



Directors' Letter to Shareholders

April 24, 2007

Dear Shareholders,

2006 was another very positive year for Canasil. Following the acquisition of several new projects in Mexico during 2005, the Company implemented a comprehensive exploration program, including geological mapping, surface sampling, geophysics and diamond drilling, to evaluate and advance these projects. We also continued to acquire new projects with high potential within our area of interest in central Mexico. In British Columbia, Canada, the Company also carried out an active field program on the Brenda gold-copper project to evaluate and prepare targets for diamond drilling. Total deferred exploration expenditures in 2006 were \$847,816 compared to \$176,439 in 2005. During 2006, the Company arranged two private placements for a total of \$1,250,750 to fund the increased level of exploration and operational expenditures. The positive results from our exploration programs, together with a more active corporate communications program, resulted in a marked improvement in our share price and liquidity during 2006.

Our focus in Mexico in 2006 was to systematically explore, define drill targets and undertake drill testing of our portfolio of mineral exploration projects with potential for silver, gold, zinc, copper and lead. We now control multiple projects in the mineral-rich regions in Durango, Sinaloa and Zacatecas states in Mexico. These projects all present multiple targets with significant opportunities for discovery and creating value. Our exploration programs defined drill targets at the La Esperanza silver-zinc project in Zacatecas state, and at the Colibri silver-zinc-copper, Salamandra zinc-copper-silver and Sandra silver-gold projects in Durango state. Phase 1 diamond drilling at the Esperanza project discovered a strong high-grade mineralized vein structure, and at Colibri identified a high grade copper-silver vein with zones carrying gold and cobalt. A geophysical survey at the Salamandra zinc-copper-silver project returned significant anomalies indicating the potential for a large skarn/manto mineralized system for drill testing.

Mexico continued to develop as a destination of choice for mineral explorers and producers, due to continuing high prices of base and precious metals, and relative economic and political stability compared to uncertainties in other countries, providing an attractive operating environment. Our wholly owned operating subsidiary, Minera Canasil S.A. de C.V. in Durango, Mexico, was further strengthened with additional experienced local technical and administrative staff under the direction of Erme Enriquez. This allowed us to implement our exploration programs effectively and as planned, and also provided us with the capability to acquire new prospective projects of merit. We also initiated a program of preparing NI-43-101 technical qualifying reports for our projects in Mexico by Dr. Peter Christopher, P. Geo., which will allow preparation of updated independent technical reports as we progress with exploration work on the projects.

The extensive portfolio of exploration projects we have acquired in Mexico in 2005, 2006 and early 2007 now cover over 133,000 hectares. They provide excellent exploration potential for silver, gold, zinc, copper and lead. The majority of the projects have been acquired through direct staking of the claim areas. As a result we have 100% title at relatively low cost, and the majority of our future investments can be committed to exploration programs, maximizing the opportunities for adding value to our projects. All the projects have excellent road access and are in the proximity of infrastructure required for cost effective exploration, and provide us with the opportunity to create significant added value through our planned exploration programs in Mexico.

In British Columbia, Canada, we carried out an active field program at Brenda gold-copper project, including geological mapping, carried out by Dr. Andre Panteleyev, and detailed analysis of mineralogy of rock and drill core samples. This data confirmed indications of a large porphyry gold-copper mineralizing system and highlighted significant untested target zones for further drilling. We are planning a geophysical survey over the target areas, and diamond drilling to test these targets during the 2007 field season, depending on the availability of drill contractors. The potentially large gold-copper mineralizing system in the Brenda project area makes this a very attractive advanced exploration prospect with the potential for creating significant future value.



Directors' Letter to Shareholders April 24, 2007, (contd.)

During 2006 we were able to strengthen the Company's financial and operating structure through arranging two private placements for a total of 4,803,000 units at \$0.25 per share for gross proceeds of \$1,250,750. These placements covered funding for the 2006 exploration programs and operations. Since the year-end we have completed a further placement of 4,000,000 units at \$0.40 per unit for gross proceeds of \$1,600,000. Together with the proceeds from the exercise of warrants at \$0.35 per share from the 2005 placements, the Company has raised over \$2,000,000 during the first quarter of 2007. This will fund all the currently planned 2007 exploration programs, including over 8,000 metres of diamond drilling on five projects, as well as currently planned operating expenditures. We will continue to strengthen the Company's financial position and working capital through additional placements, particularly if our share price improves with positive exploration results, in order to maintain as low a level of shareholder dilution as possible while funding the Company's future programs and operations.

Our objectives in Mexico for 2007 are to complete the Phase 1 diamond drill programs at the Colibri, Salamandra and Sandra projects, as well as the Phase 2 diamond drill program at the La Esperanza project for a total of over 6,000 metres. We have already completed approximately 2,000 metres of drilling during the first quarter of 2007 on the Colibri and Salamandra zinc-copper-silver projects, and plan to complete the balance 4,000 metres by the end of June 2007. We also plan to continue the evaluation of our other projects in Mexico to assess their potential and define drill targets. In British Columbia we plan to undertake a 3-Dimensional Induced Polarisation geophysical survey at the Brenda gold-copper project in July 2007, followed by 2,000 - 2,500 metres of diamond drilling in August and September, depending on the availability of drill contractors. All these exploration programs are fully funded. We believe that the successful implementation of these programs will provide multiple opportunities for discovery and added value on our mineral exploration projects, which should also result in increased shareholder value.

During 2006 we have pursued an active investor relations program and exhibited and attended a number of industry conferences in Vancouver, Toronto, Calgary, and San Francisco. We also entered into an Investor Relations contract with Kerr Consulting Services in November 2006, and arranged a number of corporate presentations and video interviews. The positive exploration results from Mexico and BC, together with the Company's increased level of exploration activity and stronger financial position have generated a very positive response. We have experienced improving share prices and trading volumes during 2006 and through the first quarter of 2007. Our share price improved from \$0.12 in January 2006 to \$0.40 in December 2006, and has recently strengthened to \$0.65 in April 2007, coupled with increasing trading volumes. This resulted in a significantly higher market capitalisation for the Company (from \$2,500,000 in January 2006 to \$20,000,000 in April 2007) and provides the opportunity to arrange additional funding for our future development with favourable terms and lower shareholder dilution, which continues to be one of our important priorities.

We are very pleased to welcome Mr. Arthur Freeze to the Board of Directors. He is a well recognized figure in the mineral exploration industry and will make a significant contribution to the Board. We look forward to the implementation of our 2007 exploration programs in Mexico and B.C., which will provide the Company with important opportunities for creating shareholder value during 2007. Your Company continues to offer significant exposure to exploration potential for gold, silver, copper, zinc and lead in Mexico and British Columbia, Canada, two politically and economically stable environments with proven mineral and mining potential. All these metals continue to trade at high historical price levels. We look forward to the results from our exploration programs during 2007 and their impact on our share price and trading volumes.

We thank all our shareholders for their continued support,

On behalf of the Board,

"Bahman Yamini"

Bahman Yamini, President, CEO & Director