEREAS Canasil and Canmine have agreed to proceed with a corporate restructuring by way of a Plan of Arrangement whereby:

- A. certain assets of Canasil are to be transferred to Canmine in exchange for 56,000,000 Canmine Shares;
- B. Canasil will reorganize its share capital; and
- C. Canasil will distribute 50,948,686 Canmine Shares to the Canasil Shareholders of record at the close of business on the Share Distribution Record Date;

AND WHEREAS Canasil proposes to convene a meeting of the Canasil Shareholders to consider the Arrangement pursuant to Part 9, Division 5 of the BCBCA, on the terms and conditions set forth in the Plan of Arrangement attached as Exhibit II hereto; and

AND WHEREAS each of the parties to this Agreement has agreed to participate in and support the Arrangement.

NOW THEREFORE, in consideration of the premises and the respective covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto hereby covenant and agree as follows:

ARTICLE 1

DEFINITIONS, INTERPRETATION AND EXHIBIT(S)

1.1 In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms shall have the following meanings:

- (a) **“Agreement”** means this agreement including the Exhibits attached hereto as the same may be supplemented or amended from time to time;
- (b) **“Arrangement”** means the arrangement pursuant to Part 9, Division 5 of the BCBCA as contemplated by the provisions of this Agreement and the Plan of Arrangement;
- (c) **“Arrangement Provisions”** means Part 9, Division 5 of the BCBCA;
- (d) **“Assets”** means a 100% interest in each of the Brenda, Lil, Granite and Vega mineral properties that the Company will transfer to Canmine, all associated reclamations bonds and \$500,000 in cash, as further set out in Exhibit I hereto;
- (e) **“BCBCA”** means the Business Corporations Act, S.B.C. 2002, c.57, as amended;
- (f) **“Business Day”** means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, BC;
- (g) **“Canasil”** means Canasil Resources Inc., a company existing under the provisions of the BCBCA;
- (h) **“Canasil Class A Shares”** means the renamed and redesignated Canasil Shares as described in subparagraph 3.1(c)(i) of the Plan of Arrangement;
- (i) **“Canasil Meeting”** means the special meeting of the Canasil Shareholders to be held on such date as set by the Court and any adjournments thereof, to be held to consider, among other things, and if deemed advisable approve, the Arrangement;
- (j) **“Canasil Share Commitment”** means an obligation of Canasil to issue New Shares pursuant to holders of a Canasil Stock Option and New Shares pursuant to holders of a Canasil Warrant;
- (k) **“Canasil Shareholder”** means a holder of Canasil Shares;
- (l) **“Canasil Shares”** means the common shares without par value in the authorized share structure of Canasil, as constituted on the date hereof;
- (m) **“Canasil Stock Option Plan”** means the stock option plan of Canasil;
- (n) **“Canasil Stock Options”** means share purchase options issued pursuant to the Canasil Stock Option Plan which are outstanding on the Effective Date;
- (o) **“Canasil Warrants”** means the share purchase warrants of Canasil which are outstanding on the Effective Date;
- (p) **“Canmine”** means Canmine Minerals Inc., a company existing under the provisions of the BCBCA;
- (q) **“Canmine Shareholders”** means the holders of Canmine Shares;
- (r) **“Canmine Shares”** means the common shares without par value in the authorized share structure of Canmine as constituted on the date hereof;

- (s) **“Charter Documents”** means Articles and the related Notice of Articles under the BCBCA;
- (t) **“Court”** means the Supreme Court of British Columbia;
- (u) **“Effective Date”** means the date agreed by Canasil and Canmine as being the date upon which the Arrangement first becomes effective;
- (v) **“Effective Time”** means 12:01 a.m. (Pacific Standard Time) on the Effective Date, or such other time on the Effective Date as agreed by Canasil and Canmine;
- (w) **“Exchange”** means the TSX Venture Exchange;
- (x) **“Final Order”** means the final order of the Court approving the Arrangement;
- (y) **“Information Circular”** means the management information circular of Canasil to be sent to the Canasil Shareholders in connection with the Canasil Meeting;
- (z) **“Interim Order”** means the interim order of the Court providing advice and directions in connection with the Canasil Meeting and the Arrangement;
- (aa) **“New Shares”** means the new class of common shares without par value which Canasil will create pursuant to subparagraph 3.1(d)(ii) of the Plan of Arrangement and which, immediately after the Effective Time, will be identical in every relevant respect to the class of Canasil Shares immediately prior to the Effective Time;
- (bb) **“Person”** means and includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a trustee, executor, administrator or other legal representative and the Crown or any agency or instrumentality thereof;
- (cc) **“Plan of Arrangement”** means the plan of arrangement attached to this Agreement as Exhibit II as amended from time to time;
- (dd) **“Registrar”** means the Registrar of Companies under the BCBCA;
- (ee) **“Property Purchase Agreement”** means the agreement dated October 5, 2017 between Canasil and Canmine, which provided for the sale of the Assets by Canasil to Canmine in contemplation of and as part of the Arrangement;
- (ff) **“Share Distribution Record Date”** means the close of business on the day which is four Business Days after the date of the Canasil Meeting or such other date as approved by Canasil and Canmine, which date establishes the Canasil Shareholders who will be entitled to receive Canmine Shares pursuant to the Plan of Arrangement;
- (gg) **“Subsidiary”** means a corporation that is controlled by:
 - (i) another corporation; or
 - (ii) another corporation and one or more corporations, each of which is controlled by that other corporation; or

- (iii) two or more corporations, each of which is controlled by that other corporation;
or

it is a subsidiary of that other corporation.

And, for the purpose of this Agreement, a corporation is controlled by a person where:

- (i) shares of the corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of that person; and
- (ii) the votes carried by the shares mentioned in paragraph (i) are sufficient, if exercised, to elect a majority of the directors of the corporation; and

(hh) **“U.S. Securities Act”** means the United States Securities Act of 1933, as amended.

1.2 All amounts of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 The division of this Agreement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the provisions of this Agreement. The terms “this Agreement”, “hereof”, “herein”, “hereunder” and similar expressions refer to this Agreement and the exhibits hereto as a whole and not to any particular article, section, subsection, paragraph or subparagraph hereof and include any agreement or instrument supplementary or ancillary hereto.

1.4 In this Agreement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing the use of either gender shall include both genders and neuter.

1.5 In the event that any date on which any action is required to be taken hereunder by Canasil or Canmine is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 Words and phrases used herein and defined in the BCBCA shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

1.7 Attached hereto and deemed to be incorporated into and form part of this Agreement is Exhibit I, a description of the Assets and Exhibit II, the Plan of Arrangement.

ARTICLE 2 ARRANGEMENT

2.1 The parties agree to effect the Arrangement pursuant to the Arrangement Provisions on the terms and subject to the conditions contained in this Agreement and the Plan of Arrangement.

2.2 The parties agree that the Arrangement will be carried out with the intention that all securities issued pursuant to the Arrangement to the Canasil Shareholders resident in the United States in exchange for their existing securities will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act (the **“Section 3(a)(10) Exemption”**). In order to ensure the availability of the Section 3(a)(10) Exemption, the parties agree that:

- (a) the Arrangement will be subject to the approval of the Court;
- (b) the Court will be advised as to the intention of the parties to rely on the Section 3(a)(10) Exemption prior to the hearing required to approve the Arrangement;
- (c) the Court will be required to satisfy itself that the terms and conditions of the exchange of securities pursuant to the Arrangement are fair to the Canasil Shareholders to whom securities will be issued under the Arrangement;
- (d) the Final Order approving the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as being fair to the Canasil Shareholders; and
- (e) the parties will ensure that each Canasil Shareholder entitled to receive securities on completion of the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right.

2.3 The Arrangement shall become effective at the Effective Time on the Effective Date as set out in the Plan of Arrangement.

2.4 Subject to the rights of termination contained in Article 6 hereof, upon the Canasil Shareholders approving the Arrangement by special resolution in accordance with the provisions of the Interim Order and the BCBCA, Canasil obtaining the Final Order and the other conditions contained in Article 5 hereof being complied with or waived, Canasil on its behalf and on behalf of Canmine shall file the records and information required by the Registrar pursuant to the Arrangement Provisions in order to effect the Arrangement.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Each of the parties hereby represents and warrants to the other that:

- (a) it is a corporation duly incorporated and validly subsisting under the laws of British Columbia and has full capacity and authority to enter into this Agreement and to perform its covenants and obligations hereunder;
- (b) it has taken all corporate actions necessary to authorize the execution and delivery of this Agreement and this Agreement has been duly executed and delivered by it;
- (c) the execution and delivery of this Agreement by it and the completion of the transaction contemplated herein:
 - (i) do not and will not result in a breach of, or violate any term or provision of, its Charter Documents; and
 - (ii) do not and will not, as of the Effective Date, violate any provision of law or administrative regulations or any judicial or administrative award judgment or decree applicable and known to it after due inquiry, the breach of which would have a material adverse effect on it;
- (d) the execution and delivery of this Agreement and the completion of the transaction contemplated herein have been duly approved by its board of directors and this

Agreement has been duly executed and delivered by it and constitutes a valid and binding obligation of it enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction;

- (e) neither the execution and delivery of this Agreement nor the performance of any of its covenants and obligations hereunder will constitute a material default under, or be in any material contravention or breach of (i) any provision of its Charter Documents or other constating or governing corporate documents, (ii) any judgment, decree, order, law, statute, rule or regulation applicable to it, or (iii) any agreement or instrument to which it is a party or by which it is bound; and
- (f) no dissolution, winding up, bankruptcy, liquidation or similar proceedings have been commenced or are pending or proposed in respect of it.

3.2 Canasil hereby represents and warrants to Canmine that:

- (a) the authorized capital of Canasil consists of an unlimited number of shares, of no par value, of which [101,809,872] Canasil Shares are issued as of October 5, 2017;
- (b) no individual, firm, corporation or other person holds any securities convertible or exchangeable into any shares of Canasil or of any of its subsidiaries or has any agreement, warrant, option or any right capable of becoming an agreement, warrant or option for the purchase of any unissued shares of Canasil or any of its subsidiaries, except for:
 - (i) holders of Canasil Warrants, who have the right to purchase an aggregate of 4,194,250 Canasil Shares pursuant to the Canasil Warrants; and
 - (ii) the holders of Canasil Options, who have options to purchase an aggregate of 7,897,500 Canasil Shares pursuant to the Canasil Options;
 - (iii) subject to receiving any consent as may be necessary under any agreement by which Canasil or any of its subsidiaries is bound, do not and will not, as of the Effective Date, conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which Canasil and its subsidiaries taken as a whole is subject or result in the creation of any lien, charge or encumbrance upon any the material assets of Canasil or any of its subsidiaries under any such agreement or instrument, or give to any person any material interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority; and
 - (iv) subject to receipt of necessary approvals of the holders of Canasil Shares and the Court, do not and will not as of the Effective Date violate any provision of law or administrative regulation or any judicial or administrative regulation or any judicial or administrative award, judgment or decree applicable and known to Canasil, after due inquiry, the breach of which would have a material adverse effect on Canasil and its subsidiaries taken as a whole;

- (c) to the best of the knowledge of Canasil after due inquiry, there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting Canasil or any subsidiary of Canasil, at law or in equity, before or by any governmental department, commission, board, bureau, court, agency, arbitrator or instrumentality, domestic or foreign, of any kind, other than as follows:
 - (i) Canasil understands that Pan American Silver Corp. filed a Writ of Summons in British Columbia Supreme Court on September 8, 2017, alleging a breach by Canasil of the agreement with Pan American Silver Corp. with respect to Canasil's Escobar property in Mexico, but Canasil has not been served with the Writ, and therefore the particulars of the legal action are not known to Canasil;
- (d) to the best of the knowledge of Canasil, after due inquiry, are there any existing facts or conditions which may reasonably be expected, individually or in the aggregate, to be a basis for any actions, suits, proceedings or investigations, which in any case would prevent or hinder the consummation of the transactions contemplated by this Agreement or the Plan of Arrangement or which may reasonably be expected individually or in the aggregate to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Canasil and its subsidiaries, taken as a whole, either before or after the Effective Date;
- (e) to the best of the knowledge of Canasil, the information set forth in the Circular relating to Canasil and its subsidiaries and the interests of Canasil and such subsidiaries, their respective businesses and properties and the effect of the Arrangement and any other transactions referred to in this Circular thereon is true, correct and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in the light of the circumstances in which they are made.

3.3 Canmine hereby represents and warrants to Canasil that:

- (a) the authorized capital of Canmine consists of an unlimited number of Canmine Shares without par value of which there is issued and outstanding as at the date hereof one Canmine Share;
- (b) except as contemplated by this Agreement, no individual, firm, corporation or other person holds any securities convertible or exchangeable into any shares of Canmine or has any agreement, warrant, option or any right capable of becoming an agreement, warrant or option for the purchase of any unissued shares of Canmine; and
- (c) Canmine is not engaged in any business nor is it a party to or bound by any contract, agreement, arrangement, instrument, license, permit or authority, other than this Agreement and any transaction or agreement necessary or incidental to the fulfillment of its obligations under this Agreement, nor does it have any liabilities, contingent or otherwise, except as provided in or permitted by this Agreement.

ARTICLE 4 COVENANTS

4.1 Covenants of Canasil

Canasil hereby covenants and agrees as follows:

- (a) until the Effective Date, Canasil and each of its Subsidiaries shall carry on its business in the ordinary course and shall not enter into any transaction or incur any obligation or liability out of the ordinary course of its business, except as otherwise contemplated in this Agreement;
- (b) except as otherwise contemplated in this Agreement, until the Effective Date, Canasil shall not, and shall not suffer or permit any of its Subsidiaries to, merge into or with, or amalgamate, consolidate or enter into any other corporate reorganization with, any other corporation or person or perform any act or enter into any transaction or negotiation which reasonably could be expected to, directly or indirectly, interfere or be inconsistent with the completion of the Arrangement;
- (c) Canasil shall, in a timely and expeditious manner, file the Circular in all jurisdictions where the Circular is required to be filed by Canasil and mail this Circular to the holders of Canasil Common Shares, the directors of Canasil and the auditors of Canasil, all in accordance with the terms of the BCBCA and other applicable law;
- (d) Canasil shall perform the obligations required to be performed by it, and shall enter into all agreements required to be entered into by it under this Agreement and the Plan of Arrangement and shall do all such other acts and things as may be necessary or desirable on order to carry out and give effect to the transactions as described in the Circular and, without limiting the generality of the foregoing Canasil shall seek:
 - (i) the approval of the holders of Canasil Common Shares required for the implementation of the Arrangement;
 - (ii) the confirmation of the listing of the New Shares on the Exchange;
 - (iii) in cooperation with Canmine, the approval for the listing of the Canmine Shares on the Exchange;
 - (iv) the Final Order as provided for in section 4.3; and
 - (v) such other consents, orders, rulings, approvals and assurances as counsel may advise are necessary or desirable for the implementation of the Arrangement, including those referred to in section 5.1;
- (e) Canasil will convene the Meeting as soon as practicable and will solicit proxies to be voted at the Meeting in favour of the Arrangement and all other resolutions referred to in the Circular; and
- (f) Canasil will use all reasonable efforts to cause each of the conditions precedent set out in sections 5.1 and 5.2 to be complied with in or before the Effective Date.

4.2 Covenants of Canmine

Canmine hereby covenants and agrees with Canasil as follows:

- (a) until the Effective Date, Canmine shall not merge and shall not permit any of its Subsidiaries to merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization with, any other corporation or person, perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the Arrangement or other transactions contemplated by this Agreement; and
- (b) Canmine shall perform the obligations required to be performed by it, and shall enter into all agreements required to be entered into by it, under this Agreement and the Plan of Arrangement and shall do all such other acts and things as may be necessary or desirable in order to carry out and give effect to the Arrangement and related transactions as described in the Circular and, without limiting the generality of the foregoing, Canmine shall seek and cooperate with Canasil in seeking:
 - (i) the Final Order as provided for in section 4.3, and
 - (ii) such other consents, orders, rulings, approvals and assurances as counsel may advise are necessary or desirable for the implementation of the Arrangement, including those referred to in section 5.1;

4.3 Court Order

If the approval of holders of Canasil Shares of the Arrangement is obtained by Canasil, as soon as practicable thereafter each party will take the necessary steps to submit the Arrangement to the Court and apply for the Final Order. As soon as practicable thereafter, and subject to compliance with any other conditions provided for in Article 5 hereof and further subject to the provisions of section 5.2, Canasil and Canmine shall file with the Registrar pursuant to section 292 of the BCBCA a certified copy of the Final Order and amendments to their respective Notice of Articles to give effect to the Arrangement.

4.4 Non-Survival of Representations, Warranties and Covenants

The respective representations, warranties and covenants of Canasil and Canmine contained herein shall expire and be terminated and extinguished at and from the Effective Date, other than the covenants in sections 4.1(d) and 4.2(b), and no party shall have any liability or further obligation to any party hereunder in respect of the respective representations, warranties and covenants thereafter, other than the covenants in sections 4.1(d) and 4.2(b).

4.5 The Arrangement shall be effected as follows:

- (a) the parties shall proceed forthwith to apply for the Interim Order providing for, among other things, the calling and holding of the Canasil Meeting for the purpose of considering and, if deemed advisable, approving and adopting the Arrangement;
- (b) the Canmine Shareholders shall approve the Arrangement by a consent resolution;
- (c) upon obtaining the Interim Order, Canasil shall call the Canasil Meeting and mail the Information Circular and related notice of meeting and form of proxy to the Canasil Shareholders; and

- (d) if the Canasil Shareholders approve the Arrangement as set out in paragraph 5.1(b) hereof, Canasil shall thereafter (subject to the exercise of any discretionary authority granted to Canasil's directors by the Canasil Shareholders) take the necessary actions to submit the Arrangement to the Court for approval and grant of the Final Order

ARTICLE 5 CONDITIONS

5.1 The respective obligations of the parties to complete the transactions contemplated by this Agreement shall be subject to the satisfaction of the following conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to Canasil and Canmine;
- (b) the Arrangement and this Agreement, with or without amendment, shall have been approved at the Canasil Meeting by the Canasil Shareholders in accordance with the Arrangement Provisions, the Charter Documents of Canasil, the Interim Order and the requirements of any applicable regulatory authorities;
- (c) the Arrangement and this Agreement, with or without amendment, shall have been approved by the Canmine Shareholders to the extent required by, and in accordance with the Arrangement Provisions and the Charter Documents of Canmine;
- (d) the Final Order shall have been obtained in form and substance satisfactory to Canasil and Canmine;
- (e) the Exchange shall have conditionally approved the Arrangement, including the listing of the New Shares in substitution for the Canasil Shares, the delisting of the Canasil Shares, and the listing of the Canmine Shares effective prior to the Effective Time, subject to compliance with the requirements of the Exchange;
- (f) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders required or necessary or desirable for the completion of the transactions provided for in this Agreement and the Plan of Arrangement shall have been obtained or received from the Persons, authorities or bodies having jurisdiction in the circumstances, each in form acceptable to Canasil and Canmine;
- (g) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement and the Arrangement;
- (h) notices of dissent pursuant to Article 5 of the Plan of Arrangement shall not have been delivered by Canasil Shareholders holding greater than 2% of the outstanding Canasil Shares; and
- (i) this Agreement shall not have been terminated under Article 6 hereof.

Except for the conditions set forth in paragraph (a), paragraph (b), paragraph (c), paragraph (d), paragraph (e) and paragraph (i), which may not be waived, any of the other conditions in this Subsection 5.1 may be waived by either Canasil or Canmine, as the case may be, at its discretion.

5.2 Unless this Agreement is terminated earlier pursuant to the provisions hereof, the parties shall meet at the offices of McCullough O'Connor Irwin LLP, Suite 2600 – 1066 West Hastings Street,

Vancouver, British Columbia, V6E 3X1, at 2:00 p.m. on the Effective Date, or at such other time or on such other date as they may mutually agree, and each of them shall deliver to the other of them:

- (a) the documents required to be delivered by it hereunder to complete the transactions contemplated hereby, provided that each such document required to be dated the Effective Date shall be dated as of, or become effective on, the Effective Date and shall be held in escrow to be released upon the occurrence of the Effective Date; and
- (b) written confirmation as to the satisfaction or waiver by it of the conditions in its favour contained in this Agreement.

5.3 The conditions set out in Subsection 5.1 hereof shall be conclusively deemed to have been satisfied, waived or released upon the occurrence of the Effective Date.

5.4 The representations and warranties in Subsection 3.1 shall be conclusively deemed to be correct as of the Effective Date and each shall accordingly merge in and not survive the effectiveness of the Arrangement.

ARTICLE 6 AMENDMENT AND TERMINATION

6.1 Subject to any restrictions under the Arrangement Provisions or the Final Order, this Agreement, including the Plan of Arrangement, may at any time and from time to time before or after the holding of the Canasil Meeting, but prior to the Effective Date, be amended by the written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of the Canasil Shareholders.

6.2 Subject to Subsection 6.3, this Agreement may at any time before or after the holding of the Canasil Meeting, and before or after the granting of the Final Order, but in each case prior to the Effective Date, be terminated by direction of the Board of Directors of Canasil without further action on the part of the Canasil Shareholders, or by the Board of Directors of Canmine without further action on the part of the Canmine Shareholders, and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion by the Board of Directors of Canasil or Canmine to elect to terminate this Agreement and discontinue efforts to effect the Arrangement for whatever reasons it may consider appropriate.

6.3 The right of Canasil or Canmine or any other party to amend or terminate the Plan of Arrangement pursuant to Subsection 6.1 and Subsection 6.2 shall be extinguished upon the occurrence of the Effective Date.

ARTICLE 7 GENERAL

7.1 All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be delivered or telecopied, addressed as follows:

in the case of Canasil:

Suite 1760 – 750 West Pender Street
Vancouver, BC
V6C 2T8

Attention: Bahman Yamini, President
Facsimile: (604) 708-3728

with a copy to:

McCullough O'Connor Irwin LLP
Suite 2600 – 1066 West Hastings Street
Vancouver, British Columbia
V6E 3X1

Attention: Graham H. Scott
Facsimile: (604) 604-687-7099

in the case of Canmine:

Suite 1760 – 750 West Pender Street
Vancouver, BC
V6C 2T8

Attention: Bahman Yamini, President
Facsimile: (604) 708-3728

with a copy to:

McCullough O'Connor Irwin LLP
Suite 2600 – 1066 West Hastings Street
Vancouver, British Columbia
V6E 3X1

Attention: Graham H. Scott
Facsimile: (604) 604-687-7099

7.2 None of the parties may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other of them.

7.3 This Agreement and the Arrangement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns.

7.4 Any waiver or release of the provisions of this Agreement, to be effective, must be in writing and executed by the party granting such waiver or release.

7.5 This Agreement shall be governed by and be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and shall be treated in all respects as a British Columbia contract.

7.6 This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

7.7 All expenses incurred by a party in connection with this Agreement, the Arrangement and the transactions contemplated hereby and thereby shall be borne by the party that incurred the expense.

7.8 This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

7.9 Time is of the essence of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

CANASIL RESOURCES INC.

Per: _____
Authorized Signatory
Name:
Title:

CANMINE MINERALS INC.

Per: _____
Authorized Signatory
Name:
Title:

EXHIBIT I
ASSETS OF CANASIL
TRANSFERRED TO CANMINE

1. A 100% interest in each of the following mineral properties, all situated in British Columbia:

Brenda Gold-Copper Property

Tenure Number	Claim Name	Owner	Map No.	Issue Date	Good To Date	Area (ha)	Location
238271	BRENDA #1	104199 (100%)	094E026	1980/JUN/13	2024/MAY/30	25.0	Omineca, BC
238272	BRENDA #4	104199 (100%)	094E026	1980/JUN/13	2024/MAY/30	25.0	Omineca, BC
238273	BRENDA #5	104199 (100%)	094E026	1980/JUN/13	2024/MAY/30	25.0	Omineca, BC
238274	BRENDA #6	104199 (100%)	094E026	1980/JUN/13	2024/MAY/30	25.0	Omineca, BC
238275	BRENDA #7	104199 (100%)	094E026	1980/JUN/13	2024/MAY/30	25.0	Omineca, BC
238276	BRENDA #8	104199 (100%)	094E026	1980/JUN/13	2024/MAY/30	25.0	Omineca, BC
238770	JAN 1	104199 (100%)	094E026	1984/MAR/29	2024/MAY/30	150.0	Omineca, BC
238771	JAN 2	104199 (100%)	094E026	1984/MAR/29	2024/MAY/30	400.0	Omineca, BC
238872	MAX NO. 1	104199 (100%)	094E026	1984/AUG/21	2024/MAY/30	25.0	Omineca, BC
238873	MAX 2	104199 (100%)	094E026	1984/AUG/21	2024/MAY/30	25.0	Omineca, BC
238874	MAX 3	104199 (100%)	094E026	1984/AUG/21	2024/MAY/30	25.0	Omineca, BC
239100	JAN 6	104199 (100%)	094E026	1986/FEB/28	2024/MAY/30	100.0	Omineca, BC
239101	JAN 7	104199 (100%)	094E026	1986/FEB/28	2024/MAY/30	500.0	Omineca, BC
239102	JAN 8	104199 (100%)	094E026	1986/FEB/28	2024/MAY/30	250.0	Omineca, BC
239522	POCK	104199 (100%)	094E026	1987/JUL/06	2024/MAY/30	400.0	Omineca, BC
239523	HANS	104199 (100%)	094E026	1987/JUL/06	2024/MAY/30	150.0	Omineca, BC
239993	TOM 4	104199 (100%)	094E026	1988/MAY/31	2024/MAY/30	150.0	Omineca, BC
240972	JAN #9	104199 (100%)	094E026	1989/JUL/06	2024/MAY/30	400.0	Omineca, BC
306720	TOM 3	104199 (100%)	094E026	1988/MAY/31	2024/MAY/30	225.0	Omineca, BC
306721	TOM 5	104199 (100%)	094E026	1988/MAY/31	2024/MAY/30	500.0	Omineca, BC
319655	KATH 1	104199 (100%)	094E027	1993/JUL/19	2024/MAY/30	500.0	Omineca, BC
319657	KATH 3	104199 (100%)	094E027	1993/JUL/20	2024/MAY/30	500.0	Omineca, BC

Granite Gold Property

Tenure Number	Claim Name	Owner	Map No.	Issue Date	Good To Date	Area (ha)	Location
1043096	GRANITE 1	104199 (100%)	094C	2016/MAR/29	2020/APR/15	160.8038	Omineca, BC
1043097	GRANITE 2	104199 (100%)	094C	2016/MAR/29	2020/APR/15	321.6123	Omineca, BC
1043138	GRANITE 3	104199 (100%)	094C	2016/MAR/31	2020/APR/15	392.9608	Omineca, BC
1043142	GRANITE 4	104199 (100%)	094C	2016/MAR/31	2020/APR/15	357.4677	Omineca, BC
1049880		104199 (100%)	094C	2017/FEB/08	2018/FEB/08	35.7369	Omineca, BC

Lil Silver Property

Tenure Number	Claim Name	Owner	Map No.	Issue Date	Good To Date	Area (ha)	Location
1039033	LIL SE	104199 (100%)	094C	2015/OCT/02	2019/APR/18	250.1805	Omineca, BC
1039574	LIL I	104199 (100%)	094C	2015/OCT/27	2019/APR/18	428.7634	Omineca, BC
1039649	LIL II	104199 (100%)	094C	2015/OCT/30	2019/APR/18	142.9313	Omineca, BC

Vega Copper-Gold Property

Tenure Number	Claim Name	Owner	Map No.	Issue Date	Good To Date	Area (ha)	Location
1039581	VEGA I	104199 (100%)	094C	2015/OCT/27	2018/OCT/30	108.122	Omineca, BC
1039582	VEGA II	104199 (100%)	094C	2015/OCT/27	2018/OCT/30	342.5137	Omineca, BC
1039583	VEGA III	104199 (100%)	094C	2015/OCT/27	2018/OCT/30	162.3074	Omineca, BC
1039584	VEGA IV	104199 (100%)	094C	2015/OCT/27	2018/OCT/30	342.5691	Omineca, BC
1039585	VEGA V	104199 (100%)	094C	2015/OCT/27	2018/OCT/30	288.4172	Omineca, BC
1039586	VEGA VI	104199 (100%)	094C	2015/OCT/27	2018/OCT/30	306.3316	Omineca, BC
1042744	VEGA SC1 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	450.7725	Omineca, BC
1042745	VEGA SW1 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	234.4694	Omineca, BC
1042746	VEGA W1 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	216.3351	Omineca, BC
1042747	VEGA NE1 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	180.1777	Omineca, BC
1042752	VEGA NW1 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	252.3046	Omineca, BC
1042753	VEGA N2 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	270.3359	Omineca, BC
1042754	VEGA NE2 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	216.1799	Omineca, BC
1042755	VEGA SE1 16	104199 (100%)	094C	2016/MAR/11	2018/OCT/30	252.3768	Omineca, BC
1042759	VEGA NW2 16	104199 (100%)	094C	2016/MAR/12	2018/OCT/30	180.2014	Omineca, BC
1042760	VEGA SW2 16	104199 (100%)	094C	2016/MAR/12	2018/OCT/30	198.3544	Omineca, BC
1046029	VEGA W2 16	104199 (100%)	094C	2016/AUG/17	2018/OCT/30	216.3128	Omineca, BC
1046030	VEGA W3 16	104199 (100%)	094C	2016/AUG/17	2018/OCT/30	270.5281	Omineca, BC
1046031	VEGA SW2 16	104199 (100%)	094C	2016/AUG/17	2018/OCT/30	180.3279	Omineca, BC
1046032	VEGA SW3 16	104199 (100%)	094C	2016/AUG/17	2018/OCT/30	252.4546	Omineca, BC
1046033	VEGA N3 16	104199 (100%)	094C	2016/AUG/17	2018/OCT/30	234.205	Omineca, BC
1046872	VEGA NE3	104199 (100%)	094C	2016/SEP/22	2018/SEP/30	378.308	Omineca, BC
1046873	VEGA NE4	104199 (100%)	094C	2016/SEP/22	2018/SEP/30	360.2069	Omineca, BC
1046874	VEGA SE2 16	104199 (100%)	094C	2016/SEP/22	2018/SEP/30	180.3658	Omineca, BC
1046877	VEGA N4 16	104199 (100%)	094C	2016/SEP/22	2018/SEP/30	432.4014	Omineca, BC
1046879	VEGA SE3 16	104199 (100%)	094C	2016/SEP/23	2018/SEP/30	342.5183	Omineca, BC
1046880	VEGA SW4 16	104199 (100%)	094C	2016/SEP/23	2018/SEP/30	288.6838	Omineca, BC
1046881	VEGA NW3 16	104199 (100%)	094C	2016/SEP/23	2018/SEP/30	252.2332	Omineca, BC
1047906	VEGA NW4 16	104199 (100%)	094C	2016/NOV/16	2017/NOV/16	270.2195	Omineca, BC
1047907	VEGA N5 16	104199 (100%)	094C	2016/NOV/16	2017/NOV/16	432.2822	Omineca, BC

1047908	VEGA NE5 16	104199 (100%)	094C	2016/NOV/16	2017/NOV/16	432.1329	Omineca, BC
1047909	VEGA SW4 16	104199 (100%)	094C	2016/NOV/16	2017/NOV/16	252.5076	Omineca, BC
1047911	VEGA SW5 16	104199 (100%)	094C	2016/NOV/16	2017/NOV/16	324.7208	Omineca, BC

1. All reclamation bonds associated with the foregoing properties; and
2. \$500,000 in cash.

EXHIBIT II
PLAN OF ARRANGEMENT
TO THE ARRANGEMENT AGREEMENT
DATED AS OF THE 5th DAY OF OCTOBER, 2017 BETWEEN CANASIL
RESOURCES INC. AND CANMINE MINERALS INC.
PLAN OF ARRANGEMENT
UNDER PART 9, DIVISION 5 OF
THE BUSINESS CORPORATIONS ACT (BRITISH
COLUMBIA) ARTICLE 1

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 In this plan of arrangement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms shall have the following meanings:

- (a) **“Arrangement”** means the arrangement pursuant to the Arrangement Provisions on the terms and conditions set out herein;
- (b) **“Arrangement Agreement”** means the arrangement agreement dated as of October 5, 2017 between Canasil and Canmine to which this Exhibit is attached, as may be supplemented or amended from time to time;
- (c) **“Arrangement Provisions”** means Part 9, Division 5 of the BCBCA;
- (d) **“Assets”** means the mineral properties of Canasil, all associated reclamation bonds, and \$500,000 in cash, as set out in Exhibit I to the Arrangement Agreement;
- (e) **“BCBCA”** means the Business Corporations Act, S.B.C. 2002, c.57, as amended;
- (f) **“Business Day”** means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, BC;
- (g) **“Canasil”** means Canasil Resources Inc., a company existing under the BCBCA;
- (h) **“Canasil Board”** means the board of directors of Canasil, as may be constituted from time to time;
- (i) **“Canasil Class A Shares”** has the meaning ascribed to such term in subparagraph 3.1(c)(i);
- (j) **“Canasil Meeting”** means the special meeting of the Canasil Shareholders and any adjournments thereof to be held to consider, among other things, and if deemed advisable approve, the Arrangement;
- (k) **“Canasil Share Commitment”** means the obligation of Canasil to issue Canasil Shares to the holders of Canasil Stock Options, and Canasil Shares to the holders of Canasil Warrants, as of the Effective Date;
- (l) **“Canasil Shareholder”** means a holder of Canasil Shares;
- (m) **“Canasil Shares”** means the common shares without par value in the authorized share structure of Canasil, as constituted on the date hereof;

- (n) **“Canasil Stock Option Plan”** means the stock option plan of Canasil;
- (o) **“Canasil Stock Options”** means share purchase options issued pursuant to the Canasil Stock Option Plan which are outstanding on the Effective Date;
- (p) **“Canasil Warrants”** means the share purchase warrants of Canasil which are outstanding on the Effective Date;
- (q) **“Canmine”** means Canmine Minerals Inc., a company existing under the BCBCA;
- (r) **“Canmine Shareholders”** means the holders of Canmine Shares;
- (s) **“Canmine Shares”** means the common shares without par value in the authorized share structure of Canmine as constituted on the date hereof;
- (t) **“Court”** means the Supreme Court of British Columbia;
- (u) **“Depository”** means McCullough O’Connor Irwin LLP, Solicitors for Canasil and Canmine;
- (v) **“Dissenting Shareholder”** means a registered Canasil Shareholder who has duly and validly exercised the Dissent Rights;
- (w) **“Dissenting Shares”** has the meaning ascribed to such term in Subsection 5.2;
- (x) **“Dissent Procedures”** has the meaning ascribed to such term in Subsection 5.1;
- (y) **“Dissent Rights”** has the meaning ascribed to such term in Subsection 5.1;
- (z) **“Distributable Canmine Shares”** means the Canmine Shares that are to be distributed to the Canasil Shareholders pursuant to subparagraph 3.1(d)(iii);
- (aa) **“Effective Date”** means the date agreed by Canasil and Canmine as being the date upon which the Arrangement first becomes effective;
- (bb) **“Effective Time”** means 12:01 a.m. (Pacific Standard Time) on the Effective Date, or such other time on the Effective Date as agreed by Canasil and Canmine;
- (cc) **“Encumbrance”** includes, with respect to any property or asset, any mortgage, pledge, assignment, hypothec, charge, lien, security interest, adverse right or claim, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (dd) **“Final Order”** means the final order of the Court approving the Arrangement;
- (ee) **“Interim Order”** means the interim order of the Court providing advice and directions in connection with the Canasil Meeting and the Arrangement;
- (ff) **“New Shares”** means the new class of common shares without par value which Canasil will create pursuant to subparagraph 3.1 (d)(ii) of this Plan of Arrangement and which class, immediately after the Effective Time, will be identical in every relevant respect to the class of Canasil Shares immediately prior to the Effective Time;

- (gg) **“Plan of Arrangement”** means this Plan of Arrangement, as amended from time to time;
- (hh) **“Property Purchase Agreement”** means the agreement dated October 5, 2017 between Canasil and Canmine, which provided for the sale of the Assets by Canasil to Canmine in contemplation of and as part of the Arrangement;
- (ii) **“Share Distribution Record Date”** means the close of business on the day which is four Business Days after the date of the Canasil Meeting or such other date as agreed to by Canasil and Canmine, which date establishes the Canasil Shareholders who will be entitled to receive Canmine Shares pursuant to this Plan of Arrangement;
- (jj) **“Tax Act”** means the *Income Tax Act* (Canada), as amended; and
- (kk) **“Transfer Agent”** means Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

1.2 The division of this Plan of Arrangement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specifically indicated, the terms “this Plan of Arrangement”, “hereof”, “hereunder” and similar expressions refer to this Plan of Arrangement as a whole and not to any particular article, section, subsection, paragraph or subparagraph and include any agreement or instrument supplementary or ancillary hereto.

1.3 Unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter, and words importing a person shall include a partnership or corporation.

1.4 Undefined words and phrases used herein that are defined in the BCBCA shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant and subject to the Arrangement Agreement. If there is any conflict or inconsistency between the provisions of this Plan of Arrangement and the Arrangement Agreement, the provisions of this Plan of Arrangement will govern.

2.2 Subject to the terms of the Arrangement Agreement, the Arrangement will become effective at the Effective Time and be binding at and after the Effective Time on: (i) Canmine, (ii) Canasil, (iii) Canasil Shareholders, (iv) holders of Canasil Stock Options, and (v) holders of Canasil Warrants.

ARTICLE 3 THE ARRANGEMENT

3.1 The Arrangement will be comprised of the following, which shall be deemed to have occurred under the Arrangement and will be deemed to occur commencing at the Effective Time in the following chronological order without further act or formality notwithstanding anything contained in the provisions attaching to any of the securities of Canasil or Canmine, but subject to the provisions of Article 5:

- (a) Canasil has transferred the Assets to Canmine pursuant to the Property Purchase Agreement in consideration for 56,000,000 Canmine Shares and Canasil has been added to the central securities register of Canmine in respect of such Canmine Shares;
- (b) All Dissenting Shares held by Dissenting Shareholders will be deemed to have been transferred to Canasil, and:
 - (i) each Dissenting Shareholder will cease to have any rights as a Canasil Shareholder other than the right to be paid by Canasil, in accordance with the Dissent Rights and net of any applicable withholding tax, the fair value of such Dissent Securities;
 - (ii) the Dissenting Shareholder's name will be removed as the holder of such Dissenting Shares from the central securities register of Canasil;
 - (iii) the Dissenting Shares will be cancelled; and
 - (iv) the Dissenting Shareholder will be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Dissenting Shares;
- (c) Canasil will undertake a reorganization of capital within the meaning of Section 86 of the Tax Act, which reorganization will occur in the following order and include the following steps:
 - (i) the identifying name of the Canasil Shares will be changed from "Common Shares" to "Class A Common Shares" ("**Canasil Class A Shares**") and the special rights and restrictions attached to such shares will be amended to provide that each Canasil Class A Share is entitled to two votes at any meeting of the shareholders of Canasil, and to reflect such amendments Canasil's articles will be deemed to be amended by adding a new Part 28 as set out in Appendix I to this Plan of Arrangement and Canasil's notice of articles will be deemed to be amended accordingly;
 - (ii) the New Shares will be created as a new class of common shares without par value and without any special rights and restrictions, the identifying name of the New Shares will be "Common Shares," and the maximum number of New Shares which Canasil will be authorized to issue will be unlimited;
 - (iii) each outstanding Canasil Class A Share will be exchanged (without any further act or formality on the part of the Canasil Shareholder), free and clear of all Encumbrances, for one (1) New Share and one half (0.5) of one Distributable Canmine Share, and the Canasil Class A Shares will thereupon be cancelled, and:
 - (A) the holders of Canasil Class A Shares will cease to be the holders thereof and cease to have any rights or privileges as holders of Canasil Class A Shares;
 - (B) the holders of Canasil Class A Shares names will be removed from the securities register of Canasil; and

- (C) each Canasil Shareholder will be deemed to be the holder of the New Shares and the Distributable Canmine Shares exchanged for the Canasil Class A Shares, in each case, free and clear of any Encumbrances, and will be entered into the securities register of Canasil and Canmine, as the case may be, as the registered holder thereof;
- (iv) the authorized share capital of Canasil will be amended by the elimination of the Canasil Class A Shares and the special rights and restrictions attached to such shares, and
- (v) the capital of Canasil in respect of the New Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Canasil Shares immediately prior to the Effective Time, less the fair market value of the Distributable Canmine Shares distributed on such exchange;
- (d) After the Effective Date, each Canasil Warrant outstanding on the Share Distribution Record Date will entitle the holder thereof to receive, upon exercise on or after the Effective Date, one New Share by the exercise of a new Canasil Warrant and one half (½) of one Canmine Share by the exercise of a Canmine Warrant, and the respective exercise prices shall be calculated as follows:
- (e)

$$A = B \left(\frac{C}{C + 0.5D} \right)$$

Where:

A = Exercise price of the new Canasil Warrant;

B = Exercise price of the Canasil Warrant on the Effective Date;

C = Five day volume weighted average price ("VWAP") of the New Shares following the Effective Date;

D = Five day VWAP of the Canmine Shares following the Effective Date,

And the exercise price of the Canmine Warrant will be:

$$2(B - A)$$

- (i)
- (f) From the Effective Date, certificates representing Canasil Warrants which are outstanding on the Share Distribution Record Date will represent rights to purchase the same number of New Shares as represented by the certificate and one half of that number of Canmine Shares. Canasil and Canmine will issue new replacement warrant certificates representing such rights.
- (g) After the Effective Date, each Canasil Stock Option outstanding on the Share Distribution Record Date will entitle the holder thereof to receive, upon exercise on or after the Effective Date, one New Share by the exercise of a new Canasil Stock Option and one half (½) of one Canmine Share by the exercise of a Canmine Stock Option, and the exercise prices shall be calculated as follows:

(h)

$$A = B \left(\frac{C}{C + 0.5D} \right)$$

Where:

A = Exercise price of the new Canasil Stock Option;

B = Exercise price of the Canasil Stock Option on the Effective Date;

C = Five day volume weighted average price ("VWAP") of the New Shares following the Effective Date;

D = Five day VWAP of the Canmine Shares following the Effective Date,

And the exercise price of the Canmine Stock Option will be:

$$2(B - A)$$

(i) .

3.2 Notwithstanding subparagraph 3.1(d)(iii), no fractional Canmine Shares shall be distributed to the Canasil Shareholders and as a result all fractional share amounts arising under such section shall be rounded down to the next whole number. Any Distributable Canmine Shares not distributed as a result of this rounding down shall be dealt with as determined by the Canasil Board in its absolute discretion.

3.3 The holders of the Canasil Class A Shares and the holders of New Shares referred to in paragraph 3.1(d), shall mean in all cases those persons who are Canasil Shareholders at the close of business on the Share Distribution Record Date, subject to Article 5.

3.4 All New Shares and Canmine Shares issued or transferred pursuant to this Plan of Arrangement shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the BCBCA.

3.5 The Arrangement shall become final and conclusively binding on the Canasil Shareholders, the Canmine Shareholders, the holders of Canasil Options, Canasil and Canmine at the Effective Time.

3.6 Notwithstanding that the transactions and events set out in Subsection 3.1 shall occur and shall be deemed to occur in the chronological order therein set out without any act or formality, each of Canasil and Canmine shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in Subsection 3.1, including, without limitation, any resolutions of directors authorizing the issue, or transfer of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, and any necessary additions to or deletions from share registers.

ARTICLE 4 CERTIFICATES

4.1 Recognizing that the Canasil Shares shall be renamed and redesignated as Canasil Class A Shares pursuant to subparagraph 3.1(d)(i) and that the Canasil Class A Shares shall be exchanged

partially for New Shares pursuant to subparagraph 3.1(d)(iii), Canasil shall not issue replacement share certificates representing the Canasil Class A Shares.

4.2 Recognizing that the Distributable Canmine Shares shall be transferred to the Canasil Shareholders, Canmine shall issue one share certificate representing all of the Distributable Canmine Shares registered in the name of Canasil, which share certificate shall be held by the Depositary until the Distributable Canmine Shares are transferred to the Canasil Shareholders and such certificate shall then be cancelled by the Depositary and any balance of the Distributable Canmine Shares not distributed, will be reissued in the name of Canasil. To facilitate the transfer of the Distributable Canmine Shares to the Canasil Shareholders as of the Share Distribution Record Date, Canasil shall execute and deliver to the Depositary and the Transfer Agent an irrevocable power of attorney authorizing them to distribute and transfer the Distributable Canmine Shares to such Canasil Shareholders in accordance with the terms of this Plan of Arrangement and Canmine shall deliver a treasury order or such other direction to effect such issuance to the Transfer Agent as requested by it.

4.3 On the Effective Date or as soon as practicable thereafter, Canmine shall cause to be issued to the registered holders of Canasil Shares as of the Share Distribution Record Date, certificates representing the Canmine Shares to which they are entitled pursuant to this Plan of Arrangement and shall cause such certificates to be mailed to such registered holders.

4.4 From and after the Effective Date, share certificates representing Canasil Shares immediately before the Effective Date, except for those deemed to have been cancelled pursuant to Article 5, shall for all purposes be deemed to be share certificates representing New Shares, and no new share certificates shall be issued with respect to the New Shares issued in connection with the Arrangement.

4.5 Canasil Shares traded after the Share Distribution Record Date and prior to the Effective Date shall represent New Shares, and shall not carry any right to receive a portion of the Distributable Canmine Shares.

ARTICLE 5 RIGHTS OF DISSENT

5.1 Holders of Canasil Shares may exercise rights of dissent (the “**Dissent Rights**”) in connection with the Arrangement pursuant to and in the manner set forth in sections 242 to 247 of the BCBCA, as modified by the Interim Order (collectively the “**Dissent Procedures**”).

5.2 Canasil Shareholders who duly exercise Dissent Rights with respect to their Canasil Shares (“**Dissenting Shares**”) and who:

- (a) are ultimately entitled to be paid fair value for their Dissenting Shares shall be deemed to have transferred their Dissenting Shares to Canasil in accordance with paragraph 3.1(c); or
- (b) for any reason are ultimately not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting Canasil Shareholder and shall receive New Shares and Canmine Shares on the same basis as every other non-dissenting Canasil Shareholder; and in no case shall Canasil be required to recognize such persons as holding Canasil Shares on or after the Effective Date.

If a Canasil Shareholder exercises the Dissent Rights, Canasil shall on the Effective Date set aside and not distribute that portion of the Distributable Canmine Shares that are attributable to the Canasil Shares for

which the Dissent Rights have been exercised. If the dissenting Canasil Shareholder is ultimately not entitled to be paid for their Dissenting Shares, Canasil shall distribute to such Canasil Shareholder his pro rata portion of the Distributable Canmine Shares. If a Canasil Shareholder duly complies with the Dissent Procedures and is ultimately entitled to be paid for their Dissenting Shares, then Canasil shall retain the portion of the Distributable Canmine Shares attributable to such Canasil Shareholder (the “**Non-Distributed Canmine Shares**”) and the Non-Distributed Canmine Shares shall be dealt with as determined by the Canasil Board in its absolute discretion.

ARTICLE 6

REFERENCE DATE

6.1 This Plan of Arrangement is dated for reference October 5, 2017.

APPENDIX I TO PLAN OF ARRANGEMENT

28. SPECIAL RIGHTS AND RESTRICTIONS FOR CLASS A COMMON SHARES

The Class A Common Shares as a class shall have attached to them the following special rights and restrictions:

(1) Voting: The holders of the Class A Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Company and, on any vote taken by poll, to two votes in respect of each Class A Common Share held at all such meetings.

SCHEDULE C

FORM OF CANMINE STOCK OPTION PLAN RESOLUTIONS

ORDINARY RESOLUTION – STOCK OPTION PLAN OF CANMINE

RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the Canmine Stock Option Plan adopted by Canmine be and the same is hereby approved, ratified and confirmed;
2. the directors of Canmine be and they are hereby authorized until the date of the next annual general meeting to grant stock options pursuant to the terms and conditions of the Canmine Stock Option Plan entitling the holders to purchase up to a maximum of 10% of the issued and outstanding Canmine Shares at the time of each grant of stock options;
3. the granting of stock options to insiders of Canmine under the Canmine Stock Option Plan be and it is hereby approved; and
4. any one director or officer of Canmine be and is hereby authorized, for or on behalf of Canmine, to execute and deliver all documents and instruments and to take such other actions as such director or officer may determine to be necessary or desirable to implement this ordinary resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

SCHEDULE D
INTERIM ORDER



S1710414
Action No.
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT,
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF AN ARRANGEMENT AGREEMENT BETWEEN
CANASIL RESOURCES INC. AND CANMINE MINERALS INC.

Re: CANASIL RESOURCES INC., PETITIONER

ORDER MADE AFTER APPLICATION
(INTERIM ORDER)

BEFORE)	MASTER <i>TAYLOR</i>)	8 NOVEMBER 2017
	{	}	
))	

ON THE APPLICATION of the Petitioner Canasil Resources Inc. coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on the 8th day of November, 2017 and on hearing John W. Bilawich, counsel for the Petitioner, and on reading the Petition herein dated and filed November 8, 2017, and the first Affidavit of Bahman Yamini sworn November 8, 2017 and filed herein;

THIS COURT ORDERS that:

1. The Petitioner CANASIL RESOURCES INC. (the "Petitioner" or "Canasil") is authorized and directed to call, hold and conduct a Special Meeting (the "Canasil Meeting") of the common shareholders (the "Canasil Shareholders") of the Petitioner (the "Canasil Shares") to be held at 10:00 a.m. on December 12, 2017, or any adjournment thereof, at Suite 1760-750 West Pender Street,

Vancouver, British Columbia or at such other location in Vancouver, British Columbia to be determined by Canasil. At the Canasil Meeting, Canasil Shareholders will, among other things:

- a) Consider and, if deemed advisable, pass with or without variation, a special resolution the ("Canasil Special Resolution") authorizing, approving and adopting, with or without amendment, an arrangement (the "Arrangement") as described in the Plan of Arrangement (the "Plan of Arrangement") set out in the Arrangement Agreement (the "Arrangement Agreement") made between the Petitioner and Canmine Minerals Inc. ("Canmine"), a copy of which is included as Schedule B to the Management Information Circular of the Petitioner (the "Information Circular"), a copy of which is attached as Exhibit "A" to the Affidavit #1 of Bahman Yamini, the President and Chief Executive Officer of Canasil, sworn November 8, 2017 (the "Yamini Affidavit"); and
 - b) Transact such other business as is contemplated by the Information Circular or as otherwise may be properly brought before the Canasil Meeting.
2. The Canasil Meeting will be called, held and conducted as set out in the Notice of Special Meeting to be delivered to the Canasil Shareholders substantially in the form attached to and forming part of the Information Circular, and in accordance with the applicable provisions of the *Business Corporations Act*, (British Columbia), S.B.C. 2002, c.57, as amended (the "BCA"), the Articles of Canasil, the *Securities Act*, (British Columbia), R.S.B.C. 1996, c. 418, as amended (the "Securities Act"), and related rules and policies, the terms of this Interim Order and any further Order of this Court, the rulings and directions of the Chairman of the Canasil Meeting, and, in accordance with the terms, restrictions and conditions of the Articles of Canasil, including quorum requirements and all other matters. To the extent of any inconsistency or discrepancy between the Interim Order and the terms of any of the foregoing, this Interim Order will govern.

AMENDMENTS

3. The Petitioner is authorized to make such amendments, revisions or supplements to the Arrangement Agreement, Arrangement, Plan of Arrangement, notice of special meeting for the Canasil Meeting or the Information Circular as it may determine without any additional notice to Canasil Shareholders or any further Order of this Court. The Arrangement Agreement, Arrangement and Plan of Arrangement as so amended, revised or supplemented shall be the Arrangement Agreement, Arrangement and Plan of Arrangement that are the subject of the Canasil Special Resolution.

ADJOURNMENTS AND POSTPONEMENTS

4. Notwithstanding the provisions of the BCA and the articles of the Petitioner, the Board of Directors of the Petitioner by resolution shall be entitled to adjourn or postpone the Canasil Meeting on one or more occasions without the necessity of first convening the Canasil Meeting or first obtaining any vote of the Canasil Shareholders respecting the adjournment or postponement and without the need for approval of the Court, subject to the Arrangement Agreement. Notice of any such adjournment shall be given by press release, news release, newspaper advertisement, or by notice sent to the Canasil Shareholders by one of the methods specified in paragraph 7 of this Interim Order, as determined to be the most appropriate method of communication by the Board of Directors of the Petitioner.

RECORD DATE

5. The record date (the "Record Date") for determining Canasil Shareholders entitled to receive notice of, attend and vote at the Canasil Meeting is as set out in the Information Circular or such other date as the Board of Directors of the Petitioner may determine and is disclosed to the Canasil Shareholders in the manner the Board of Directors of the Petitioner may see fit.

NOTICE OF THE CANASIL MEETING

6. The following information (collectively, the "Meeting Materials"):

- a) Notice of Special Meeting for the Canasil Meeting: and
- b) The Information Circular, including the Arrangement Agreement, Plan of Arrangement, Interim Order, Notice of Hearing (Petition) and the Petition,

substantially in the form of the copies attached as Exhibit A to the Yamini Affidavit, with such amendments and inclusions thereto as counsel for the Petitioner may deem necessary or desirable, shall be sent to:

- a) The Canasil Shareholders as they appear on the securities registers of the Petitioner on the Record Date, such Mailed Materials to be sent at least twenty-one (21) days prior to the date of the Canasil Meeting, excluding the date of mailing or transmittal, by one of the following methods:
 - (1) By prepaid ordinary or air-mail addressed to the Canasil Shareholder at his, her, or its address as it appears on the applicable securities registers of the Petitioner as at the Record Date;
 - (2) By delivery in person or by delivery to the address specified in paragraph (1) above; or
 - (3) By email or facsimile transmission to any Canasil Shareholder who identifies himself, herself or itself to the satisfaction of the Petitioner, acting through its representatives, who requests such email or facsimile transmission;
- b) The directors and auditors of the Petitioner by mailing the Mailed Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Canasil Meeting, excluding the date of mailing or transmittal; and
- c) Non-registered holders of Canasil Shares by providing copies of the Mailed Materials to intermediaries and registered nominees for sending to beneficial

owners in accordance with National Instrument 54-101- Communications with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators at least four (4) business days prior to the twenty-first (21st) day prior to the date of the Canasil Meeting;

and that service of the Meeting Materials as herein described, shall constitute good and sufficient service, including as to the Notice of Hearing (Petition), Petition, and this Interim Order, upon all who may wish to appear in these proceedings, and no other service need be made.

7. Delivery of the Mailed Material as ordered herein shall constitute compliance with the requirements of section 290(1)(a) of the BCA.
8. The Meeting Materials shall also be mailed by prepaid ordinary mail or sent by facsimile to the registered holders of share purchase warrants of Canasil ("Canasil Warrants") and to the registered holders of share purchase options of Canasil ("Canasil Options") in the same manner as provided for herein for shareholders registered on the securities register of Canasil, to their addresses as they appear on the books of the Petitioner on the Record Date. Mailing the Meeting Materials to the registered holders of Canasil Warrants and Canasil Options in this manner shall constitute sufficient service of the Meeting Materials on those persons, including as to the Notice of Hearing (Petition), Petition and this Interim Order.
9. The accidental delay, failure or omission to give notice of the Canasil Meeting or the Notice of Application, or the Non-receipt of such notices by, or any failure or omission to give such notice as a result of events beyond the reasonable control of the Petitioner (including, without limitation, any inability to use postal services) to any one or more of the persons specified herein shall not constitute a breach of this Interim Order, or in relation to notice of the securityholders of the Petitioner, a defect in the calling of the Canasil Meeting, and will not invalidate any resolution passed or taken at the Canasil Meeting provided quorum requirements are met, but if any such failure or omission is brought to the

attention of the Petitioner then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

10. The Petitioner shall have leave and be at liberty to give notice of the Canasil Meeting Materials, including the Notice of Hearing (Petition), the Petition and the Interim Order, to persons outside the jurisdiction of this Court in the manner specified herein and without making any further endorsement for service outside of British Columbia on any document.

DEEMED RECEIPT OF NOTICE

11. The Meeting Materials shall be deemed, for the purposes of this Interim Order, to have been received:
 - a) In the case of mailing, the day, Saturdays and holidays excepted, following the date of mailing;
 - b) In the case of delivery in person, the day following personal delivery or the day following delivery to the person's address in paragraph 6 above; and
 - c) In the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

UPDATING MEETING MATERIALS

12. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials may be communicated to the securityholders of the Petitioner by press release, news release, newspaper advertisement or by notice sent to the securityholders by any of the means set forth in paragraph 6 herein, as determined to be the most appropriate method of communication by the Board of Directors of the Petitioner.
13. The Chair of the Canasil Meeting is at liberty to call on the assistance of legal counsel to the Petitioner at any time and from time to time, as the Chair of the Canasil Meeting may deem necessary or appropriate, during the Canasil

Meeting, and such legal counsel is entitled to attend the Canasil Meeting for this purpose.

14. The only persons entitled to attend or speak at the Canasil Meeting shall be the Canasil Shareholders, their proxyholders, the auditors of the Petitioner, the officers and directors of the Petitioner, employees and agents of the Petitioner's transfer agent, the professional and legal advisors to the Petitioner, and such other persons as may be permitted by direction of the Chair of the Canasil Meeting.

VOTING

15. The Canasil Special Resolution will be effective if passed by a majority affirmative vote of at least 66 2/3% of the votes cast on the Canasil Special Resolution by the Canasil Shareholders present in person or represented by proxy at the Canasil Meeting. Each common share of Canasil voted will carry one vote.
16. In all other respects, the terms, restrictions and conditions of the constating documents of Canasil will apply in respect of the Canasil Meeting.

DISSENT RIGHTS

17. Each registered Canasil Shareholder shall be accorded the rights of dissent with respect to the Canasil Special Resolution approving the Arrangement, as set out in Division 2 of Part 8 of the BCA, as described and modified by the Information Circular, the Plan of Arrangement and this Interim Order.

APPLICATION FOR THE FINAL ORDER

18. Unless the directors of the Petitioner by resolution determine to abandon the Arrangement, upon the approval, with or without variation by the Canasil Shareholders of the Canasil Special Resolution, in the manner set forth in this

Interim Order, the Petitioner may apply to this Court for an order (being the Final Order):

- a) Pursuant to section 291(4)(c) of the BCA, declaring that the Arrangement, including the terms and conditions thereof and the issuances, exchanges and/or adjustments of securities contemplated therein, is fair and reasonable to the securityholders of Canasil; and
- b) Pursuant to section 291(4)(a) of the BCA, approving the Arrangement, including the terms and conditions thereof and the issuances, exchanges and/or adjustments of securities contemplated therein,

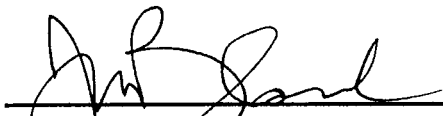

and that the application for the Final Order (the "Final Application") shall take place and be heard before the presiding Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on December 20, 2017, or such other date and time as the directors of the Petitioners may by resolution decide, and that the Petitioner be at liberty to proceed with the Final Application on that date.

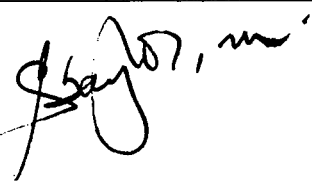
- 19. Any securityholder of the Petitioner, any director or auditor of the Petitioner, or any other interested party with leave of the Court may appear to make submissions at the Final Application provided that such person must file a Response to Petition, in the form prescribed by the *Rules of Court* of the Supreme Court of British Columbia, with this Court and deliver a copy of the filed Response to the Petition, together with a copy of all material on which such person intends to rely at the Final Application, including an outline of such person's proposed submissions, to the solicitors of the Petitioner at its address for delivery as set out in the Petition, at least two clear days before the date of hearing of the Final Application, or as the Court may otherwise direct.
- 20. The only persons entitled to notice of any further proceedings herein, including any hearing to sanction and approve the Arrangement, and to appear and be

heard thereon, shall be the solicitors for the Petitioner and persons who have delivered a Response to Petition in accordance with this Interim Order.

21. Subject to other provisions in this Interim Order, no material other than that contained in the Information Circular need be served on any persons in respect of these proceedings and, in particular, service of the Petition herein and the accompanying affidavit and additional affidavits as may be filed is dispensed with.
22. If the Final Application is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Order need to be served and provided with notice of the adjourned date and any filed materials.
23. The provisions of Rule 16-1 and Rule 8-1 of the B.C. Supreme Court Civil Rules be hereby dispensed with for the purposes of any further application to be made pursuant to the Petition.
24. The Petitioner has leave to bring this application at this time and without notice and shall be entitled, at any time, to apply to vary this Order and shall have liberty to apply for such further orders as may be appropriate.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND
CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS
BEING BY CONSENT:

 JOHN W. BLANCHARD Counsel for the Petitioner	By the Court  REGISTRAR
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SCHEDULE E

Dissenters' Rights

The BCBCA does not contain a provision requiring the Company to purchase Canasil Shares from Canasil Shareholders who dissent from the Arrangement. However, pursuant to the terms of the Interim Order and the Plan of Arrangement, the Company has granted the Canasil Shareholders who object to the Arrangement Resolution the right to dissent (the “**Dissent Right**”) in respect of the Arrangement. The Dissent Right is granted in Article 5 of the Plan of Arrangement and is summarized below. The following is a summary only and Canasil Shareholders are referred to the full text of Sections 242 to 247 of the BCBCA which is attached to this summary.

A Canasil Shareholder who wishes to exercise his or her Dissent Right (a “**Dissenting Canasil Shareholder**”) must give written notice of his or her dissent (a “**Notice of Dissent**”) to the Company at its head office at Suite 1760 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T8, marked to the attention of the President, by delivering the Notice of Dissent to the Company not later than two days before the Meeting or by mailing the Notice of Dissent to the Company by registered mail postmarked not later than two days before the Meeting. A Canasil Shareholder who wishes to dissent must prepare a separate notice of dissent for (i) the Canasil Shareholder, if the Canasil Shareholder is dissenting on its own behalf and (ii) each person who beneficially owns Canasil Shares in the Canasil Shareholder's name and on whose behalf the Canasil Shareholder is dissenting. To be valid, a Notice of Dissent must:

- (a) identify in each Notice of Dissent the person on whose behalf dissent is being exercised;
- (b) set out the number of Canasil Shares in respect of which the Canasil Shareholder is exercising the Dissent Right (the “**Notice Shares**”), which number cannot be less than all of the Canasil Shares held by the beneficial holder on whose behalf the Dissent Right is being exercised;
- (c) if the Notice Shares constitute all of the Canasil Shares of which the Dissenting Canasil Shareholder is both the registered owner and beneficial owner and the Dissenting Canasil Shareholder owns no other Canasil Shares as beneficial owner, a statement to that effect;
- (d) if the Notice Shares constitute all of the shares of which the Dissenting Canasil Shareholder is both the registered and beneficial owner but the Dissenting Canasil Shareholder owns other Canasil Shares as beneficial owner, a statement to that effect, and
 - (i) the names of the registered owners of those other shares,
 - (ii) the number of those other shares that are held by each of those registered owners, and
 - (iii) a statement that Notices of Dissent are being or have been sent in respect of all those other shares; and
- (e) if dissent is being exercised by the Dissenting Canasil Shareholder on behalf of a beneficial owner who is not the Dissenting Canasil Shareholder, a statement to that effect, and
 - (i) the name and address of the beneficial owner, and

- (ii) a statement that the Dissenting Canasil Shareholder is dissenting in relation to all of the Canasil Shares beneficially owned by the beneficial owner that are registered in the Dissenting Canasil Shareholder's name.

The giving of a Notice of Dissent does not deprive a Dissenting Canasil Shareholder of his or her right to vote at the Meeting on the Arrangement Resolution. A vote against the Arrangement Resolution or the execution or exercise of a proxy does not constitute a Notice of Dissent. A Canasil Shareholder is not entitled to exercise a Dissent Right with respect to any Canasil Shares if the Canasil Shareholder votes (or instructs or is deemed, by submission of any incomplete proxy, to have instructed his or her proxyholder to vote) in favour of the Arrangement Resolution. A Dissenting Canasil Shareholder, however, may vote as a proxy for a Canasil Shareholder whose proxy required an affirmative vote, without affecting his or her right to exercise the Dissent Right.

If the Company intends to act on the authority of the Arrangement Resolution, it must send a notice (the **"Notice to Proceed"**) to the Dissenting Canasil Shareholder promptly after the later of:

- (a) the date on which the Company forms the intention to proceed, and
- (b) the date on which the Notice of Dissent was received.

If the Company has acted on the Arrangement Resolution it must promptly send a Notice to Proceed to the Dissenting Canasil Shareholder. The Notice to Proceed must be dated not earlier than the date on which it is sent and state that the Company intends to act or has acted on the authority of the Arrangement Resolution and advise the Dissenting Canasil Shareholder of the manner in which dissent is to be completed.

On receiving a Notice to Proceed, the Dissenting Canasil Shareholder is entitled to require the Company to purchase all of the Canasil Shares in respect of which the Notice of Dissent was given.

A Dissenting Canasil Shareholder who receives a Notice to Proceed is bound to sell its Canasil Shares to the Company and must send to the Company within one month after the date of the Notice to Proceed:

- (a) a written statement that the Dissenting Canasil Shareholder requires the Company to purchase all of the Notice Shares;
- (b) the certificates representing the Notice Shares; and
- (c) if dissent is being exercised by the Canasil Shareholder on behalf of a beneficial owner who is not the Dissenting Canasil Shareholder, a written statement signed by the beneficial owner setting out whether the beneficial owner is the beneficial owner of other Canasil Shares and if so, setting out:
 - (i) the names of the registered owners of those other Canasil Shares,
 - (ii) the number of those other Canasil Shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other Canasil Shares,

whereupon the Company is bound to purchase them in accordance with the Notice of Dissent.

The Company and the Dissenting Canasil Shareholder may agree on the amount of the payout value of the Notice Shares and in that event, the Company must either promptly pay that amount to the Dissenting Canasil Shareholder or send a notice to the Dissenting Canasil Shareholder that the Company is unable lawfully to pay Dissenting Canasil Shareholders for their Canasil Shares as the Company is insolvent or if the payment would render the Company insolvent.

If the Company and the Dissenting Canasil Shareholder do not agree on the amount of the payout value of the Notice Shares, the Dissenting Canasil Shareholder or the Company may apply to the court and the court may:

- (a) determine the payout value of the Notice Shares or order that the payout value of the Notice Shares be established by arbitration or by reference to the registrar or a referee of the court;
- (b) join in the application each Dissenting Canasil Shareholder who has not agreed with the Company on the amount of the payout value of the Notice Shares; and
- (c) make consequential orders and give directions it considers appropriate.

Promptly after a determination of the payout value of the Notice Shares has been made, the Company must either pay that amount to the Dissenting Canasil Shareholder or send a notice to the Dissenting Canasil Shareholder that the Company is unable lawfully to pay Dissenting Canasil Shareholders for their shares as the Company is insolvent or if the payment would render the Company insolvent. If the Dissenting Canasil Shareholder receives a notice that the Company is unable to lawfully pay Dissenting Canasil Shareholders for their Canasil Shares the Dissenting Canasil Shareholder may within 30 days after receipt, withdraw his or her Notice of Dissent. If the Notice of Dissent is not withdrawn the Dissenting Canasil Shareholder remains a claimant against the Company to be paid as soon as the Company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the Company but in priority to its shareholders.

Any notice required to be given by the Company or a Dissenting Canasil Shareholder to the other in connection with the exercise of the Dissent Right will be deemed to have been given and received, if delivered, on the day of delivery, or, if mailed, on the earlier of the date of receipt and the second business day after the day of mailing, or, if sent by telecopier or other similar form of transmission, the first business day after the date of transmittal.

A Canasil Shareholder who:

- (a) properly exercises the Dissent Right by strictly complying with all of the procedures (“**Dissent Procedures**”) required to be complied with by a Dissenting Canasil Shareholder, will
 - (i) be bound by the Dissent Rights set forth in Article 5 of the Plan of Arrangement,
 - (ii) be deemed not to have participated in the Arrangement, and
 - (iii) cease to have any rights as a Canasil Shareholder other than the right to be paid for the Canasil Shares by the Company in accordance with the Dissent Procedures, or
- (b) seeks to exercise the Dissent Right, but

- (i) who for any reason does not properly comply with each of the Dissent Procedures required to be complied with by a Dissenting Canasil Shareholder, or
- (ii) subsequent to giving his or her Notice of Dissent, acts inconsistently with such dissent,

will be deemed to have participated in the Arrangement on the same basis as each non-dissenting Canasil Shareholder and will receive New Shares in exchange for his or her Canasil Shares and his or her pro rata portion of the Trifecta Shares to be distributed under the Arrangement based upon the number of Canasil Shares of which such Dissenting Canasil Shareholder is the registered holder. The Company may in its sole discretion, waive any non-compliance by a Canasil Shareholder with any of the provisions of Article 5 of the Plan of Arrangement in order to give effect to a Canasil Shareholders' Dissent Rights.

A Dissenting Canasil Shareholder may not withdraw a Notice of Dissent without the consent of the Company. A Dissenting Canasil Shareholder may, with the written consent of the Company, at any time prior to the payment to the Dissenting Canasil Shareholder of the full amount of money to which the Dissenting Canasil Shareholder is entitled under Article 5 of the Plan of Arrangement, abandon such Dissenting Canasil Shareholder's dissent to the Arrangement by giving written notice to the Company, withdrawing the Notice of Dissent, by depositing such notice with the Company, or mailing it to the Company by registered mail, at its head office at Suite 1760 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T8, marked to the attention of the President and will then be deemed to have participated in the Arrangement on the same basis as each non-dissenting Canasil Shareholder and will receive such number of Trifecta Shares to which he or she is entitled under the Arrangement.

Canasil Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement and the Dissent Rights.

DISSENT PROVISIONS OF THE BCBCA

Definitions and application

237 (1) In this Division:

“dissenter” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“notice shares” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“payout value” means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section

291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order,

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company’s community purposes within the meaning of section 51.91;

- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
- (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
- (g) in respect of any other resolution, if dissent is authorized by the resolution; (h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

- (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
- (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

- (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
- (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can

be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

- (b) a statement advising of the right to send a notice of dissent, and
 - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
 - (i) the date on which the shareholder learns that the resolution was passed, and
 - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares, (b) the certificates, if any, representing the notice shares, and

(c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section. (2) The written statement referred to in subsection (1) (c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) that dissent is being exercised in respect of all of those other shares. (3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares,

other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

SCHEDULE F

AUDITED CONSOLIDATED FINANCIAL STATEMENT OF

CANASIL RESOURCES INC. FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015



CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canasil Resources Inc.

We have audited the accompanying consolidated financial statements of Canasil Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, changes in shareholders' equity, the consolidated statements of loss and comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Canasil Resources Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Canasil Resources Inc. to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 25, 2017

CANASIL RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
Expressed in Canadian Dollars

ASSETS	2016	2015
Current		
Cash and cash equivalents	\$ 2,265,376	\$ 203,294
Marketable securities <i>(Note 3)</i>	1,659,000	371,000
Receivables	47,230	162,306
Prepaid expenses	11,381	7,354
	<u>3,982,987</u>	<u>743,954</u>
Reclamation bonds	28,000	28,000
Property and equipment <i>(Note 5)</i>	<u>47,187</u>	<u>50,602</u>
	<u>\$ 4,058,174</u>	<u>\$ 822,556</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 137,597	\$ 201,509
Accounts payable and accrued liabilities – related parties <i>(Note 10)</i>	-	98,132
Due to related parties <i>(Note 10)</i>	-	519,000
	<u>137,597</u>	<u>818,641</u>
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 6)</i>	21,437,985	17,588,877
Convertible debenture <i>(Note 8)</i>	-	4,323,549
Contributed surplus	6,257,759	1,783,712
Accumulated other comprehensive income	1,199,692	21,000
Deficit	<u>(24,974,859)</u>	<u>(23,713,223)</u>
	<u>3,920,577</u>	<u>3,915</u>
	<u>\$ 4,058,174</u>	<u>\$ 822,556</u>

Nature and continuance of operations *(Note 1)*
Commitments *(Note 11)*
Subsequent events *(Note 15)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

- See Accompanying Notes -

CANASIL RESOURCES INC.

**CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY**

FOR THE YEARS ENDED DECEMBER 31

Expressed in Canadian Dollars

	Number of Shares	Share Capital (Notes 6,7)	Convertible Debenture (Note 8)	Contributed Surplus (Note 7)	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2014	81,059,872	\$ 17,418,851	\$ 3,179,030	\$ 1,640,077	\$ -	\$ (22,072,230)	\$ 165,728
Private placement - units	3,000,000	150,000	-	-	-	-	150,000
Private placement - shares	600,000	27,000	-	-	-	-	27,000
Share issuance costs	-	(6,974)	-	-	-	-	(6,974)
Convertible debenture advances	-	-	1,144,519	-	-	-	1,144,519
Share-based compensation	-	-	-	143,635	-	-	143,635
Comprehensive loss for the year	-	-	-	-	21,000	(1,640,993)	(1,619,993)
Balance – December 31, 2015	84,659,872	17,588,877	4,323,549	1,783,712	21,000	(23,713,223)	3,915
Private placement – shares	2,000,000	300,000	-	-	-	-	300,000
Private placement – shares	4,100,000	902,000	-	-	-	-	902,000
Private placement – units	8,000,000	2,560,000	-	-	-	-	2,560,000
Finders' warrants issued	-	(43,943)	-	43,943	-	-	-
Share issuance costs	-	(202,834)	-	-	-	-	(202,834)
Exercise of warrants	3,000,000	300,000	-	-	-	-	300,000
Exercise of stock options	137,500	20,250	-	-	-	-	20,250
Fair value of options exercised	-	13,635	-	(13,635)	-	-	-
Convertible debenture advances	-	-	55,193	-	-	-	55,193
Convertible debenture forfeited without repayment	-	-	(4,378,742)	4,378,742	-	-	-
Share-based compensation	-	-	-	64,997	-	-	64,997
Comprehensive loss for the year	-	-	-	-	1,178,692	(1,261,636)	(82,944)
Balance – December 31, 2016	101,897,372	\$ 21,437,985	\$ -	\$ 6,257,759	\$ 1,199,692	\$ (24,974,859)	\$ 3,920,577

- See Accompanying Notes -

CANASIL RESOURCES INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31**

Expressed in Canadian Dollars

	2016	2015
Expenses		
Accounting and audit	\$ 44,231	\$ 31,943
Consulting	12,075	-
Depreciation (Note 5)	5,544	6,810
Exploration and evaluation (Note 4)	852,703	1,114,924
Foreign exchange loss	32,624	23,545
Interest income	(14,768)	(10,588)
Investor relations and promotions	26,059	4,779
Legal fees	41,617	13,651
Listing and filing fees	8,017	7,879
Management fees	150,000	60,000
Office rent, services and supplies	77,525	69,470
Salaries and wages	235,566	158,444
Shareholder communications	25,474	5,161
Share-based compensation (Note 7)	64,997	143,635
Transfer agent fees	14,969	9,304
Travel and accommodation	7,791	2,036
Total operating expenses	(1,584,424)	(1,640,993)
Gain on sale of marketable securities (Note 3)	143,524	-
Loss for the year before taxes	(1,440,900)	(1,640,993)
Deferred income tax recovery (Notes 3 and 12)	179,264	-
Loss for the year	(1,261,636)	(1,640,993)
Other comprehensive income		
Realized gain on marketable securities (Note 3)	(143,524)	-
Item that may be reclassified subsequently to profit or loss:		
Change in fair value of marketable securities, net of taxes (Note 3)	1,322,216	21,000
Comprehensive loss for the year	\$ (82,944)	\$ (1,619,993)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.02)
Weighted-average number of shares		
Outstanding – basic and diluted	95,408,950	82,672,475

- See Accompanying Notes -

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

Expressed in Canadian Dollars

CASH RESOURCES PROVIDED BY (USED IN)	2016	2015
Operating activities		
Loss for the year	\$ (1,261,636)	\$ (1,640,993)
Items not involving cash		
Depreciation	5,544	6,810
Gain on sale of marketable securities	(143,524)	-
Deferred income tax recovery	(179,264)	-
Share-based compensation	64,997	143,635
Changes in non-cash working capital		
Receivables	115,076	296,624
Prepaid expenses	(4,027)	(2,440)
Accounts payable and accrued liabilities	(63,912)	91,463
Accounts payable and accrued liabilities – related parties	(98,132)	162,268
	<u>(1,564,878)</u>	<u>(942,633)</u>
Investing activities		
Proceeds on sale of marketable securities	213,480	-
Purchase of equipment	(2,129)	(2,844)
Purchase of marketable securities	-	(350,000)
	<u>211,351</u>	<u>(352,844)</u>
Financing activities		
Share capital issued for cash	4,082,250	177,000
Share issuance costs	(202,834)	(6,974)
Convertible debenture advances	55,193	1,144,519
Due to related parties, net of repayments	(519,000)	59,000
	<u>3,415,609</u>	<u>1,373,545</u>
Change in cash for the year	2,062,082	78,068
Cash position - beginning of year	203,294	125,226
Cash position - end of year	<u>\$ 2,265,376</u>	<u>\$ 203,294</u>

Supplemental schedule of non-cash investing and financing transactions	2016	2015
Finders' warrants issued	\$ 43,943	\$ -
Fair value of stock options exercised	\$ 13,635	\$ -
Convertible debenture transferred to contributed surplus <i>(Note 8)</i>	\$ 4,378,742	\$ -
Unrealized gains on marketable securities	\$ 1,288,000	\$ 21,000

Supplemental cash flow information	2016	2015
Interest received	\$ 7,009	\$ 10,588
Interest paid	\$ 208	\$ 1,839
Taxes paid	\$ -	\$ -

- See Accompanying Notes -

CANASIL RESOURCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2016 the Company had working capital of \$3,845,390 (2015 - \$74,687 working capital deficit), which it considers adequate to fund its overhead and currently planned exploration activities for the ensuing twelve months. However, consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred operating losses since inception and as at December 31, 2016 had an accumulated deficit of \$24,974,859 (2015 - \$23,713,223).

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee using those standards in effect for the reporting year ended December 31, 2016. The Company's board of directors approved these consolidated financial statements for issue on April 25, 2017.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss or available-for-sale financial assets, using the accrual basis of accounting, except for cash flow information.

CANASIL RESOURCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp. ("CRD"), Minera Canasil S.A. de C.V. and Minera CRD S.A. de C.V. ("Minera CRD"). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents include cash balances held through current operating bank accounts and guaranteed investment certificates at major financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in nominal value.

Marketable securities

Marketable securities consist of common shares of publicly traded companies and are classified as available-for-sale financial assets. The shares are recorded at fair value; gains or losses arising from changes in fair value are recorded as other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until the investments are sold, at which time the accumulated gains or losses are included in income (loss) for the period. Available-for-sale financial assets are assessed at each reporting date for objective evidence of a significant or prolonged decline in fair value and such impairments are recognized in income (loss) for the period.

Financial instruments

All financial instruments are classified into one of five categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Financial instruments classified as fair value through profit or loss are measured at fair value and changes in fair value are recognized in income (loss) for the period. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income (loss) for the period.

The Company discloses the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of inputs are: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – inputs that are not based on observable market data.

CANASIL RESOURCES INC.
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2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property and equipment

Property includes land purchased for a future warehouse site. Equipment includes automotive and other equipment related to mineral exploration; furniture and equipment are related to corporate offices. These assets are recorded at cost and amortized over their estimated useful life using the declining balance method at rates ranging from 20% to 45% per annum. Equipment is reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

Exploration and evaluation

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, option payments, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

Restoration provisions

The Company recognizes liabilities for legal, statutory, contractual, and constructive obligations associated with the reclamation or rehabilitation of mineral properties that the Company is required to settle. The Company recognizes the fair value of liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is recorded as a liability with a corresponding charge to operations. The Company has determined that it has no significant restoration obligations as at December 31, 2016.

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2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based compensation

The Company uses the fair value method whereby share-based compensation costs are recognized over the vesting periods for grants of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and each tranche is recognized over the vesting period. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments and its effect on earnings per share is calculated based on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It is assumed that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share due to their anti-dilutive effect.

Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method, which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are recognized only to the extent that sufficient taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

CANASIL RESOURCES INC.
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2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates.

The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets, the determination of assumptions used to estimate share-based compensation, and the determination of functional currency.

The Company has not recognized its deferred tax assets as management does not currently consider it probable that these assets will be recovered.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are typically denominated in either the Mexican peso or the U.S. dollar, the subsidiaries have no revenues from operations and are entirely dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

New accounting pronouncements

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 *Financial Instruments – Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*, according to which all leases will be presented on the balance sheet, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact on its consolidated financial statements of adopting this standard.

CANASIL RESOURCES INC.
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3. MARKETABLE SECURITIES

Concurrently with entering into an option agreement with Orex Minerals Inc. ("Orex") on the Sandra-Escobar project (*Note 4*), in September 2015 the Company acquired 1,400,000 common shares of Orex under a private placement at a cost of \$350,000. On September 25, 2015, Orex and Barsele Minerals Corp. ("Barsele") completed a plan of arrangement such that each old share of Orex was exchanged for one new share of Orex plus one common share of Barsele. In February 2016, the Company sold 700,000 Orex shares. These shares are designated as available-for-sale securities. Details as at December 31 are as follows:

	Shares 2016	Cost 2016	Fair Value 2016	Fair Value 2015
Orex Minerals Inc.	700,000	\$ 69,956	\$ 189,000	\$ 210,000
Barsele Minerals Corp.	1,400,000	210,088	1,470,000	161,000
		\$ 280,044	\$ 1,659,000	\$ 371,000

Changes in the fair value of these securities for the years ended December 31, 2016 are as follows:

	2016	2015
Fair value – beginning of year	\$ 371,000	\$ -
Shares acquired	-	350,000
Sold – 700,000 Orex shares	(213,480)	-
Change in fair value	1,501,480	21,000
Fair value – end of year	\$ 1,659,000	\$ 371,000

The Company's available-for-sale securities are carried at fair value measured using a Level 1 fair value measurement whereby the carrying value is determined by using the quoted closing price of the security as at the balance sheet date. During the year, the Company sold 700,000 Orex shares for net cash proceeds of \$213,480 and a gain on sale of \$143,524. The Company also recorded unrealized gains of \$1,178,692, net of deferred income tax impact of \$179,264, through accumulated other comprehensive income.

4. EXPLORATION AND EVALUATION

The Company expenses costs relating to the exploration and evaluation of its mineral properties in the period incurred. A description of the Company's mineral interests follows:

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to a net smelter returns royalty ("NSR") of 2% of which 1% may be purchased for \$1,000,000. To acquire the claims under option, the Company can make payments based on a specific schedule that totals US\$600,000 over a period of eight years from 2012 to 2019, of which US\$225,000 has been paid to date. Subsequent to December 31, 2016, the Company renegotiated the terms of this agreement (*Note 15*).

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the project. In February 2016, MAG withdrew from the agreement without earning an interest. The Company received a final cash payment from MAG of \$200,000 in 2015 and a total of \$500,000 in cash payments during the term of the agreement.

CANASIL RESOURCES INC.
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4. EXPLORATION AND EVALUATION – continued

Salamandra project, Mexico – continued

The Salamandra property is held by Minera CRD, a wholly-owned subsidiary of CRD, a wholly-owned subsidiary of the Company. Under the agreement, MAG had the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds would be used to incur expenditures on the property by Minera CRD (Note 8).

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to an NSR of up to 1%, which was purchased by the Company in 2016 for US\$15,000. The claims are located in Zacatecas State, Mexico. The Company acquired these claims by making option payments of US\$160,000 over a four-year period to May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

Sandra-Escobar project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which form the Sandra-Escobar project.

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn up to a 65% interest in the project. Orex can earn an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period. Orex can earn an additional 10% interest by paying the Company \$500,000 in cash or shares, at Orex's option, and incurring an additional US\$2,000,000 in exploration expenditures within two years. Subsequent to December 31, 2016, Orex advised the Company that they had completed the required expenditures of US\$2,000,000 and that they intended to earn a 55% interest and form a joint venture to further develop the project (Note 15).

Other projects

The Company has staked other claims located in Durango State, Mexico which include the Colibri, Carina, Victoria, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

Mineral title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

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4. EXPLORATION AND EVALUATION - continued

Expenditures for the years and cumulative expenditures as at December 31 are as follows:

2016	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ 11,834	\$ 11,834	\$ 2,343,187
- Expenditure recoveries	-	-	-	(206,329)
Vega, Canada	-	70,977	70,977	244,380
- Expenditure recoveries	-	(2,256)	(2,256)	(20,574)
Other, Canada	-	32,641	32,641	138,923
- Expenditure recoveries	-	-	-	(14,115)
Sandra-Escobar, Mexico	20,659	113,516	134,175	1,786,455
- Expenditure recoveries	-	(34,223)	(34,223)	(86,609)
- Option payments received	-	-	-	(500,000)
Salamandra, Mexico	-	226,458	226,458	5,974,109
- Expenditure recoveries	-	-	-	(223,652)
- Option payments received	-	-	-	(553,989)
La Esperanza, Mexico	20,232	235,005	255,237	1,746,363
- Expenditure recoveries	-	-	-	(262,373)
- Option payments received	-	-	-	(300,000)
Other, Mexico	-	157,860	157,860	3,315,204
- Expenditure recoveries	-	-	-	(131,346)
- Option payments received	-	-	-	(133,471)
	\$ 40,891	\$ 811,812	\$ 852,703	\$ 13,116,163

2015	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ -	\$ -	\$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Vega, Canada	-	15,743	15,743	173,403
- Expenditure recoveries	-	(6,196)	(6,196)	(18,318)
Other, Canada	-	2,915	2,915	106,282
- Expenditure recoveries	-	(4,450)	(4,450)	(14,115)
Sandra-Escobar, Mexico	11,152	203,826	214,978	1,652,280
- Expenditure recoveries	-	(52,386)	(52,386)	(52,386)
- Option payments received	(500,000)	-	(500,000)	(500,000)
Salamandra, Mexico	90,969	1,215,853	1,306,822	5,747,651
- Expenditure recoveries	-	-	-	(223,652)
- Option payments received	(200,000)	-	(200,000)	(553,989)
La Esperanza, Mexico	-	192,625	192,625	1,491,126
- Expenditure recoveries	-	(1,434)	(1,434)	(262,373)
- Option payments received	-	-	-	(300,000)
Other, Mexico	-	146,307	146,307	3,157,344
- Expenditure recoveries	-	-	-	(131,346)
- Option payments received	-	-	-	(133,471)
	\$ (597,879)	\$ 1,712,803	\$ 1,114,924	\$ 12,263,460

CANASIL RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. EXPLORATION AND EVALUATION - continued

Expenditures for the years ending December 31, by activity, are as follows:

	2016	2015
Acquisition and option payments	\$ 40,891	\$ 102,121
Administration	232,266	183,176
Assays	8,449	118,155
Consulting	52,540	174,565
Drilling	36,117	580,044
Field costs	30,469	56,917
Geological	120,549	90,853
Geophysical	31,783	-
Land holding costs	295,327	433,951
Legal	1,971	82,120
Mapping and surveying	4,781	6,996
Road building	4,856	4,788
Transportation and rentals	27,147	45,704
Travel and accommodation	2,036	-
Expenditure recoveries	(36,479)	(64,466)
Option payments received	-	(700,000)
	<u>\$ 852,703</u>	<u>\$ 1,114,924</u>

5. PROPERTY AND EQUIPMENT

	Land	Automotive	Computer	Field Equipment	Furniture and Fixtures	Total
Cost						
December 31, 2014	\$ 31,686	\$ 63,175	\$ 22,978	\$ 31,971	\$ 31,224	\$ 181,034
Additions	-	-	-	-	2,844	2,844
December 31, 2015	31,686	63,175	22,978	31,971	34,068	183,878
Additions	-	-	2,129	-	-	2,129
December 31, 2016	31,686	63,175	25,107	31,971	34,068	186,007
Accumulated Depreciation						
December 31, 2014	-	51,482	20,784	29,654	24,546	126,466
Additions	-	3,508	987	695	1,620	6,810
December 31, 2015	-	54,990	21,771	30,349	26,166	133,276
Additions	-	2,455	1,022	487	1,580	5,544
December 31, 2016	-	57,445	22,793	30,836	27,746	138,820
Net Book Value						
December 31, 2015	\$ 31,686	\$ 8,185	\$ 1,207	\$ 1,622	\$ 7,902	\$ 50,602
December 31, 2016	\$ 31,686	\$ 5,730	\$ 2,314	\$ 1,135	\$ 6,322	\$ 47,187

CANASIL RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Private placements

In August 2015, the Company closed a private placement by issuing 3,000,000 units at a price of \$0.05 per unit for cash proceeds of \$150,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company at a price of \$0.10 for a period of one year.

In August 2015, the Company also closed a private placement by issuing 600,000 shares at a price of \$0.045 per share for cash proceeds of \$27,000.

In February 2016, the Company completed a private placement of 2,000,000 shares at a price of \$0.15 per share for gross proceeds of \$300,000. The Company paid legal and filing fees of \$3,108 in respect of this private placement.

In March 2016, the Company completed a private placement of 4,100,000 shares at a price of \$0.22 per share for gross proceeds of \$902,000. The Company paid a 6% finder's fee of \$33,000 for a portion of the shares placed. The Company also paid a due diligence fee of \$15,190 and filing fees of \$5,260 in respect of this private placement.

In June 2016, the Company completed a private placement of 8,000,000 units at a price of \$0.32 per unit for gross proceeds of \$2,560,000. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.50 for a period of two years. The Company paid finders' fees on a portion of the placement, which consisted of 6% in cash and 3% in warrants, with each finder's warrant having the same terms as the placement warrants. The Company paid total finders' fees of \$124,320 and issued 194,250 warrants to qualified finders. The fair value of the finders' warrants was estimated at \$43,943 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.54%, expected dividend yield of 0.00%, estimated stock price volatility of 115%, and expected option life of two years. In addition, the Company paid \$21,956 in legal and filing fees in respect of the placement. The warrants are subject to an accelerated exercise clause such that the Company has the right to accelerate the expiry date of the warrants upon 20 days written notice should the trading price of the Company's shares exceed \$0.80 for a period of 20 consecutive trading days.

Shareholder rights plan

The Company has adopted a shareholder rights plan that has been approved by the TSX Venture exchange and ratified by the Company's shareholders. The plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Pursuant to the terms of the plan, any bids that meet certain criteria intended to protect the interests of all shareholders are deemed to be "Permitted Bids". In the event that a bid, other than a Permitted Bid, to acquire 20% or more of the common shares is made, shareholders other than those involved in the take-over bid will be entitled to exercise rights to acquire common shares of the Company at a discount to the market price.

CANASIL RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") that complies with the rules set forth by the TSX Venture Exchange limiting the total number of incentive stock options to 10% of the issued common shares, and providing that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to purchase common shares of the Company. The stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding ten years. Vesting provisions are at the discretion of the board of directors, subject to the policies of the TSX Venture Exchange. Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2014	144,850	\$ 0.10	4,675,000	\$ 0.21
Issued/granted	3,000,000	\$ 0.10	5,000,000	\$ 0.06
Expired	<u>(144,850)</u>	\$ 0.10	<u>(2,625,000)</u>	\$ 0.22
Outstanding, December 31, 2015	3,000,000	\$ 0.10	7,050,000	\$ 0.10
Issued/granted	4,194,250	\$ 0.50	450,000	\$ 0.21
Exercised	(3,000,000)	\$ 0.10	(137,500)	\$ 0.15
Expired	<u>-</u>	\$ -	<u>(200,000)</u>	\$ 0.35
Outstanding, December 31, 2016	4,194,250	\$ 0.50	7,162,500	\$ 0.10
Exercisable, December 31, 2016	4,194,250	\$ 0.50	7,162,500	\$ 0.10

At December 31, 2016, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	1,175,000	\$ 0.20	January 20, 2017 (i)
	262,500	\$ 0.18	October 29, 2017
	375,000	\$ 0.10	January 4, 2019
	4,950,000	\$ 0.06	December 21, 2020
	<u>400,000</u>	\$ 0.21	March 1, 2021
	7,162,500		

- (i) On January 20, 2017, these options were amended to extend their expiry date to January 20, 2022 with all other terms remaining unchanged. On January 26, 2017, the Company granted 735,000 options to directors, officers, and consultants (Note 15).

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7. STOCK OPTIONS AND WARRANTS – continued

	Number of Shares	Exercise Price	Expiry Date
Warrants	762,500	\$ 0.50	June 21, 2018
	<u>3,431,750</u>	\$ 0.50	June 29, 2018
	<u>4,194,250</u>		

At December 31, 2016, the weighted-average remaining life for the outstanding stock options was 3.13 years and 1.49 years for the outstanding warrants.

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers, employees, and consultants of the Company during the years ended December 31. Share-based compensation is recorded over the vesting period.

	2016	2015
Total options granted	<u>450,000</u>	<u>5,000,000</u>
Average exercise price	\$ 0.21	\$ 0.06
Estimated fair value of options granted	\$ 64,997	\$ 143,635
Estimated fair value per option	\$ 0.14	\$ 0.03

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2016	2015
Risk-free interest rate	0.66%	0.72%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	89%	65%
Expected forfeiture rate	0.00%	0.00%
Expected option life in years	<u>5.00</u>	<u>5.00</u>

The Company has recorded share-based compensation as follows:

	2016	2015
Number of options vested in year	<u>450,000</u>	<u>5,000,000</u>
Compensation recognized in year	\$ 64,997	\$ 143,635

During the year, 137,500 stock options (2015 – nil) were exercised for proceeds of \$20,250. The proceeds and the related fair value of \$13,635 recognized upon grant have been recorded as share capital.

CANASIL RESOURCES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015**

Expressed in Canadian Dollars

8. CONVERTIBLE DEBENTURE

Under the terms of its option agreement on the Salamandra project (*Note 4*), MAG funded certain exploration expenditures on the Salamandra project by advancing funds to CRD under an unsecured, non-interest bearing convertible debenture. Funds received under the debenture were used to incur such qualifying exploration expenditures on the Salamandra project. In February 2016, MAG withdrew from the agreement without earning an interest in the project. During the term of the agreement, MAG advanced a total of \$4,378,742 under the convertible debenture (December 31, 2015 - \$4,323,549).

The terms of the option agreement provided MAG with the right to convert the debenture into common shares of CRD such that MAG would hold up to a 70% interest in CRD upon exercise of the option. The agreement also provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture. Since the convertible debenture would either be converted into shares or forfeited without repayment, it has been treated as an equity instrument in these financial statements. Accordingly, upon MAG's withdrawal from the agreement, the balance of the convertible debenture has been reclassified to contributed surplus within shareholders' equity.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

	2016	2015
Cash		
Cash on deposit	\$ 177,647	\$ 203,294
Guaranteed investment certificate	2,087,729	-
	<u>\$ 2,265,376</u>	<u>\$ 203,294</u>
Marketable securities	<u>\$ 1,659,000</u>	<u>\$ 371,000</u>
Receivables		
Value-added taxes	\$ 19,453	\$ 152,690
Goods and services tax and other	27,777	9,616
	<u>\$ 47,230</u>	<u>\$ 162,306</u>
Reclamation bonds	<u>\$ 28,000</u>	<u>\$ 28,000</u>
Accounts payable and accrued liabilities		
Accounts payable	\$ 54,266	\$ 175,558
Accrued audit, legal, exploration and other	83,331	124,083
	<u>\$ 137,597</u>	<u>\$ 299,641</u>
Due to related parties	<u>\$ -</u>	<u>\$ 519,000</u>

CANASIL RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Expressed in Canadian Dollars

9. FINANCIAL INSTRUMENTS – continued

Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. Marketable securities are classified as available-for-sale financial assets and carried at fair value measured using a Level 1 fair value measurement. The Company's receivables and reclamation bonds are classified as loans and receivables and carried at amortized cost; the Company's accounts payable and due to related parties are classified as other financial liabilities. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties were non-interest bearing and had no fixed terms of repayment. The Company has no derivatives, forward contracts, or hedges.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All of the Company's Canadian cash and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through major banks in Mexico and used to fund foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk in respect of value-added tax ("IVA") refunds receivable from the government of Mexico. The Company currently receives its IVA refunds without significant delays.

The Company is exposed to market risk, which is the risk that the fair values of financial instruments will fluctuate with changes in market prices. A significant market risk to which the Company is exposed is currency risk. The cash balances, receivables, and payables that are denominated in pesos and U.S. dollars are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso/U.S. dollar. At December 31, 2016, the Company held the equivalent of \$99,221 in cash, \$19,421 in receivables, and \$84,439 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of \$72,520 in cash, which is denominated in U.S. dollars. Due to the amount and nature of these balances and the volatility of the exchange rates between the Canadian dollar, U.S. dollar, and Mexican peso, such currency risk could result in future gains or losses to the Company. During the year, the Mexican peso weakened against the Canadian dollar by approximately 19%; the U.S. dollar weakened against the Canadian dollar by approximately 3%. Based on the Company's peso and U.S. dollar denominated monetary assets and liabilities as at December 31, 2016, a 10% fluctuation in the exchange rates with the Canadian dollar would result in a gain or loss of approximately \$3,420 and \$7,252, respectively. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration and evaluation expenditures. Accounts payable denominated in foreign currencies are settled in a timely manner.

The Company's marketable securities are subject to market downturns and declines in share prices and therefore the Company is exposed to significant market risk in respect of these financial instruments.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate risk in respect of these financial instruments.

The carrying value of the financial assets recorded in these financial statements, totalling \$3,999,606, represents the Company's maximum exposure to credit and market risk as at December 31, 2016.

The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

CANASIL RESOURCES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015**

Expressed in Canadian Dollars

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations as follows:

- accounts payable – related parties includes \$nil (2015 – \$18,132) in legal fees due to a law firm in which an officer of the Company is a partner, and \$nil (2015 – \$80,000) in management fees due to the chief financial officer;
- due to related parties consists of loan advances totaling \$nil (2015 – \$519,000) made to the Company by a director, an officer, and a company with a director in common. The loan advances were unsecured, non-interest bearing, and had no fixed terms of repayment. During the year ended December 31, 2016, the Company received advances of \$50,000 and repaid advances of \$569,000;
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the years ended December 31 is as follows:

	2016	2015
Salaries and wages	\$ 225,000	\$ 150,000
Management fees	150,000	60,000
Legal fees	18,285	18,239
Share-based compensation (i)	-	127,835
	<u>\$ 393,285</u>	<u>\$ 356,074</u>

(i) Calculated using the Black-Scholes Option-Pricing Model using the assumptions detailed in Note 7.

11. COMMITMENTS

The Company has entered into a three-year lease agreement for office premises that expires on September 30, 2018. As at December 31, 2016, monthly payments were \$3,318 and include basic rent and common operating costs.

Minimum future annual lease payments (based on current common operating costs) are as follows:

	Amount
2017	\$ 40,051
2018	30,560
	<u>\$ 70,611</u>

The Company has signed employment and management agreements with its chief executive officer and chief financial officer. These contracts for aggregate monthly compensation totalling \$31,250 per month provide for severance provisions should the contracts be terminated without cause or should there be a change of control of the Company.

CANASIL RESOURCES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015**

Expressed in Canadian Dollars

12. INCOME TAXES

The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended December 31 are as follows:

	2016	2015
Loss before income taxes for accounting purposes	\$ (1,440,900)	\$ (1,640,993)
Expected tax recovery for the year	(375,000)	(427,000)
Change in statutory, foreign tax, foreign exchange rates and other	155,736	(311,000)
Permanent differences	(5,000)	35,000
Share issuance costs	(53,000)	(2,000)
Change in unrecognized deductible temporary differences and other	98,000	705,000
Tax recovery for the year	\$ (179,264)	\$ -

Deferred taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

	2016	2015
Deferred Tax Assets (Liabilities)		
Non-capital loss carry-forwards	\$ 2,299,000	\$ 2,297,000
Exploration expenditures	4,673,000	4,423,000
Equipment	40,000	38,000
Share issuance costs	45,000	6,000
Marketable securities	(181,000)	-
Allowable capital loss	(14,000)	-
Unrecognized Deferred Tax Assets	\$ 6,862,000	\$ 6,764,000

The Company's deferred tax assets (liabilities) expire as follows:

	2016	Expiry Date Range	2015
Share issuance costs	\$ 174,000	2037 to 2040	\$ 12,000
Non-capital losses	\$ 8,384,000	2027 to 2036	\$ 8,379,000
Equipment	\$ 147,000	Not applicable	\$ 141,000
Exploration expenditures	\$ 15,952,000	Not applicable	\$ 15,103,000
Investment tax credits	\$ 55,000	2027 to 2033	\$ 55,000
Marketable securities	\$ (1,393,000)	Not applicable	\$ -
Allowable capital loss	\$ (54,000)	Not applicable	\$ -

CANASIL RESOURCES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015**

Expressed in Canadian Dollars

13. CAPITAL DISCLOSURES

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and typically finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account or guaranteed investment certificate until such time as it is required to pay operating expenses or exploration and evaluation costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the current year.

14. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company operates in the following geographical locations:

2016	Canada		Mexico		Total
Property and equipment	\$	6,573	\$	40,614	\$ 47,187
2015	Canada		Mexico		Total
Property and equipment	\$	6,921	\$	43,681	\$ 50,602

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company:

- amended 1,175,000 existing incentive stock options at an exercise price of \$0.20 per share to extend the expiry date five years to January 20, 2022;
- granted 735,000 five-year incentive stock options to directors, officers, and consultants of the Company at an exercise price of \$0.20 per share;
- received notification from Orex that it intended to elect to earn a 55% interest in the Sandra-Escobar project and form a joint venture to further develop the property (*Note 4*);
- amended the terms of the option agreement on certain of the Salamandra claims (*Note 4*). The amended terms provide for the Company to acquire a 100% interest in 900 hectares within the project area by making a final payment of US\$25,000, for a total of US\$250,000 over the term of the agreement. The claims will be subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

SCHEDULE G

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF CANASIL RESOURCES INC. FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017**



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Expressed in Canadian Dollars

Unaudited



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity's auditor.

"Bahman Yamini"

President and Chief Executive Officer

"Kerry Spong"

Vice President, Finance & CFO

August 22, 2017

1760-750 West Pender Street, Vancouver, B.C. V6C 2T8
Tel: (604) 708-3788 Fax: (604) 708-3728
Email: admin@canasil.com

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars

Unaudited

	June 30, 2017	December 31, 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 1,008,378	\$ 2,265,376
Marketable securities <i>(Note 3)</i>	1,071,000	1,659,000
Receivables	94,648	47,230
Prepaid expenses	43,665	11,381
	<u>2,217,691</u>	<u>3,982,987</u>
Reclamation bonds	40,000	28,000
Property and equipment	<u>46,716</u>	<u>47,187</u>
	<u>\$ 2,304,407</u>	<u>\$ 4,058,174</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 61,678</u>	<u>\$ 137,597</u>
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 5)</i>	21,437,985	21,437,985
Contributed surplus	6,514,588	6,257,759
Accumulated other comprehensive income	688,132	1,199,692
Deficit	<u>(26,397,976)</u>	<u>(24,974,859)</u>
	<u>2,242,729</u>	<u>3,920,577</u>
	<u>\$ 2,304,407</u>	<u>\$ 4,058,174</u>

Nature and continuance of operations *(Note 1)*

Commitments *(Note 8)*

Subsequent event *(Note 10)*

ON BEHALF OF THE BOARD:

_____, Director
"Alvin Jackson"

_____, Director
"Michael McInnis"

- See Accompanying Notes -

CANASIL RESOURCES INC.
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY**

Expressed in Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Notes 5,6)	Convertible Debenture (Note 4)	Contributed Surplus (Note 6)	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance – December 31, 2015	84,659,872	\$ 17,588,877	\$ 4,323,549	\$ 1,783,712	\$ 21,000	\$ (23,713,223)	\$ 3,915
Private placement – shares	2,000,000	300,000	-	-	-	-	300,000
Private placement – shares	4,100,000	902,000	-	-	-	-	902,000
Private placement – units	8,000,000	2,560,000	-	-	-	-	2,560,000
Share issuance costs	-	(202,834)	-	-	-	-	(202,834)
Finders' warrants issued	-	(43,943)	-	43,943	-	-	-
Exercise of warrants	3,000,000	300,000	-	-	-	-	300,000
Exercise of stock options	50,000	3,000	-	-	-	-	3,000
Fair value of options exercised	-	1,436	-	(1,436)	-	-	-
Convertible debenture forfeited without repayment	-	-	(4,323,549)	4,323,549	-	-	-
Share-based compensation	-	-	-	64,997	-	-	64,997
Comprehensive loss for the period	-	-	-	-	1,136,062	(385,519)	750,543
Balance – June 30, 2016	101,809,872	21,408,536	-	6,214,765	1,157,062	(24,098,742)	4,681,621
Exercise of stock options	87,500	17,250	-	-	-	-	17,250
Fair value of options exercised	-	12,199	-	(12,199)	-	-	-
Convertible debenture advances	-	-	55,193	-	-	-	55,193
Convertible debenture forfeited without repayment	-	-	(55,193)	55,193	-	-	-
Comprehensive loss for the period	-	-	-	-	42,630	(876,117)	(833,487)
Balance – December 31, 2016	101,897,372	21,437,985	-	6,257,759	1,199,692	(24,974,859)	3,920,577
Share-based compensation	-	-	-	256,829	-	-	256,829
Comprehensive loss for the period	-	-	-	-	(511,560)	(1,423,117)	(1,934,677)
Balance – June 30, 2017	101,897,372	\$ 21,437,985	\$ -	\$ 6,514,588	\$ 688,132	\$ (26,397,976)	\$ 2,242,729

- See Accompanying Notes -

CANASIL RESOURCES INC.
**CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars

Unaudited

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Expenses				
Accounting and audit	\$ 12,018	\$ 19,165	\$ 20,859	\$ 26,854
Depreciation	1,309	1,267	2,400	2,533
Director fees	12,000	-	24,000	-
Exploration and evaluation (Note 4)	210,939	124,117	758,769	383,509
Foreign exchange loss	18,338	9,621	11,204	21,235
Interest income	(2,383)	(230)	(6,340)	(905)
Investor relations and promotions	-	4,166	1,877	6,640
Legal fees	491	483	6,696	2,124
Listing and filing fees	4,800	-	11,600	7,261
Management fees	37,500	19,500	75,000	39,000
Office rent, services and supplies	19,837	17,228	38,373	35,344
Salaries, wages and consulting	61,005	38,388	119,949	83,405
Shareholder communications	5,654	11,202	16,811	17,257
Share-based compensation (Note 6)	-	-	256,829	64,997
Transfer agent fees	2,456	3,222	4,560	5,300
Travel and accommodation	-	3,092	4,090	7,383
Total operating expenses	(383,964)	(251,221)	(1,346,677)	(701,937)
Gain on sale of marketable securities (Note 3)	-	-	-	143,524
Loss for the period before taxes	(383,964)	(251,221)	(1,346,677)	(558,413)
Deferred income tax (expense) recovery (Note 3)	(67,795)	138,320	(76,440)	172,894
Loss for the period	(451,759)	(112,901)	(1,423,117)	(385,519)
Other comprehensive income (loss)				
Realized gain on sale of marketable securities (Note 3)	-	-	-	(143,524)
Item that may be reclassified subsequently to profit or loss:				
Change in fair value of marketable securities, net of taxes (Note 3)	(453,705)	925,680	(511,560)	1,279,586
Comprehensive income (loss) for the period	\$ (905,464)	\$ 812,779	\$ (1,934,677)	\$ 750,543
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted-average shares Outstanding – basic and diluted	101,897,372	91,145,586	101,897,372	88,878,553

- See Accompanying Notes -

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30

Expressed in Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2017	2016
Operating activities		
Loss for the period	\$ (1,423,117)	\$ (385,519)
Items not involving cash		
Depreciation	2,400	2,533
Gain on sale of marketable securities	-	(143,524)
Deferred income tax expense (recovery)	76,440	(172,894)
Share-based compensation	256,829	64,997
Changes in non-cash working capital		
Receivables	(47,418)	49,988
Prepaid expenses	(32,284)	(15,192)
Accounts payable and accrued liabilities	(75,919)	(133,921)
	<u>(1,243,069)</u>	<u>(733,532)</u>
Investing activities		
Proceeds on sale of marketable securities	-	213,480
Purchase of equipment	(1,929)	-
Reclamation bonds	(12,000)	-
	<u>(13,929)</u>	<u>213,480</u>
Financing activities		
Shares issued for cash	-	4,065,000
Share issuance costs	-	(202,834)
Due to related parties, net of repayments	-	(519,000)
	<u>-</u>	<u>3,343,166</u>
Change in cash for the period	(1,256,998)	2,823,114
Cash position - beginning of period	<u>2,265,376</u>	<u>203,294</u>
Cash position - end of period	\$ 1,008,378	\$ 3,026,408

**Supplemental schedule of non-cash investing
and financing transactions**

Finders' warrants issued	\$ -	\$ 43,943
Fair value of stock options exercised	\$ -	\$ 1,436
Convertible debenture transferred to contributed surplus <i>(Note 4)</i>	\$ -	\$ 4,323,549
Unrealized (losses) gains on marketable securities	\$ (588,000)	\$ 1,239,000

- See Accompanying Notes -

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2017 the Company had working capital of \$2,156,013, which it considers adequate to fund its budgeted overhead and currently planned exploration activities for the ensuing twelve months. However, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred operating losses since inception and as at June 30, 2017 had an accumulated deficit of \$26,397,976.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

2. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance and basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2016. All financial information presented herein is unaudited. The Company's board of directors approved these financial statements for issue on August 22, 2017.

Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss or available-for-sale financial assets, using the accrual basis of accounting, except for cash flow information.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

2. SIGNIFICANT ACCOUNTING POLICIES - continued**Principles of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp. ("CRD"), Minera Canasil S.A. de C.V. and Minera CRD S.A. de C.V. ("Minera CRD"). All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss for the period.

3. MARKETABLE SECURITIES

Concurrently with entering into an option agreement with Orex Minerals Inc. ("Orex") on the Sandra-Escobar project (Note 4), in September 2015 the Company acquired 1,400,000 common shares of Orex under a private placement at a cost of \$350,000. On September 25, 2015, Orex and Barsele Minerals Corp. ("Barsele") completed a plan of arrangement such that each old share of Orex was exchanged for one new share of Orex plus one common share of Barsele. In February 2016, the Company sold 700,000 Orex shares. These shares are designated as available-for-sale securities. Details as at June 30 are as follows:

	Shares 2017	Cost 2017	Fair Value 2017	Fair Value 2016
Orex Minerals Inc.	700,000	\$ 69,956	\$ 91,000	\$ 136,500
Barsele Minerals Corp.	1,400,000	210,088	980,000	1,456,000
		<u>\$ 280,044</u>	<u>\$ 1,071,000</u>	<u>\$ 1,592,500</u>

Changes in the fair value of these securities for the periods ended June 30 are as follows:

	2017	2016
Fair value – beginning of period	\$ 1,659,000	\$ 371,000
Proceeds on sale – 700,000 Orex shares	-	(213,480)
Change in fair value	<u>(588,000)</u>	<u>1,452,480</u>
Fair value – end of period	<u>\$ 1,071,000</u>	<u>\$ 1,610,000</u>

The Company's available-for-sale securities are carried at fair value measured using a Level 1 fair value measurement whereby the carrying value is determined by using the quoted closing price of the security as at the balance sheet date. During the period, the Company recorded unrealized losses of \$511,560, net of deferred income tax impact of \$76,440, through accumulated other comprehensive income.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION

The Company expenses costs relating to the exploration and evaluation of its mineral properties in the period incurred. A description of the Company's mineral interests follows:

Sandra-Escobar project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which form the Sandra-Escobar project.

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn up to a 65% interest in the project. Orex can earn an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period. Orex could earn an additional 10% interest by paying the Company \$500,000 in cash or shares, at Orex's option, and incurring an additional US\$2,000,000 in exploration expenditures within two years. In January 2017, Orex advised the Company that it had completed the required expenditures of US\$2,000,000 to earn a 55% interest in the project.

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims based on a schedule of payments, of which US\$225,000 has been paid to date, and subject to a net smelter returns royalty ("NSR"). In April 2017, the Company renegotiated the terms of this agreement such that the Company can acquire a 100% interest in 900 hectares within the project area with a final payment of US\$25,000 bringing the total paid for these claims to US\$250,000. The claims will be subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the project. In February 2016, MAG withdrew from the agreement without earning an interest. The Company received a total of \$500,000 in cash payments from MAG during the term of the agreement.

Under the agreement, MAG had the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds would be used to incur expenditures on the property by Minera CRD. In February 2016, MAG withdrew from the agreement without earning an interest in the project. During the term of the agreement, MAG advanced a total of \$4,378,742 under the convertible debenture.

The terms of the option agreement provided MAG with the right to convert the debenture into common shares of CRD such that MAG would hold up to a 70% interest in CRD upon exercise of the option. The agreement also provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture. Since the convertible debenture would either be converted into shares or forfeited without repayment, it has been treated as an equity instrument in these financial statements. Accordingly, upon MAG's withdrawal from the agreement, the balance of the convertible debenture has been reclassified to contributed surplus within shareholders' equity.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION – continued**La Esperanza project, Mexico**

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to an NSR of up to 1%, which was purchased by the Company in 2016 for US\$15,000. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and from 2006 to 2010, the Company added further claims by direct staking to increase the size of the project area.

Other projects

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, Victoria, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these projects.

Mineral title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Expenditures for the periods ending June 30, by activity, are as follows:

	2017	2016
Administration	\$ 81,131	\$ 110,502
Assays	27,465	-
Consulting	-	22,351
Drilling	346,365	-
Field costs	20,388	15,696
Geological	100,557	46,104
Land holding costs	122,608	178,292
Legal	2,755	461
Mapping and surveying	31,938	1,953
Road building	19,613	-
Transportation and rentals	5,949	8,150
	<u>\$ 758,769</u>	<u>\$ 383,509</u>

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION - continued

Expenditures for the periods ended June 30 and cumulative expenditures to June 30, 2017 are as follows:

	Expenditures 2017	Expenditures 2016	Cumulative 2017
Brenda, Canada	\$ 8,852	\$ -	\$ 2,352,039
- Expenditure recoveries	-	-	(206,329)
Vega, Canada	4,795	12,840	249,175
- Expenditure recoveries	-	-	(20,574)
Other, Canada	2,310	6,114	141,233
- Expenditure recoveries	-	-	(14,115)
Sandra-Escobar, Mexico	43,194	29,568	1,829,649
- Expenditure recoveries	-	-	(86,609)
- Option payments received	-	-	(500,000)
Salamandra, Mexico	32,763	181,621	6,006,872
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
La Esperanza, Mexico	626,900	64,512	2,373,263
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Other, Mexico	39,955	88,854	3,355,159
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	<u>\$ 758,769</u>	<u>\$ 383,509</u>	<u>\$ 13,874,932</u>

5. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Private placements

In February 2016, the Company completed a private placement of 2,000,000 shares at a price of \$0.15 per share for gross proceeds of \$300,000. The Company paid legal and filing fees of \$3,108 in respect of this private placement.

In March 2016, the Company completed a private placement of 4,100,000 shares at a price of \$0.22 per share for gross proceeds of \$902,000. The Company paid a 6% finder's fee of \$33,000 for a portion of the shares placed. The Company also paid a due diligence fee of \$15,190 and filing fees of \$5,260 in respect of this private placement.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

5. SHARE CAPITAL – continued**Private placements - continued**

In June 2016, the Company completed a private placement of 8,000,000 units at a price of \$0.32 per unit for gross proceeds of \$2,560,000. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.50 for a period of two years. The Company paid finders' fees on a portion of the placement, which consisted of 6% in cash and 3% in warrants, with each finder's warrant having the same terms as the placement warrants. The Company paid total finders' fees of \$124,320 and issued 194,250 warrants to qualified finders. The fair value of the finders' warrants was estimated at \$43,943 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.54%, expected dividend yield of 0.00%, estimated stock price volatility of 115%, and expected option life of two years. In addition, the Company paid \$21,956 in legal and filing fees in respect of the placement. The warrants are subject to an accelerated exercise clause such that the Company has the right to accelerate the expiry date of the warrants upon 20 days written notice should the trading price of the Company's shares exceed \$0.80 for a period of 20 consecutive trading days.

6. STOCK OPTIONS AND WARRANTS

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2015	3,000,000	\$ 0.10	7,050,000	\$ 0.10
Issued/granted	4,194,250	\$ 0.50	450,000	\$ 0.21
Exercised	(3,000,000)	\$ 0.10	(137,500)	\$ 0.15
Expired	-	\$ -	(200,000)	\$ 0.35
Outstanding, December 31, 2016	4,194,250	\$ 0.50	7,162,500	\$ 0.10
Issued/granted	-	\$ -	735,000	\$ 0.20
Outstanding, June 30, 2017	4,194,250	\$ 0.50	7,897,500	\$ 0.11
Exercisable, June 30, 2017	4,194,250	\$ 0.50	7,897,500	\$ 0.11

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS - continued

At June 30, 2017, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	262,500	\$ 0.18	October 29, 2017
	375,000	\$ 0.10	January 4, 2019
	4,950,000	\$ 0.06	December 21, 2020
	400,000	\$ 0.21	March 1, 2021
	1,175,000	\$ 0.20	January 20, 2022 (i)
	735,000	\$ 0.20	January 26, 2022
	<u>7,897,500</u>		
Warrants	762,500	\$ 0.50	June 21, 2018
	<u>3,431,750</u>	\$ 0.50	June 29, 2018
	<u>4,194,250</u>		

(i) On January 20, 2017, these options were amended to extend their expiry date from January 20, 2017 to January 20, 2022 with all other terms remaining unchanged.

At June 30, 2017, the weighted-average remaining life for the outstanding stock options was 3.55 years and 1.00 year for the outstanding warrants.

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers, employees, and consultants of the Company during the periods ended June 30. Share-based compensation is recorded over the vesting period.

	2017	2016
Total options granted/extended	1,910,000	450,000
Average exercise price	\$ 0.20	\$ 0.21
Estimated fair value of options granted/extended	\$ 256,829	\$ 64,997
Estimated fair value per option	\$ 0.13	\$ 0.14

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2017	2016
Risk-free interest rate	1.14%	0.66%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	95%	89%
Expected forfeiture rate	0.00%	0.00%
Expected option life in years	5.00	5.00

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS – continued

The Company has recorded share-based compensation as follows:

	2017	2016
Number of options vested in period	1,910,000	450,000
Compensation recognized in period	\$ 256,829	\$ 64,997

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations as follows:

- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the periods ended June 30 is as follows:

	2017	2016
Salary	\$ 112,500	\$ 75,000
Management fees	75,000	39,000
Director fees	24,000	-
Legal fees	7,707	2,982
	<u>\$ 219,207</u>	<u>\$ 116,982</u>

In addition, the Company recorded share-based compensation of \$197,415 (2016 - \$nil), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 6.

8. COMMITMENTS

The Company has a lease agreement for office premises that expires on September 30, 2018. As at June 30, 2017, monthly payments were \$3,318 and include basic rent and common operating costs.

Minimum future annual lease payments (based on current common operating costs) are as follows:

	Amount
2017	\$ 20,141
2018	<u>30,560</u>
	<u>\$ 50,701</u>

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate monthly compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

9. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company operates in the following geographical locations:

June 30, 2017	Canada		Mexico		Total
Property and equipment	\$	7,389	\$	39,327	\$ 46,716

December 31, 2016	Canada		Mexico		Total
Property and equipment	\$	6,573	\$	40,614	\$ 47,187

10. SUBSEQUENT EVENT

Subsequent to June 30, 2017, the Company announced its intention to undertake a spin-off transaction to segregate its British Columbia properties into a separate company, Canmine Minerals Inc. ("Canmine"). Shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. It is proposed that the transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia) subject to shareholder, regulatory, and court approvals as well as the conditional listing of the shares of Canmine on the TSX Venture Exchange.

SCHEDULE H

**AUDITED INTERIM FINANCIAL STATEMENTS OF CANMINE MINERALS INC.
FROM INCORPORATION TO DECEMBER 31, 2016 AND FOR THE SIX MONTH PERIOD
ENDED JUNE 30, 2017**

CANMINE MINERALS INC.

FINANCIAL STATEMENT

JUNE 30, 2017

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Directors of
Canmine Minerals Inc.

We have audited the accompanying financial statements of Canmine Minerals Inc., which comprise the balance sheets as at June 30, 2017 and December 31, 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Canmine Minerals Inc. as at June 30, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Canmine Minerals Inc. to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 3, 2017

CANMINE MINERALS INC.
BALANCE SHEET

Expressed in Canadian Dollars

	June 30, 2017	December 31, 2016
ASSETS		
Cash	\$1	\$1
SHAREHOLDER'S EQUITY		
Share capital <i>(Note 3)</i>	\$1	\$1

Nature and continuance of operations *(Note 1)*

Subsequent event *(Note 4)*

ON BEHALF OF THE BOARD:

"Bahman Yamini", Director

"Michael McInnis", Director

- See Accompanying Notes -

CANMINE MINERALS INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2017

Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Canmine Minerals Inc. (the "Company") is a mineral exploration company incorporated in British Columbia on May 24, 2016 and has its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is a wholly-owned subsidiary of Canasil Resources Inc. ("Canasil").

Canasil is currently in the process of completing an arrangement whereby it will transfer to the Company a 100% interest in certain mineral claims in British Columbia as well as the related reclamation bonds and \$500,000 in cash (*Note 4*).

This financial statement presents the financial position of the Company as at June 30, 2017 and December 31, 2016. The Company has not had any operating activities since its incorporation and accordingly no statements of operations, cash flows, or changes in shareholder's equity have been presented.

This financial statement has been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has no source of operating revenue, is unable to self-finance operations, and the arrangement described in Note 4 is subject to approvals by the shareholders of Canasil, applicable regulatory authorities, and the Supreme Court of British Columbia. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The continuing operations of the Company are dependent upon its ability to complete the arrangement with Canasil, raise adequate financing to maintain operations and develop mineral properties, and to commence profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

This financial statement has been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee using those standards in effect for the reporting period ended June 30, 2017. The Company's board of directors approved this financial statement for issue on November 3, 2017.

CANMINE MINERALS INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2017

Expressed in Canadian Dollars

3. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

The Company currently has one common share issued and outstanding, which was issued upon incorporation on May 24, 2016 for a price of \$1.

4. SUBSEQUENT EVENT

Subsequent to June 30, 2017, Canasil announced its intention to undertake a spin-off transaction to transfer its British Columbia properties to the Company. The transaction will also include Canasil transferring the reclamation bonds related to each of the properties and \$500,000 in cash. In consideration of the transfer, the Company will issue 56,000,000 common shares to Canasil, of which 50,948,686 shares will be distributed to the shareholders of Canasil in proportion to their shareholdings of Canasil. It is proposed that the transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia) subject to Canasil shareholder, regulatory, and court approvals as well as the conditional listing of the shares of the Company on the TSX Venture Exchange.

Under the Plan of Arrangement, the shareholders of Canasil will receive:

- for each two Canasil shares held, one common share of the Company;
- for each two unexercised options to purchase Canasil shares, one fully-vested option to purchase one common share of the Company, with an exercise price adjusted to reflect the valuations of Canasil and the Company; and
- for each two unexercised warrants to purchase Canasil shares, one warrant to purchase one common share of the Company, with an exercise price adjusted to reflect the valuations of Canasil and the Company.

Upon completion of the Plan of Arrangement each shareholder of Canasil will retain its respective interest in Canasil and hold a proportional interest in 91% of the capital stock of the Company. Canasil will hold a 9% interest in the capital stock of the Company. The Company will hold a 100% interest in the following mineral properties in the Omineca Mining Division of British Columbia:

- Brenda copper-gold project;
- Vega copper-gold project;
- Lil silver project; and
- Granite gold project.

SCHEDULE I

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
OF CANASIL RESOURCES INC. AT JUNE 30, 2017**



PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Unaudited – Prepared by Management

Expressed in Canadian Dollars

CANASIL RESOURCES INC.**PRO FORMA CONSOLIDATED BALANCE SHEET****As at June 30, 2017**

Expressed in Canadian Dollars

Unaudited – prepared by management

	Canasil Resources Inc.	Canmine Minerals Inc.	Note	Pro forma Adjustment	Canasil Pro forma Balance
ASSETS					
Current					
Cash and cash equivalents	\$ 1,008,378	\$ 1	3(b)	\$ (500,000)	\$ 508,379
Marketable securities	1,071,000	-	3(b)	637,257	1,708,257
Receivables	94,648	-		-	94,648
Prepaid expenses	43,665	-		-	43,665
	2,217,691	1		137,257	2,354,949
Reclamation bonds	40,000	-	3(b)	(40,000)	-
Equipment	46,716	-		-	46,716
	\$ 2,304,407	\$ 1		\$ 97,257	\$ 2,401,665
LIABILITIES					
Current					
Accounts payable and accrued liabilities	\$ 61,678	\$ -		\$ -	\$ 61,678
SHAREHOLDERS' EQUITY					
Share capital (Note 4)	21,437,985	1	3(a)	(1)	
			3(b)	(6,427,512)	15,010,473
Contributed surplus	6,514,588	-		-	6,514,588
Accumulated other comprehensive income	688,132	-		-	688,132
Deficit	(26,397,976)	-	3(b)	6,524,769	
			3(a)	1	(19,873,206)
	2,242,729	1		97,257	2,339,987
	\$ 2,304,407	\$ 1		\$ 97,257	\$ 2,401,665

- See Accompanying Notes -

CANASIL RESOURCES INC.
PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

Expressed in Canadian Dollars

Unaudited – prepared by management

	Canasil Resources Inc.	Canmine Minerals Inc.	Note	Pro forma Adjustment	Canasil Pro forma Balance
Expenses					
Accounting and audit	\$ 20,859	\$ -		\$ -	\$ 20,859
Depreciation	2,400	-		-	2,400
Director fees	24,000	-		-	24,000
Exploration and evaluation	758,769	-		-	758,769
Foreign exchange loss	11,204	-		-	11,204
Interest income	(6,340)	-		-	(6,340)
Investor relations and promotions	1,877	-		-	1,877
Legal fees	6,696	-		-	6,696
Listing and filing fees	11,600	-		-	11,600
Management fees	75,000	-		-	75,000
Office rent, services and supplies	38,373	-		-	38,373
Salaries, wages and consulting	119,949	-		-	119,949
Shareholder communications	16,811	-		-	16,811
Share-based compensation	256,829	-		-	256,829
Transfer agent fees	4,560	-		-	4,560
Travel and accommodation	4,090	-		-	4,090
Loss for the period before taxes	(1,346,677)	-		-	(1,346,677)
Deferred income tax expense	(76,440)	-		-	(76,440)
Loss for the period	(1,423,117)	-		-	(1,423,117)
Other comprehensive loss					
Change in fair value of marketable securities, net of taxes	(511,560)	-		-	(511,560)
Comprehensive loss for the period	\$ (1,934,677)	\$ -		\$ -	\$ (1,934,677)
Loss per share - basic and diluted	\$ (0.01)	\$ -		\$ -	\$ (0.01)
Weighted-average shares outstanding – basic and diluted	101,897,372	-		-	101,897,372

- See Accompanying Notes -

CANASIL RESOURCES INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Expressed in Canadian Dollars

Unaudited – prepared by management

1. PLAN OF ARRANGEMENT

The unaudited pro forma consolidated financial statements of Canasil Resources Inc. (the “Company” or “Canasil”) have been compiled for the purposes of inclusion in the Company’s information circular dated November 3, 2017.

On July 25, 2017, the Company announced that its Board of Directors had unanimously approved a spin-off transaction to segregate its British Columbia properties by transferring them to Canmine Minerals Inc. (“Canmine”). The transaction will also include the transfer to Canmine of the reclamation bonds related to each of the properties and \$500,000 in cash.

In consideration of the transfer, Canmine will issue 56,000,000 common shares to the Company of which 50,948,686 shares will be distributed to the shareholders of the Company, in proportion to their shareholdings of the Company. It is proposed that the transaction will be carried out as a Plan of Arrangement (the “Arrangement”) under the Business Corporations Act (British Columbia) subject to Canasil shareholder, regulatory, and court approvals as well as the conditional listing of the shares of Canmine on the TSX Venture Exchange.

Under the Arrangement, the shareholders of the Company will receive:

- for each two Canasil shares held, one common share of Canmine;
- for each two unexercised options to purchase Canasil shares, one fully-vested option to purchase one common share of Canmine, with an exercise price adjusted to reflect the valuations of Canmine and the Company; and
- for each two unexercised warrants to purchase Canasil shares, one warrant to purchase one common share of Canmine, with an exercise price adjusted to reflect the valuations of Canmine and the Company.

Upon completion of the Arrangement each shareholder of the Company will retain its respective interest in the Company and hold a proportional interest in 91% of the capital stock of Canmine. The Company will hold a 9% interest in the capital stock of Canmine. Canmine will hold a 100% interest in the Brenda, Vega, Lil, and Granite mineral properties in the Omineca Mining Division of British Columbia. The Company will continue to hold its interests in the Mexican properties.

2. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements have been prepared on the following basis:

- the unaudited pro forma consolidated balance sheet has been compiled from and combines the unaudited condensed interim consolidated balance sheet of the Company as at June 30, 2017 and the audited balance sheet of Canmine as at June 30, 2017, and gives effect to the pro forma assumptions and adjustments as detailed in Note 3 as if the Arrangement occurred on June 30, 2017; and
- the unaudited pro forma consolidated statement of loss and comprehensive loss has been compiled from the unaudited condensed interim consolidated statement of loss and comprehensive loss of the Company for the six months ended June 30, 2017 and gives effect to the pro forma assumptions and adjustments as detailed in Note 3 as if the Arrangement occurred on January 1, 2017.

CANASIL RESOURCES INC.**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

*Unaudited – prepared by management***2. BASIS OF PRESENTATION - continued**

In the opinion of management, the pro forma consolidated financial statements include all of the adjustments and assumptions necessary for fair presentation. The pro forma consolidated financial statements have been prepared using the same accounting policies and methods of their application as the most recent audited consolidated financial statements of the Company as at December 31, 2016, except that they do not include all of the statements and note disclosures required for audited financial statements.

The unaudited pro forma consolidated financial statements are provided for illustrative purposes only, and do not purport to represent the financial position that would have resulted had the Arrangement actually occurred on June 30, 2017 or the results of operations had the arrangement actually occurred on January 1, 2017. Furthermore, the pro forma consolidated financial statements are not necessarily indicative of the future financial position or results of operations of the Company that may result upon completion of the Arrangement. Actual amounts recorded upon closing of the Arrangement will differ from amounts presented in the unaudited pro forma consolidated financial statements and such differences may be material.

The unaudited pro forma consolidated financial statements should be read in conjunction with the unaudited condensed interim financial statements of the Company and the audited financial statement of Canmine as at June 30, 2017, which are contained within the Company's information circular.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The following adjustments have been made in the pro forma consolidated financial statements to give effect to the proposed Arrangement with Canmine:

- a. To record the cancellation of one common share of Canmine held by the Company and the return of the related share capital of \$1 (investment in subsidiary previously written off);
- b. To record the issuance of 56,000,000 common shares of Canmine to the Company and the distribution of 50,948,686 of these shares to the shareholders of the Company in consideration of the transfer of assets of the Company to Canmine as follows:

Cash	\$	500,000
Reclamation bonds		40,000
Exploration and evaluation assets		6,524,769
	\$	<u>7,064,769</u>

	Shares	Amount
Shares retained by the Company	5,051,314	\$ 637,257
Shares distributed to shareholders	50,948,686	6,427,512
	<u>56,000,000</u>	<u>\$ 7,064,769</u>

CANASIL RESOURCES INC.**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited – prepared by management

4. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Pro forma shares issued and outstanding as at June 30, 2017 are as follows:

	Shares	Amount
Balance as at June 30, 2017	101,897,372	\$ 21,437,985
Reduction in share capital upon completion of the Arrangement	-	(6,427,512)
	101,897,372	\$ 15,010,473

SCHEDULE J

**PRO FORMA FINANCIAL STATEMENTS OF
CANMINE MINERALS INC. AT JUNE 30, 2017**

CANMINE MINERALS INC.

PRO FORMA FINANCIAL STATEMENT

JUNE 30, 2017

Unaudited – Prepared by Management

Expressed in Canadian Dollars

CANMINE MINERALS INC.
PRO FORMA BALANCE SHEET
AS AT JUNE 30, 2017

Expressed in Canadian Dollars
Unaudited – prepared by management

	Canmine Minerals Inc.	Note	Pro forma Adjustment	Pro forma Balance
ASSETS				
Current				
Cash	\$ 1	3(a) 3(b)	\$ (1) 500,000	\$ 500,000
	1		499,999	500,000
Reclamation bonds	-	3(b)	40,000	40,000
Exploration and evaluation assets	-	3(b)	6,524,769	6,524,769
	\$ 1		\$ 7,064,768	\$ 7,064,769
SHAREHOLDERS' EQUITY				
Share capital (Note 4)	\$ 1	3(a) 3(b)	\$ (1) 7,064,769	\$ 7,064,769
	1		7,064,768	7,064,769
	\$ 1		\$ 7,064,768	\$ 7,064,769

- See Accompanying Notes -

CANMINE MINERALS INC.**NOTES TO PRO FORM FINANCIAL STATEMENT****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited – prepared by management

1. PLAN OF ARRANGEMENT

The unaudited pro forma financial statement of Canmine Minerals Inc. (the “Company”) has been compiled for the purposes of inclusion in an information circular for Canasil Resources Inc., (“Canasil”) dated November 3, 2017.

On July 25, 2017, Canasil announced that its Board of Directors had unanimously approved a spin-off transaction to segregate its British Columbia properties by transferring them to the Company. The transaction will also include Canasil transferring the reclamation bonds related to each of the properties and \$500,000 in cash.

In consideration of the transfer, the Company will issue 56,000,000 common shares to Canasil of which 50,948,686 shares will be distributed to the shareholders of Canasil in proportion to their shareholdings of Canasil. It is proposed that the transaction will be carried out as a Plan of Arrangement (the “Arrangement”) under the Business Corporations Act (British Columbia) subject to Canasil shareholder, regulatory, and court approvals as well as the conditional listing of the shares of the Company on the TSX Venture Exchange.

Under the Arrangement, the shareholders of Canasil will receive:

- for each two Canasil shares held, one common share of the Company;
- for each two unexercised options to purchase Canasil shares, one fully-vested option to purchase one common share of the Company, with an exercise price adjusted to reflect the valuations of Canasil and the Company; and
- for each two unexercised warrants to purchase Canasil shares, one warrant to purchase one common share of the Company, with an exercise price adjusted to reflect the valuations of Canasil and the Company.

Upon completion of the Arrangement each shareholder of Canasil will retain its respective interest in Canasil and hold a proportional interest in 91% of the capital stock of the Company. Canasil will hold a 9% interest in the capital stock of the Company. The Company will hold a 100% interest in the following mineral properties in the Omineca Mining Division of British Columbia:

- Brenda copper-gold project;
- Vega copper-gold project;
- Lil silver project; and
- Granite gold project.

2. BASIS OF PRESENTATION

The unaudited pro forma financial statement includes an unaudited pro forma balance sheet, which has been compiled from and combines the balance sheet of the Company as at June 30, 2017 and the pro forma assumptions and adjustments as detailed in Note 3, which give effect to the Arrangement as if it occurred on June 30, 2017.

In the opinion of management, the pro forma financial statement includes all of the assumptions and adjustments necessary for fair presentation. The pro forma financial statement has been prepared using the same accounting policies and methods of their application as the most recent audited financial statement of the Company as at June 30, 2017, except that it does not include all of the statements and note disclosures required for audited financial statements.

CANMINE MINERALS INC.**NOTES TO PRO FORM FINANCIAL STATEMENT****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited – prepared by management

2. BASIS OF PRESENTATION - continued

The unaudited pro forma financial statement is provided for illustrative purposes only, and does not purport to represent the financial position that would have resulted had the Arrangement actually occurred on June 30, 2017. Furthermore, the pro forma financial statement is not necessarily indicative of the future financial position of the Company that may result upon completion of the Arrangement. Actual amounts recorded upon closing of the Arrangement will differ from amounts presented in the unaudited pro forma financial statement and such differences may be material.

The unaudited pro forma financial statement should be read in conjunction with the audited financial statement of the Company as at June 30, 2017, which is contained within the Canasil information circular.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The following adjustments have been made in the pro forma balance sheet to give effect to the proposed Arrangement with Canasil:

- a. To record the cancellation of one common share of the Company and the return of the related share capital of \$1;
- b. To record the issuance of 56,000,000 common shares of the Company in consideration of the transfer of the following assets from Canasil:

Cash	\$	500,000
Reclamation bonds		40,000
Exploration and evaluation assets		6,524,769
	\$	<u>7,064,769</u>

4. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Pro forma shares issued and outstanding as at June 30, 2017 are as follows:

	Shares	Amount
Balance as at June 30, 2017	1	\$ 1
Shares cancelled	(1)	(1)
Shares issued upon completion of the Arrangement	56,000,000	7,064,769
	<u>56,000,000</u>	<u>\$ 7,064,769</u>