2008

ANNUAL REPORT

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Directors' Letter to Shareholders

April 15, 2009

Dear Shareholders,

2008 was a difficult year for the mineral exploration industry and for Canasil. The effects of the U.S. sub-prime mortgage crisis on the global financial system, starting in August 2007 and continuing through 2008, presented a very challenging environment for funding mineral exploration companies. This resulted in a general shortage of working capital and funds for exploration programs with markedly reduced levels of activity, particularly for junior mineral exploration companies. During the second half of 2008, and in particular the last quarter, the breakdown of the global financial system and unprecedented write-downs and failure of major banks resulted in a severe slow-down in economic activity globally and a collapse of commodity prices and all stock markets. During 2008, the price of oil dropped from a high of $147/barrel to below $40/barrel, gold from $1,000/ounce to below $750/ounce, silver from $21/ounce to $8.50/ounce, and the price of copper from $4.00/lb to under $1.50/lb. The Dow Jones Index dropped from a high of 13,058 to a low of 7,552 and the TSX Composite Index from 15,047 to 7,724.

The financial crisis in 2008 resulted in severe losses for investors on the public markets and consequently a collapse of interest by investors to participate in the markets. The share prices of many public companies, particularly in the resource and exploration sectors dropped to 10% to 50% of their value before the crisis, with a similar impact on share trading volumes. Canasil's share price dropped from $0.35 in January 2008 to $0.05 in December 2008, and the average daily share trading volume on a monthly basis in 2008 ranged between 12,000 to 50,000 (45,000 to 177,000 in 2007).

For Canasil, following the very active year in 2007 with extensive exploration programs in Mexico and British Columbia, 2008 saw a marked reduction in operating activities with pressure on working capital and difficulties with raising funds for mineral exploration programs. Canasil's objective in 2008 was to maintain the Company's mineral exploration properties and to enter into cooperation agreements which would generate activity on the projects given the difficulties for funding exploration programs. The Company's exploration programs were limited to a modest drill program of 1,539 metres at the Colibri project in Durango, Mexico, evaluation programs consisting of relatively low cost mapping and sampling on our exploration projects in Mexico, and maintenance of our mineral claims. Total exploration expenditures in Mexico in 2008 were $635,571 (2007: $1,822,451) and in British Columbia, Canada, $55,459 (2007: $576,659).

We entered into an Option agreement with Blackcomb Minerals in March 2008 for Blackcomb to earn a 60% interest in the Salamandra and Victoria projects, and also entered into an Option and Joint Venture agreement with Pan American Silver Corp. in August 2008 for joint cooperation to advance Pan American's Escobar and Canasil's Sandra silver-gold projects in northern Durango, Mexico. While the agreement with Blackcomb Minerals required a minimum exploration expenditure of $1,000,000 during the first year by March 19, 2009, Blackcomb did not complete the required expenditures and the agreement was terminated in March 2009. All the Company's mineral claims were successfully maintained during 2008, with some reductions in large outlying claim areas in January 2009 to manage the claim maintenance costs for 2009. The Company completed a private placement of $200,000 in August 2008 (2007: $3,407,194).

During the first half of 2008 the Company maintained an active Investor Relations program, exhibiting at the Vancouver Mineral Exploration Roundup in January and the PDAC in Toronto in March 2008, as well as the Calgary, Vancouver and Toronto Resource Investment Conferences in April, June and September 2008 respectively. During the third quarter of 2008 the Company took steps to reduce operating expenditures with a marked reduction in Investor Relations expenditures with the termination of all Investor Relations contracts, as well as reduction of other administrative and overhead expenses.

<u>Directors' Letter to Shareholders April 15, 2009 (contd.)</u>

There have been signs of a gradual improvement and better prospects for the global economy in the first quarter of 2009 with a modest increase in the price of oil, silver and other metals such as copper, lead and zinc. While these are all still significantly below their previous levels, the share price of large and some smaller producers has improved. This is slowly starting to impact the junior explorers with some expressions of interest for cooperation to advance mineral exploration projects. While the funding prospects for larger companies and producers has also improved, securing investment funds for junior exploration companies is still very difficult. Our objective in 2009 has been to pursue opportunities for cooperation with other companies to advance our exploration projects. This may also lead to opportunities for funding for direct expenditures on some of our projects as and if the economic environment continues to improve.

Canasil's assets are a very strong portfolio of exploration projects in desirable and stable locations with high potential for discovery, and our operating team and capabilities based in Durango, Mexico. Our exploration projects include at least three projects with potential for hosting large gold, silver, copper, zinc and lead deposits, all metals with prospects for high future demand and prices. We hope that as the impact of the severe global financial and economic crisis is resolved through 2009, there will be a gradual return of confidence in the investment markets. This would lead to opportunities for the mineral exploration industry to return to a higher level of exploration activity and have a positive impact on share prices and trading volumes.

We continue to thank all our shareholders and all those associated with the Company for their support through this difficult period for the industry.

On behalf of the Board,

"Bahman Yamini"

Bahman Yamini, President

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of
Canasil Resources Inc.

We have audited the consolidated balance sheets of Canasil Resources Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 15, 2009

NEXIA INTERNATIONAL
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CANASIL RESOURCES INC.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31

ASSETS		**2008**		2007
Current				
Cash	**$**	**8,266**	$	358,323
Receivables		**280,939**		128,193
Subscriptions receivable *(Note 6)*		**-**		330,000
Prepaid expenses		**3,715**		8,728
		292,920		825,244
Reclamation bond		**20,000**		20,000
Resource properties *(Note 4)*		**4,913,035**		4,660,914
Property and equipment *(Note 5)*		**80,555**		93,205
	$	**5,306,510**	$	5,599,363

LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**180,884**	$	139,156
Due to related party *(Note 8)*		**110,000**		-
		290,884		139,156

SHAREHOLDERS' EQUITY				
Share capital *(Note 6)*		**10,804,539**		10,471,289
Contributed surplus *(Note 6)*		**913,548**		732,761
Deficit		**(6,702,461)**		(5,743,843)
		5,015,626		5,460,207
	$	**5,306,510**	$	5,599,363

Nature and continuance of operations *(Note 1)*
Subsequent events *(Note 13)*

ON BEHALF OF THE BOARD:

"Alvin Jackson"
______________________________, Alvin Jackson, Director

"Gary Nordin"
______________________________, Gary Nordin, Director

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31

		2008		2007
Expenses				
Accounting and audit	**$**	**47,553**	$	47,174
Amortization		**19,604**		17,252
Conferences and conventions		**37,523**		40,532
Director fees		**40,000**		37,500
Foreign exchange loss		**10,282**		74,425
General exploration		**63,196**		24,734
Investor relations and promotions		**69,559**		128,390
Legal fees		**23,683**		19,294
Listing and filing fees		**14,412**		12,161
Management fees		**114,000**		114,000
Office services and supplies		**69,704**		65,111
Shareholder communications		**7,581**		19,668
Stock-based compensation *(Note 7)*		**180,787**		218,286
Transfer agent fees		**7,386**		15,659
Travel and accommodation		**14,830**		30,480
Loss before other items		**720,100**		864,666
Interest income		**(11,390)**		(31,231)
Write-down of resource properties *(Note 4)*		**249,908**		413,012
Loss and comprehensive loss for the year		**958,618**		1,246,447
Deficit - beginning of year		**5,743,843**		4,497,396
Deficit - end of year	**$**	**6,702,461**	$	5,743,843
Loss per share – basic and diluted	**$**	**0.03**	$	0.04
Weighted-average number of shares outstanding		**34,004,368**		29,436,182

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

CASH RESOURCES PROVIDED BY (USED IN)		**2008**		2007
Operating activities				
Loss for the year	**$**	**(958,618)**	$	(1,246,447)
Items not affecting cash				
Amortization		**19,604**		17,252
Write-down of resource properties		**249,908**		413,012
Stock-based compensation		**180,787**		218,286
		(508,319)		(597,897)
Changes in non-cash working capital				
Decrease (increase) in receivables		**(152,746)**		16,061
Decrease in prepaid expenses		**5,013**		4,864
Increase in accounts payable and accrued liabilities		**55,648**		19,585
Increase in due to related party		**110,000**		-
		(490,404)		(557,387)
Investing activities				
Resource property expenditures		**(863,515)**		(2,216,607)
Resources property expenditure recoveries received		**280,231**		
Option payments received – resource properties		**75,585**		
Property and equipment		**(6,954)**		(76,174)
		(514,653)		(2,292,781)
Financing activities				
Share capital issued for cash		**325,000**		3,106,950
Share issuance costs		**-**		(110,222)
Subscriptions receivable		**330,000**		-
		655,000		2,996,728
Change in cash for the year		**(350,057)**		146,560
Cash position - beginning of year		**358,323**		211,763
Cash position - end of year	**$**	**8,266**	$	358,323

Supplemental schedule of non-cash investing and financing transactions				
Shares issued for resource properties	**$**	**8,250**	$	247,000
Shares issued for subscriptions receivable		**-**		330,000
Warrants issued for resource properties	**$**	**-**	$	8,358
Warrants issued for finder's fee	**$**	**-**	$	19,948
Increase (decrease) in accounts payable – resource property costs	**$**	**(13,920)**	$	(72,855)

- See Accompanying Notes -

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the “Company”) is considered to be in the exploration stage with respect to its interest in resource properties. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The recovery of the amounts comprising resource properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to successfully complete its exploration and development, and the attainment of future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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. Several adverse conditions cast significant doubt upon the validity of this assumption. 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 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.

	2008	2007
Deficit	$ 6,702,461	$ 5,743,843
Working capital	$ 2,036	$ 686,088

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Canasil, S.A. de C.V., a company incorporated in Mexico. All significant inter-company transactions and balances have been eliminated.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant estimates used in the preparation of these financial statements relate to the impairment of resource property interests and property and equipment, useful lives of property and equipment, valuation allowances for future income tax assets, stock-based compensation and valuation of warrants in private placements.

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 resource properties and furniture and equipment 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 100% per annum.

Resource properties

All costs related to the acquisition, exploration and development of resource properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value. A resource property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties 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 as resource property costs or recoveries when the payments are made or received.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the year in which they occur or in the year in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. The Company has determined that it has no asset retirement obligations as at December 31, 2008 and 2007.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. 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. Income and expense items are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting periods for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its stock-based compensation.

Financial Instruments

The Company has adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the classification, recognition and measurement of financial instruments and hedges in the financial statements and the inclusion of other comprehensive income. Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measures 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. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income.

Accounting Changes

Effective January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1506, *Accounting Changes*. This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors, replacing the former CICA Handbook Section 1506. The adoption of this new standard had no material effect on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets* which replaced Handbook Section 3062, *Goodwill and Other Intangible Assets*. This revision aligned Canadian GAAP with IFRS and established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not expect the adoption of this standard to have a material impact on the Company's financial statements.

Business Combinations; Consolidated Financial Statements and Non-Controlling Interests

In January 2008, the CICA issued Handbook Sections 1582, *Business Combinations*; 1601, *Consolidated Financial Statements;* and 1602, *Non-Controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and CICA 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3, *Business Combinations* and IAS 27, *Consolidated and Separate Financial Statements.*

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1692 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet evaluated the impact of these standards on the Company's financial statements.

Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 *Mining Exploration Costs*. This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard will be effective for the Company beginning on April 1, 2009. The Company is currently evaluating the impact of adopting this standard in 2009.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Capital Disclosures

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535, *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital *(Note 11)*.

Financial Instruments – Disclosures and presentation

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation*. These Sections require disclosure of quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required *(Note 9)*.

Going Concern

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1400, *General Standards on Financial Statement Presentation*. This Section requires management to assess the Company's ability to continue as a going concern and to disclose any uncertainties arising from such an assessment. The adoption of this new standard had no material effect on the Company's financial statements.

4. RESOURCE PROPERTIES

Title to resource 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 resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties is in good standing.

Salamandra and Victoria projects, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the Salamandra project located in Durango State, Mexico, subject to a Net Smelter Returns royalty ("NSR") of 2%. The Company has the right to acquire these claims by making cash payments over a period of five years totalling US$500,000. The Company has also staked additional claims, known as the Victoria claims, which are contiguous with the Salamandra claims.

During the period, the Company granted an arm's length party the right to earn a 60% interest in the properties by incurring US$7,000,000 in exploration expenditures and making US$375,000 in cash or share payments to the Company over six years. The optionee also has the option to acquire up to 1,500,000 shares of the Company in three private placements over a period of two years. During the year, the Company received US$75,000 in cash payments due under the agreement and completed the first private placement of 500,000 shares *(Note 6)*. The Company also received $91,230 in expenditure recoveries from the optionee during the year. Subsequent to December 31, 2008, the option agreement was terminated *(Note13)*.

4. RESOURCE PROPERTIES - *continued*

Colibri project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico. During fiscal 2007, the Company acquired a 100% interest in several additional claims from Oremex Resources Inc. ("Oremex") in consideration for 650,000 common shares of the Company valued at $247,000 and 75,000 shares purchase warrants valued at $8,358 *(Note 6)*. A former officer of the Company is also a director of Oremex.

La Esperanza project, Mexico

During 2005, the Company entered into an option agreement to earn a 100% interest in the La Esperanza project, subject to an NSR of up to 1.5%. The claims are located in Zacatecas State, Mexico. The Company has the right to acquire these claims by making option payments over a period of three years totalling US$150,000.

Tres Marias and Cebollas properties, Mexico

During 2003, the Company entered into an option agreement to earn up to a 75% interest in the Tres Marias and Cebollas gold-silver properties located in Durango State, Mexico. In accordance with the terms of the agreement, the Company issued 50,000 common shares at a value of $8,000 and incurred exploration expenditures of $405,012. During 2007, the Company terminated work on these properties and wrote off associated costs of $413,012.

During 2008, the Company signed a letter agreement with Goldcorp Inc. to terminate the option agreement on the projects and issued 275,000 shares with a value of $8,250 *(Note 6)* to Goldcorp Inc. in full and final settlement of any obligations under the original option agreement. The Company wrote off costs totalling $9,124 relating to these properties in 2008.

Other projects

The Company has staked other claims located in Durango and Sinaloa States, Mexico which include the Sandra and Nora project, the Los Azules project, and the San Fransisco project. 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. During the year, the Company was granted a BC Mining Exploration Tax Credit of $189,001 relating to the Brenda project, which was received subsequent to year-end. During 2008, the Company wrote off costs of $240,784 that were incurred on these other projects.

During 2008, the Company entered into a letter agreement with Pan American Silver Corp. ("Pan American") providing an option for the Company to earn a 51% interest in Pan American's Escobar claims for US$1 million in exploration expenditures over three years. Upon the Company earning in, Pan American will have the option to back-in to a 51% interest in the combined claims of Pan American's Escobar project and the Company's Sandra project by paying the Company three times its exploration expenditures on the combined claims, forming a 51% Pan American and 49% Canasil joint venture. If the Company elects not to contribute its share of joint venture expenditures, Pan American may earn an additional 14% interest by completing a feasibility study, thereby taking its interest to 65%.

4. RESOURCE PROPERTIES *- continued*

Other projects *- continued*

At the Company's option, Pan American may earn a further 15% interest for a total 80% interest by financing the Company's share of capital costs required to take the project through to production. If Pan American decides not to exercise its back-in right, it may sell its 49% interest in the Escobar claims to the Company for US$5 million in a combination of cash and shares paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims. A formal agreement is subject to acceptance by the TSX Venture Exchange.

Additions for the period and cumulative expenditures as at December 31 are as follows:

2008	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 42,729	$ 42,729	$ 2,010,493
- Expenditure recoveries	-	(189,001)	(189,001)	(189,001)
Lil, Canada	-	3,851	3,851	-
Vega, Canada	-	8,879	8,879	-
Tres Marias and Cebollas, Mexico	-	9,124	9,124	-
Los Azules, Mexico	-	22,914	22,914	-
Sandra and Nora, Mexico	-	17,194	17,194	133,481
San Francisco, Mexico	-	1,337	1,337	-
Esperanza, Mexico	-	58,047	58,047	500,610
Colibri, Mexico	-	464,982	464,982	1,602,467
Salamandra, Mexico	-	65,981	65,981	874,450
- Expenditure recoveries	-	(6,396)	(6,396)	(6,396)
- Option payments received	-	(53,989)	(53,989)	(53,989)
Victoria, Mexico	-	78,061	78,061	106,535
- Expenditure recoveries	-	(84,834)	(84,834)	(84,834)
- Option payments received	-	(21,596)	(21,596)	(21,596)
Other, Mexico	-	84,746	84,746	40,815
	$ -	$ 502,029	$ 502,029	$ 4,913,035

2007	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 537,177	$ 537,177	$ 1,967,764
Lil, Canada	-	4,169	4,169	4,958
Vega, Canada	-	35,313	35,313	50,976
Tres Marias and Cebollas, Mexico	-	2,185	2,185	-
Los Azules, Mexico	-	5,770	5,770	68,688
Sandra and Nora, Mexico	-	9,841	9,841	116,287
San Francisco, Mexico	-	583	583	4,297
Esperanza, Mexico	-	67,015	67,015	442,563
Colibri, Mexico	272,104	713,866	985,970	1,137,485
Salamandra, Mexico	14,345	697,066	711,411	808,469
Victoria, Mexico	-	28,474	28,474	28,474
Other, Mexico	-	11,202	11,202	30,953
	$ 286,449	$ 2,112,661	$ 2,399,110	$ 4,660,914

4. RESOURCE PROPERTIES - *continued*

Other projects - *continued*

During the years ended December 31, the Company recorded the following write-downs of its resource property costs:

	2008	2007
Lil, Canada	$ 8,809	$ -
Vega, Canada	59,855	-
Tres Marias and Cebollas, Mexico	9,124	413,012
Los Azules, Mexico	91,602	-
San Francisco, Mexico	5,634	-
Other, Mexico	74,884	-
	$ 249,908	$ 413,012

With the exception of the Tres Marias and Cebollas projects, the Company intends to maintain these claims in good standing and may return to explore these properties as future conditions permit.

5. PROPERTY AND EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 31,686	$ -	$ 31,686	$ 31,686	$ -	$ 31,686
Automobile	27,730	16,180	11,550	27,730	11,230	16,500
Computer	14,729	8,010	6,719	10,396	4,287	6,109
Field equipment	31,971	12,280	19,691	29,350	4,403	24,947
Furniture and equipment	25,545	14,636	10,909	25,545	11,908	13,637
Software	1,097	1,097	-	1,097	771	326
	$ 132,758	$ 52,203	$ 80,555	$ 125,804	$ 32,599	$ 93,205

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued and outstanding			
Balance, December 31, 2006	21,735,342	$ 6,572,265	$ 496,413
Private placement	7,088,000	2,451,400	-
Share issuance costs	-	(130,170)	19,948
Acquisition of property *(Note 4)*	650,000	247,000	8,358
Warrants exercised	3,698,000	1,294,300	-
Stock options exercised	206,250	36,494	(10,244)
Stock-based compensation	-	-	218,286
Balance, December 31, 2007	33,377,592	10,471,289	732,761
Private placement	500,000	125,000	-
Private placement	800,000	200,000	-
Issued for properties *(Note 4)*	275,000	8,250	-
Stock-based compensation	-	-	180,787
Balance, December 31, 2008	34,952,592	$ 10,804,539	$ 913,548

Private placements

In August 2008, the Company issued 800,000 units at a price of $0.25 per unit for gross proceeds of $200,000. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant exercisable at $0.35 per share until August 8, 2009. The warrants are subject to an accelerated exercise provision if, commencing six months after closing, the closing price of the Company's shares equals or exceeds $0.75 per share for a period of ten consecutive trading days.

In June 2008, the Company issued 500,000 shares at a price of $0.25 per share for gross proceeds of $125,000. The private placement was made in accordance with the option agreement on the Salamandra property *(Note 4)*.

In December 2007, the Company issued 1,588,000 units at a price of $0.30 per unit for gross proceeds of $476,400. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at $0.45 until December 31, 2008. Subscription proceeds of $330,000 were received in fiscal 2008. The Company paid finders fees of $28,098.

In March 2007, the Company issued 4,000,000 units at a price of $0.40 per unit for gross proceeds of $1,600,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one common share at $0.55 until March 13, 2008. The Company paid cash commissions of $51,870, and issued 114,675 broker warrants, as finders' fees. The broker warrants were valued at $19,948 using the Black-Scholes Option-Pricing Model with an expected volatility of 91%, a risk-free interest rate of 4.01%, an expected life of one year, and an expected dividend yield of 0.00%.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS – *continued*

Private placements - *continued*

In January 2007, the Company issued 1,500,000 units at a price of $0.25 per unit for gross proceeds of $375,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.35 per share until January 12, 2008. Share subscriptions of $335,000 were received prior to December 31, 2006.

Shares issued in property acquisition

During 2007, the Company issued 650,000 common shares valued at $247,000 and granted 75,000 share purchase warrants in consideration for the claims acquired from Oremex *(Note 4)*. Each warrant entitled Oremex to acquire one additional common share of the Company at a price of $0.50 until January 26, 2008. The warrants were valued at $8,358 using the Black-Scholes Option-Pricing Model with an expected volatility of 95%, risk-free interest rate of 4.10%, an expected life of one year, and an expected dividend yield of 0%.

Shareholder rights plan

A shareholder rights plan was adopted by the shareholders during fiscal 2007. 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. The shareholders rights plan was approved at the Company’s annual meeting in fiscal 2007, is required to be re-approved at the Company’s annual meeting in 2010 and expires in April, 2012.

7. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth by the TSX Venture Exchange in 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 subsidiary 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 five years. Stock options granted under the Plan vest in equal quarterly tranches over a period of not less than 18 months.

7. STOCK OPTIONS AND WARRANTS – *continued*

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, 2006	3,303,000	$	0.35	1,925,000	$	0.21
Granted	4,483,675	$	0.46	1,215,000	$	0.57
Exercised	(3,698,000)	$	0.35	(206,250)	$	0.13
Expired	-	$	-	(100,000)	$	0.23
Outstanding, December 31, 2007	4,088,675	$	0.47	2,833,750	$	0.37
Granted	400,000	$	0.35	100,000	$	0.25
Expired	(2,088,675)	$	0.40	(650,000)	$	0.26
Outstanding, December 31, 2008	2,400,000	$	0.52	2,283,750	$	0.40
Currently exercisable	2,400,000	$	0.52	2,233,750	$	0.40

At December 31, 2008, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares		Exercise Price	Expiry Date
Options	150,000	$	0.75	May 11, 2009
	200,000	$	0.75	May 15, 2009
	743,750	$	0.20	March 6, 2011
	150,000	$	0.20	October 27, 2011
	75,000	$	0.20	November 21, 2011
	865,000	$	0.50	March 20, 2012
	100,000	$	0.25	July 10, 2013
	2,283,750			
Warrants	2,000,000	$	0.55	March 12, 2009 (Subsequently re-priced to $0.05 and expiry extended to March 31, 2009 *(Note 13)*
	400,000	$	0.35	August 8, 2009
	2,400,000			

7. STOCK OPTIONS AND WARRANTS - *continued*

Stock-based compensation

The following table presents information relating to incentive stock options granted to directors, officers and consultants of the Company during the years ended December 31. Stock-based compensation is recorded over the vesting period.

	2008	2007
Total options granted	100,000	1,215,000
Average exercise price	$ 0.25	$ 0.57
Estimated fair value of options granted	$ 17,280	$ 332,320
Estimated fair value per option	$ 0.17	$ 0.27

The fair value of the stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2008	2007
Risk-free interest rate	3.37%	4.17%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	86%	91%
Expected option life in years	5.00	2.00

The company has recorded stock-based compensation for the options that vested during the period as follows:

	2008	2007
Number of options vested in period	713,750	1,157,500
Compensation recognized in period	$ 180,787	$ 218,286

8. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties as follows:

a) Paid or accrued $96,000 (2007 - $96,000) for management fees to a company controlled by a director;

b) Paid or accrued $23,683 (2007 - $32,014) for legal services and share issue costs to a law firm in which an officer of the Company is a partner;

c) Paid or accrued $40,000 (2007 - $37,500) in director fees to a director and to three (2007 – two) companies, each controlled by a director;

d) Paid or accrued $18,000 (2007 - $18,000) in management fees to an officer.

e) Paid or accrued $nil (2007 - $13,200) in geological fees to a director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at December 31, 2008 is $110,060 (December 31, 2007 - $47,652) due to these related parties.

During 2008, a company controlled by a director advanced $110,000 to the Company. The advance is non-interest bearing, unsecured, due on demand, and has no fixed terms of repayment.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and due to related party. Cash is classified under Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner. At December 31, 2008, the Company held the equivalent of $3,309 in cash, $66,608 in accounts receivable, and $6,118 in accounts payable, all of which are denominated in pesos.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

10. 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 October 31 are as follows:

	2008	2007
Loss before income taxes for accounting purposes	$ (958,618)	$ (1,246,447)
Expected tax recovery for the year	(252,726)	(428,968)
Non-deductible expenses	90,481	351,168
Unrecognized benefit of non-capital losses	162,245	77,800
Tax recovery for the year	$ -	$ -

Future income 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 future income tax assets and liabilities as at October 31 are as follows:

	2008	2007
Future Income Tax Assets		
Non-capital loss carry-forwards	$ 371,745	$ 262,280
Mineral property expenditures	538,458	512,609
Equipment	11,382	15,081
Share issuance costs	18,810	26,324
	940,395	816,294
Valuation allowance	(940,395)	(816,294)
Net future income tax assets (liabilities)	$ -	$ -

The Company's non-capital loss carry-forwards expire as follows:

Year of Expiry	Amount
2009	$ 18,000
2010	117,000
2014	167,000
2015	162,000
2026	295,000
2027	221,000
2028	468,000
	$ 1,448,000

The Company has approximately $3,900,000 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

11. CAPITAL DISCLOSURES

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property 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 year.

12. SEGMENTED INFORMATION

The company currently operates in only one operating segment, that being the mining exploration industry. The Company operates in the following geographical locations:

2008	Canada	Mexico	Total
Resource properties	$ 2,010,493	$ 2,902,542	$ 4,913,035
Plant and equipment	$ 25,797	$ 54,758	$ 80,555

2007	Canada	Mexico	Total
Resource properties	$ 2,023,698	$ 2,637,216	$ 4,660,914
Plant and equipment	$ 32,802	$ 60,403	$ 93,205

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2008:

The Company received $12,500 in cash proceeds upon the exercise of 250,000 warrants. The balance of 1,750,000 warrants expired unexercised on March 31, 2009.

The option agreement with Blackcomb, on the Salamandra property, was terminated on March 19, 2009.

The Company received payment for the BC Mining Exploration Tax Credit of $189,001 related to the Brenda project.

This Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("the Company") is dated April 15, 2009 and provides information on the Company's activities for the year ended December 31, 2008, and from the end of the 2008 fiscal year to the date of this report. The following discussion and analysis of the financial position of the Company should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2008.

Overview

The Company is engaged in the exploration and development of mineral properties with prospects for gold, silver, copper, zinc and lead in Durango, Sinaloa and Zacatecas States, Mexico, and in British Columbia, Canada.

During 2008 the company implemented exploration programs on its mineral projects in Mexico, including diamond drilling at the Colibri project, and further evaluation of the Company's mineral claims. The Company acquired three new projects, El Eden, Vizcaino and Carina projects, in Durango and Sinaloa States, Mexico, through the staking of claims and conducted surface mapping and sampling programs on these claims. In March 2008 the Company entered into an Option Agreement with Blackcomb Minerals Inc. on the Salamandra and Victoria projects, and in August 2008 signed an agreement with Pan American Silver Corp. to advance exploration on Pan American's Escobar and the Company's Sandra projects. Deferred exploration and acquisition expenditures in Mexico during the year amounted to $635,571 (2007 - $1,822,451), net of $75,585 in option payments and $91,230 in expenditure recoveries from Blackcomb Minerals related to the Salamandra and Victoria option agreement. In British Columbia, the Company completed and filed the assessment report for the 2007 exploration program on the Brenda project, and extended the validity of the Lil and Vega claims, for total expenditures of $55,459 (2007 - $576,659). The Company received a B.C. Mineral Exploration Tax Credit of $189,001 related to the Brenda project.

In May 2008 the Company completed a private placement of 500,000 shares at $0.25 for proceeds of $125,000 as part of the agreement with Blackcomb Minerals, and in August 2008 completed a non-brokered private placement of 800,000 units at $0.25 per unit for total proceeds of $200,000. Each unit consists of one common share and one-half of one share purchase warrant; each warrant entitles the holder to purchase one additional common share at a price of $0.35 for a period of one year.

The Company exhibited at various industry and investment conferences during the period. Investor Relations expenditures during the year were reduced to $69,559 (2007 - $128,390) and travel and conferences expenditures reduced to $52,353 (2007 - $71,012).

Uncertainties in the financial markets and lower prices for commodities and metals resulted in a severe downturn in the mining and mineral exploration sectors during the third and fourth quarters of 2008. This resulted in extreme drops in the share prices of mining and exploration companies and in relatively low share trading volumes, as well as a breakdown in the availability of capital for funding mining and exploration ventures. Blackcomb Minerals did not fulfil the required first year exploration expenditures under the Salamandra and Victoria Option Agreement, and Pan American Silver did not complete a planned placement to fund exploration work under the Sandra and Escobar Agreement. The Company's working capital and financial condiiton was negatively impacted by these developments, and in view of these challenges, the Company reduced operating and exploration expenditures in order to preserve its limited working capital.

Mineral Properties

The Company has acquired the following mineral exploration projects in Mexico since 2005 and to the date of this report:

- La Esperanza silver zinc lead project – option to earn 100%
- Colibri silver zinc lead copper project – 100%
- Salamandra zinc silver project (March 2006) – option to earn 100%
- Sandra and Nora gold silver projects – 100%
- Los Azules copper gold project – 100%
- San Francisco gold silver project – 100%
- Victoria zinc silver project – 100%
- El Eden copper gold silver project – 100%
- Vizcaino silver gold project – 100%
- Carina silver project – 100%

The Company holds 100% interest in the following mineral properties located in the Omineca Mining District, in North-central British Columbia, Canada:

- Brenda, gold-copper property
- Vega, gold-copper property
- Granite, gold property
- LIL, silver property

Exploration projects in Mexico

La Esperanza silver-zinc-lead project, Zacatecas State, Mexico

The Company has an option agreement to purchase a 100% interest in the original La Esperanza claims covering 435 hectares, subject to a NSR royalty of up to 1.5%, by making option payments over a period of three years totalling US$150,000. The claim area at the La Esperanza project has been increased through staking claims of 9,055 hectares. The project is located in the state of Zacatecas, 100 km south-southeast of the city of Durango.

A Phase 1 diamond drill program consisting of 8 drill holes for a total of 1,182 metres was completed in 2006. Drilling outlined a mineralized vein with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with a width of up to 10.30 metres carrying high-grade silver mineralization. The mineralized intercepts have a weighted average grade of 330 g/t (9.62 oz/ton) silver, 0.93% zinc and 1.57% lead over an average width of 4.21 metres, including several intercepts with very high silver grades of up to 2,144 g/t (62.53 oz/ton) silver over 0.75 metres. Expenditures on the La Esperanza project during the year were $58,047 (2007 - $67,015).

Colibri gold-silver-zinc-copper-lead project, Durango State, Mexico

The 100% owned Colibri claims cover 16,075 hectares, located 70 km southeast of the city of Durango. Geological mapping and surface sampling has identified and outlined a number of mineralized veins in the project area with a combined surface strike length of over 14 kilometres, indicating multiple targets for drill testing. The Company completed 18 diamond drill holes for a total of 2,630 metres at the Colibri project in late 2006 and 2007. The drill program returned three high-grade mineralized intercepts from the central zone of the Linda vein containing copper, silver and zinc with a width of up to 3.70 metres (true width 2.83 metres) with a grade of 3.49% copper, 98 g/t silver and 1.96% zinc.

In 2008, the Company completed a further 16 diamond drill holes for a total of 1,539 metres in the southwestern area of the Colibri project. The Company has been informed of an outstanding historical claim covering 48 hectares in this area, which is subject to multiple irregularities, including non-payment of taxes for over 20 years. However the Company has been informed that the claim has been rectified and this area will be excluded from the overall Colibri project claim area of over 16,000 hectares. Expenditures on the Colibri project during the year were $464,982 (2007 - $985,970, including $255,358 for the issuance of shares and warrants for the acquisition of claims).

Salamandra zinc-silver project, Durango State, Mexico

The Company has an option agreement to purchase a 100% interest in the Salamandra project, subject to a Net Smelter Return royalty of 2%, by making option payments over a period of five years totaling US$500,000. The project area was expanded through staking of additional claims to a total of 2,900 hectares, and is located in Durango State, 35 km northeast of the city of Durango, with good access via paved and gravel roads. A 3-Dimensional Induced Polarization geophysical survey, as well as a geological mapping and surface sampling programs were completed from September to November 2006 and defined prominent drill targets for investigation.

In 2007, 12 diamond drill holes for a total of 3,595 metres were completed. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones with higher grade silver and zinc intercepts of 2.40 metres to 11.60 metres with zinc grades between 0.55% and 12.00% and silver grades between 4 g/t and 102 g/t, within wider mineralized sections of 20 - 45 metres in width grading from 0.32% -1.08% zinc and 2 g/t – 45 g/t silver. The mineralized zones identified to date appear to be part of a potentially large mineralized system, which is open along strike and to depth, only a small part of which has been explored to date.

In March 2008, the Company entered into an Option and Joint Venture Agreement with Blackcomb Minerals Inc. providing for Blackcomb to earn a 60% interest in the Salamandra and Victoria projects against exploration expenditures of US$7 million and cash payments of US$375,000 over a period of 6 years. The agreement requires a minimum expenditure of US$1 million in the first year. Blackcomb Minerals has not fulfilled the first year exploration expenditure requirement under the agreement, and the agreement was terminated subsequent to the year-end. Total expenditures on the Salamandra project during the year were 65,981 (2007 – $711,411). Claim maintenance taxes of $6,396 and an option payment of $53,990 were received from Blackcomb Minerals during the period.

Victoria zinc-silver claim area, Durango, Mexico

In 2007 The Company acquired the Victoria project claim area covering 100,000 hectares surrounding the Salamandra project. The claim area covers a strategic land position on a well-recognized mineral trend running from the northwest to the southeast through Durango State. In 2007 the Company completed an initial regional evaluation program, including satellite imaging and on-site geological evaluation to select potential target areas within the Victoria claim region. In March 2008 the Victoria claims were optioned to Blackcomb Minerals Inc. as part of the Option and Joint Venture Agreement covering the Salamandra project. The claims were subsequently expanded to cover 150,000 hectares. Expenditures on the Victoria project in 2008 were $78,061 (2007 – $28,474). Claim registration and maintenance taxes of $84,434 and an option payment of $21,596 were received from Blackcomb Minerals during the period.

Sandra and Nora silver-gold project, Durango State, Mexico

The 100% owned Sandra and Nora projects cover 5,912 hectares, located 183 km north of the city of Durango in Durango State, Mexico. Surface sampling and geological mapping has identified a number of mineralized veins over an area of approximately 2,000 x 750 metres in the southern area of the Sandra claims. Rock and chip samples from these veins returned encouraging grades of up to 9.74 g/t gold, 635 g/t silver, 2.46% copper and 20.06% lead. Trench sampling confirmed silver and gold mineralization observed in earlier surface samples from the Barite, Maria Fernanda and Encino veins. Assay results returned silver grades of up to 888 g/t (25.9 oz/t) silver over 0.7 metres at the Barite vein, and up to 9.95 g/t (0.29 oz/t) gold and 365 g/t (10.65 oz/t) silver over 0.5 metres at the Maria Fernanda vein, where trench samples indicate consistent silver/gold mineralization over a strike length of approximately 300 metres. Expenditures on the Sandra and Nora project in 2008 were $17,194 (2007 - $9,841).

In August 2008 the Company signed an agreement with Pan American Silver Corp. to earn an initial 51% interest in Pan American's Escobar claims, which are contiguous with the Sandra claims. Following the earn-in Pan American may back-in to a 51% interest in the combined Sandra and Escobar claims by paying three times exploration expenditures on the combined claims forming a 51% Pan American 49% Canasil joint venture. If the Company elects not to contribute its share of joint venture expenditures, Pan American may earn an additional 14% interest by completing a feasibility study, thereby taking its interest to 65%. At the Company's option, Pan American may earn a further 15% interest for a total 80% interest by financing the Company's share of capital costs required to take the project through to production. If Pan American decides not to exercise its back-in right, it may sell its 49% interest in the Escobar claims to the Company for US$5 million in a combination of cash and shares paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims. A formal agreement, which may be subject to acceptance by the TSX Venture Exchange, will follow.

Los Azules gold-silver-copper project, Sinaloa State, Mexico

The Company holds a 100% interest in the Los Azules claims in Sinaloa State, Mexico, covering 7,844 hectares. The claims host prospects for epithermal vein type mineralization carrying gold, silver and copper. The Los Azules property is located 60 km southeast of the city of Mazatlan. In 2006 the Company completed a prospecting and sampling program at Los Azules to identify potential mineralized structures. This has been followed up with further mapping and evaluation in April 2008. Some of the vein structures have returned gold, silver and copper values, which require further sampling and investigation. Expenditures during 2008 at Los Azules were $22,914 (2007 - $5,770). Cumulative expenditures of $91,602 were written off at year-end.

San Francisco gold-silver project, Durango, Mexico

The San Francisco property, covering 500 hectares, is located approximately 104 km west of the city of Durango in the San Dimas mining district of Durango, 14 km southeast of the Goldcorp's Tayoltita mine. The claims are within view of the community of San Francisco. The access road cuts through the centre of the property, as does the main power line supplying the Tayoltita mine. Expenditures on the San Francisco project during the year were $1,337 (2007 - $583). Cumulative expenditures of $5,634 were written off at year-end.

El Eden, Vizcaino and Carina Projects, Sinaloa and Durango, Mexico

In June 2008 the Company announced the acquisition of three new projects in Mexico through the staking of claims. Expenditures on evaluation and acquisition of other Mexico projects during the period were $84,746 (2007 - $11,202). Cumulative expenditures of $65,763, related to the El Eden project, were written off at year-end.

El Eden Project, Sinaloa, Mexico

The El Eden Project covers 4,000 hectares, located 78 kilometres northeast of the city of Mazatlán in Sinaloa State, Mexico, with excellent road access and infrastructure. The project encompasses a tourmaline alteration zone hosted by an intrusive body. Five channel samples collected from trenches in this intensely altered structural zone returned significant copper and silver grades, and one sample from mineral dump material returned 2.95% copper and 2,140 g/t silver.

In April 2008, Dr. Andrejs Panteleyev conducted a field inspection and review of the El Eden project area, and identified the possibility of a larger altered zone surrounding the central area with the more intense fracturing and brecciation. A grab sample taken from this area, located 190 metres east of the higher grade trench returned 1.27 g/t gold, 0.38% copper and 45.6 g/t silver. In July and August 2008 a surface and trench sampling program was completed over the alteration zone of 500 metres by 200 metres, including 250 samples. The sampling program did not return any significant mineralization.

Vizcaino Project, Durango, Mexico

The Vizcaino project covers 600 hectares, located 127 kilometers north of the city of Durango, in Durango State. The project area is 38 kilometers southeast of Silver Standard Resources La Pitarrilla deposit and 42 kilometers north of Geologix Explorations San Augustin deposit, both major recent discoveries. The Vizcaino project hosts a prominent quartz vein, which can be traced on the surface for over 2 kilometres with widths of over 1 metre and up to 12 metres. The exposed vein is composed of fine grained chalcedonic quartz with a classic banded structure indicative of the upper levels of a strong epithermal vein system. Initial evaluation samples from the vein returned anomalous gold values ranging from 108 ppb to 180 ppb over widths of 1.1 metres to 4.8 metres, characteristic of the upper levels of mineralized epithermal veins.

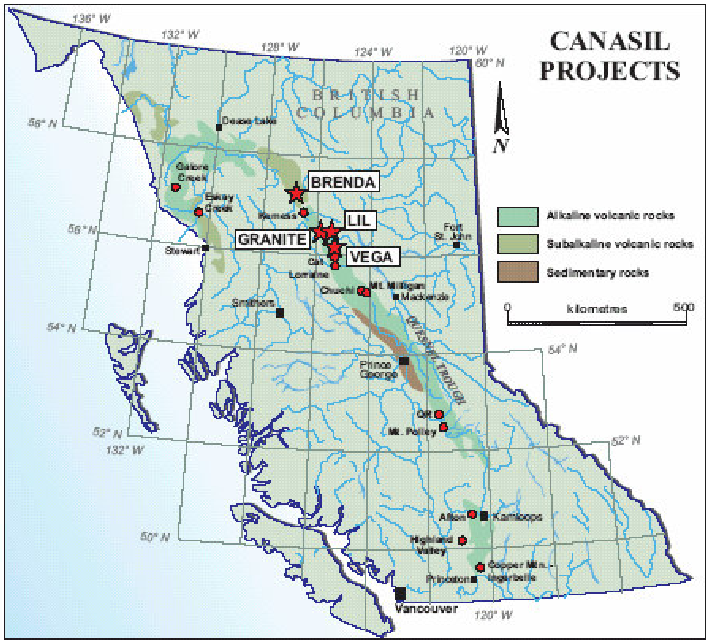
In July 2008 a systematic geological mapping and sampling program was completed on the Vizcaino project, including 99 samples from the vein structures and alteration zones. The samples confirmed significant zones with anomalous gold mineralization along the vein. A diamond drill program is warranted to test this mineralization at depth.

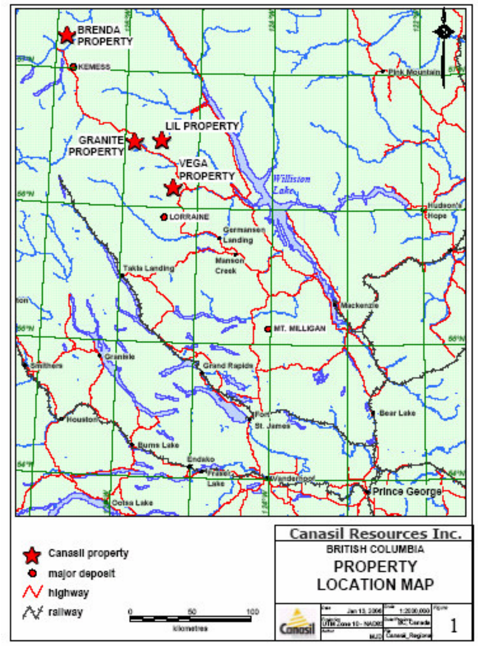
Carina Project, Durango, Mexico

The Carina project covers 3,100 hectares, located 45 kilometers northeast of the City of Durango, in Durango State. The project lies 6.5 kilometres southwest of the La Preciosa project of Orko Silver, another major recent discovery, and is adjacent to the northwest corner of Canasil's large Victoria project area. The area has excellent road access and infrastructure.

A number of quartz veins, breccias and stockwork zones are observed in the project area, hosted by rhyolites, andesites and sediments. The main vein system strikes NW-SE and is composed of a series of parallel quartz and fluorite veins with bladed textures and widths of 1.5 metres to 2.5 metres. A broad area of quartz stockwork and breccia structures hosted by tuffaceous rhyolites is observed over an area of 100 metres by 300 metres. In July and August 2008 a geological mapping and sampling program was completed over the main vein areas, including 170 surface samples. The samples results indicate the high levels of an epithermal system, which should be tested with diamond drilling.

Exploration projects in British Columbia, Canada





Brenda gold-copper property, British Columbia, Canada

The Company's 100% owned Brenda property consists of 178 claim units, covering 4,450 hectares. The project is located in the Kemess-Toodoggone porphyry copper-gold district, approximately 450 km northwest of Prince George, B.C. The Brenda property is an advanced gold-copper exploration project with over $3,500,000 in cumulative exploration expenditures covering geologic mapping, geochemistry, ground and airborne geophysics, satellite imaging and over 9,700 metres of drilling in 63 drill holes.

These programs have identified the potential for a deep porphyry gold-copper system at the Brenda project. The increasing gold and copper grades at depth observed in drilling to date, and the strength of the highly altered mineralized structure observed in the drill core, in conjunction with the strong anomalies observed in the geophysical survey, are highly encouraging and indicate the potential for a large deep-seated gold-copper porphyry system at the Brenda project. The mineralized system averages 300 to 400 metres in width, and has been traced along a strike length of 400 meters by drilling, with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in the 3-Dimensional Induced Polarization geophysical survey. A deeper sensing geophysical survey, which can penetrate to 1,000 metres depth, as well as deeper drilling to extend some of the existing drill holes may be used in a future program for further definition of the structure at depth. During the period the Company completed and filed the assessment reports for the 2007 exploration program and extended the validity of all the Brenda mineral claims to May 30, 2018. Expenditures on the Brenda project during the year were $42,729 (2007 - $537,177). The Company received a Mineral Exploration Tax Credit of $189,001 related to 2006 and 2007 exploration expenditures on the Brenda project.

Vega gold-copper property, British Columbia, Canada

The 100% owned Vega claims are located in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George. Access to the property is via the Omineca Mines Access Road and logging roads. The claim area covers 6,716 hectares. Expenditures for maintenance of the Vega project during the year were $8,879 (2007 - $35,313). The Company wrote off $59,855 in cumulative exploration expenditures on the Vega project at year-end.

LIL property, British Columbia, Canada

The 100% owned LIL claims, covering 875 hectares, are located in the Omineca Mining Division, 350 km northwest of Prince George, British Columbia. The Lil claims were maintained through payment of $3,851 (2007 $4,169). The Company wrote off $8,809 in cumulative exploration expenditures on the Lil project at year-end.

Granite property, British Columbia, Canada

The 100% owned Granite gold-silver claim, covering 500 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, is located 360 km northwest of Prince George. There were no expenditures on the Granite property during the period.

Results of Operations

Results of Operations for year ended December 31, 2008 and 2007

Operating expenses for 2008 were $720,100 (2007 - $864,666) and the Company earned interest income of $11,390 (2007 - $31,231). The operating expenses for 2008 include non-cash Stock-Based Compensation of $180,787 (2007 - $218,286). Net operating expenditures excluding amortization and Stock-Based compensation were $508,319 (2007 - $597,897). During 2008 Management and Directors fees were $154,000 (2007 - $151,500) and expenditures on Investor Relations and Conferences and Conventions were $107,082 (2007 - $168,922). Accounting and audit fees were $47,553 (2007 – $47,174), office services and supplies increased to $69,704 (2007 - $65,111), and travel and accommodation expenses decreased to $14,830 (2007 - $30,480). In 2008, the Company recorded a foreign exchange loss of $10,282 (2007 – loss of $74,425) resulting from exchange rate fluctuations between the Canadian Dollar, the U.S. Dollar, and the Mexican Peso. In 2008 the Company wrote off $249,908 (2007 - $413,012) of deferred exploration expenditures on resource properties.

Net cash used for operating activities during 2008 was $490,404 (2007 - $557,387). The decrease in Accounts Receivable of $152,746 (2007 – increase of $16,061) resulting from the collection of GST refunds due in Canada and IVA tax refunds in Mexico, was offset by an increase in Accounts Payable of $55,648 (2007 – $19,585) and amounts due to related parties of $110,000 (2007 – Nil). Cash used for investing activities decreased to $514,653 (2007 - $2,292,781) reflecting the lower level of exploration expenditures in 2008. Net cash flow from financing activities was $655,000 (2007 - $2,996,728).

Selected Annual Information

The information in the following table provides selected audited financial information of the Company for 2008 and the two preceding financial years. This information is derived from the audited financial statements and should be read in conjunction with those statements and notes.

The loss for the year increased over the past three years reflecting the Company's increased level of exploration and operating activities in order to finance and advance exploration programs on its mineral exploration projects, which is also reflected in the increase in total assets. In 2008 the loss also included stock-based compensation and mineral property expenditure write-offs as indicated.

Year Ended December 31	2008	2007	2006
Total Revenue	Nil	Nil	Nil
Loss for the year	$(958,618)	$(1,246,447)	$(357,007)
Loss per share – basic and diluted	$(0.03)	$(0.04)	$(0.018)
Total Assets	$5,306,510	$5,590,363	$3,098,708
Long Term Financial Liabilities	Nil	Nil	Nil
Cash Dividends per Share	Nil	Nil	Nil
Shareholders' Equity	$5,015,626	$5,460,207	$2,906,282
Working Capital	$2,036	$686,088	$177,183
Stock-Based Compensation	$180,787	$218,286	$47,332
Write-off of Mineral Property Costs	$249,908	$413,012	Nil

Summary of Quarterly Information

The following table provides selected financial information of the Company for each of the last eight quarters:

Year	2008				2007			
Quarter ended:	**Dec. 31**	**Sept. 30**	**Jun. 30**	**Mar 31**	**Dec. 31**	**Sept. 30**	**Jun. 30**	**Mar. 31**
Loss before other items	(102,007)	(138,765)	(154,586)	(132,565)	(170,918)	(164,731)	(169,354)	(110,146)
Stock-based compensation	(33,567)	(58,155)	(35,231)	(53,834)	(35,230)	(73,317)	(33,053)	(76,686)
Write-off of resource properties	(249,908)	-	-	-	(413,012)	-	-	-
Loss for the quarter	(385,482)	(196,920)	(189,817)	(186,399)	(619,160)	(238,048)	(202,407)	(186,832)
Loss per share: basic and diluted	(0.011)	(0.006)	(0.006)	(0.006)	(0.019)	(0.008)	(0.007)	(0.008)
Weighted-average shares	34,004,368	34,347,157	33,531,438	33,377,592	31,642,614	31,555,353	30,009,802	24,447,774

Discussion of Quarterly Information

The Company experienced a significantly higher level of exploration activity in 2007 than in 2008, reflected in higher general and administrative expenses and operating losses in 2007. The operating losses in 2008, before stock-based compensation and property write-downs, were lower due to a lower level of Investor Relations, Conferences and Travel expenditures. The Company also experienced an increase in accounting and audit fees and an increase in office services and supplies due to the higher levels of exploration activity and moving its office during 2007. The loss for the quarter ending March 31, 2008 was reduced due to a foreign exchange gain of $11,530. The quarterly losses in 2008 have been lower as a result of reduced operating expenditures reflecting a response to the current negative economic and industry conditions.

Fourth Quarter

The Company reported a loss during the fourth quarter of $385,482 or $0.011 per share. The current fourth quarter loss compares to a loss of $618,160 or $0.019 per share in the fourth quarter of 2007. The significant variance in these fourth quarter results is the write-down of mineral properties of $249,908 which compares to a write-down of $413,012 in 2007. After factoring in this item, the quarterly loss for 2008 is $70,574 less than that of 2007, which results from the Company reducing expenses as much as possible due to the downturn in market conditions in 2008. Mineral property expenditures for the current quarter were $85,158 compared to $160,510 in the fourth quarter of 2007. The Company recorded a recovery of $189,001 relating to a B.C. Mineral Exploration Tax Credit on its Brenda project in the fourth quarter of 2008.

Liquidity and Capital Resources

The Company is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in securing the required financing. The Company had a working capital at December 31, 2008 of $2,036 (December 31, 2007 - $686,088).

The Company had no material income from operations. As at December 31, 2008, the Company had no long-term debt. In 2008 the Company received an advance of $110,000 from a related party without interest or specific terms of repayment. In 2008 the Company experienced negative cash flow of $350,057 (2007 – positive $146,560) from operating, investing and financing activities. This included net cash used in operating activities of $490,404 (2007 – $557,387), net cash used in investing activities of $514,653 (2007 - $2,292,781), and net cash provided by financing activities of $655,000 (2007 – $2,996,728).

The Company has option agreements that require certain future cash payments to maintain its interest in mineral properties, however, these payments can be made at the discretion of the Company and are not firm commitments. The Company will require additional funding for exploration and operating expenditures through 2009. Given the recent downturn in the financial and metals markets, the Company has identified certain conditions that cast considerable doubt upon its ability to continue as a going concern (see note 1 to December 31, 2008 audited consolidated financial statements). However, management believes that the Company will be able to continue as a going concern through a combination of raising additional equity funds, reducing general and administrative expenses, and slowing the rate of exploration on its mineral properties.

Canasil Resources Inc. - Resource Properties Expenditures 12/31/2008

		Canada						Mexico					
	Brenda	Lil	Vega	Cebollas	Los Azules	Sandra	Francisco	Esperanza	Colibri	Salamandra	Victoria	Other	Total
Total as at Dec. 31, 2006	1,430,587	789	15,663	410,827	62,918	106,446	3,714	375,548	151,515	97,058	-	19,751	2,674,816
Acquisition/Option Pmnts.	-	-	-	-	-	-	-	-	272,104	14,345	-	-	286,449
Administration	-	-	-	-	105	(306)	-	825	26,408	21,891	1,191	1,480	51,594
Assays	24,810	-	-	-	-	-	-	2,827	28,829	83,239	2,237	-	141,942
Consulting	1,227	-	-	-	405	1,482	-	4,160	88,210	65,866	12,448	773	174,571
Drilling	234,809	-	-	-	-	-	-	-	336,964	413,669	-	-	985,442
Field costs	129,250	-	-	-	-	1,508	-	271	24,774	22,057	162	768	178,790
Geology	34,892	-	-	2,185	1,229	5,567	85	19,892	71,205	53,444	-	1,590	190,089
Geophysical	72,867	-	-	-	-	-	-	-	-	2,935	-	-	75,802
Land holding costs	-	4,169	35,313	-	2,581	1,171	342	15,871	39,769	2,851	-	5,943	108,010
Legal	-	-	-	-	1,450	360	156	1,362	12,917	2,551	-	509	19,305
Mapping and surveying	1,025	-	-	-	-	6	-	8,378	11,528	921	11,635	-	33,493
Road building	8,000	-	-	-	-	-	-	3,939	34,894	-	-	-	46,833
Transportation / rentals	23,757	-	-	-	-	53	-	9,473	37,132	23,708	671	139	94,933
Travel / accommodation	6,540	-	-	-	-	-	-	17	1,236	3,934	130	-	11,857
Total expenditures - 2007	537,177	4,169	35,313	2,185	5,770	9,841	583	67,015	985,970	711,411	28,474	11,202	2,399,110
Write-down	-	-	-	(413,012)	-	-	-	-	-	-	-	-	(413,012)
Total as at Dec. 31, 2007	1,967,764	4,958	50,976	-	68,688	116,287	4,297	442,563	1,137,485	808,469	28,474	30,953	4,660,914
Acquisition/Option Pmnts.	-	-	-	-	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	418	655	357	3,172	22,657	4,990	1,439	11,875	45,563
Assays	-	-	-	-	406	-	-	-	18,509	1,835	-	18,354	39,104
Consulting	4,514	-	-	-	2,045	9,959	107	8,249	63,267	17,665	-	19,590	125,396
Drilling	-	-	-	-	-	-	-	-	238,110	-	-	-	238,110
Field costs	-	-	-	-	42	11	-	3,481	21,328	3,218	-	2,890	30,970
Geology	904	-	-	874	7,554	1,989	-	5,700	39,445	17,114	331	18,560	92,471
Geophysical	24,769	-	-	-	-	-	-	-	-	-	-	792	25,561
Land holding costs	5,345	3,851	8,879	8,250	8,728	4,367	660	22,198	25,650	19,768	75,567	9,478	192,741
Legal	-	-	-	-	213	213	213	8,733	2,111	-	724	426	12,633
Mapping and surveying	6,850	-	-	-	-	-	-	-	5,003	263	-	-	12,116
Road building	-	-	-	-	-	-	-	5,869	21,472	-	-	77	27,418
Transportation / rentals	-	-	-	-	903	-	-	478	5,699	1,063	-	1,004	9,147
Travel / accommodation	347	-	-	-	2,605	-	-	167	1,731	65	-	1,701	6,616
Total expenditures 2008	42,729	3,851	8,879	9,124	22,914	17,194	1,337	58,047	464,982	65,981	78,061	84,747	857,845
Write-downs		(8,809)	(59,855)	(9,124)	(91,602)		(5,634)					(74,884)	(249,908)
Expenditure recoveries	(189,001)									(6,396)	(84,834)		(280,231)
Cash payments	-	-	-	-	-	-	-	-	-	(53,989)	(21,596)	-	(75,585)
Total as at Dec 31, 2008	1,821,492	-	-	-	-	133,481	-	500,610	1,602,467	814,065	105	40,816	4,913,035

Other Information and Disclosures

Related Party Transactions

During the year the Company paid or accrued a total of $177,683 (2007 - $196,714) to related parties covering directors' and management fees and geological and legal services as listed below. The decrease in 2008 is due to lower legal services, share issuance costs, and geological consulting fees experienced in the current year. The Company relies heavily on its directors and officers for many of its administrative and professional services.

a) Paid or accrued $96,000 (2007 - $96,000) for management fees to a company controlled by a director;
b) Paid or accrued $23,683 (2007 - $32,014) for legal services and share issue costs to a law firm in which an officer of the Company is a partner;
c) Paid or accrued $40,000 (2007 - $37,500) in director fees to a director and to three (2007 – two) companies, each controlled by a director;
d) Paid or accrued $18,000 (2007 - $18,000) in management fees to an officer.
e) Paid or accrued $nil (2007 - $13,200) in geological fees to a director.

Included in accounts payable at December 31, 2008 is $110,060 (December 31, 2007 - $47,652) due to these related parties. During 2008, a company controlled by a director advanced $110,000 to the Company. The advance is unsecured, due on demand, and has no fixed terms of repayment.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. The most significant accounting estimates for the Company relate to the carrying value of its mineral property assets and accounting for stock-based compensation. The Company's accounting policies are set out in full in note 2 to the December 31, 2008 audited consolidated financial statements.

Mineral Property Costs

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of mineral interests, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

The Company's Management regularly reviews the carrying value of each mineral property. Where information and conditions suggest that there has been impairment in their carrying value, management assesses the project for impairment and records a write-down to the estimated fair value in the statement of operations. During 2008, the Company recorded write-downs of $249,908 relating to certain small projects in Canada and Mexico that the Company has no current plans to advance.

With the downturn in the financial and metals markets, and a decline in the Company's share price during 2008, management considered whether these declines constituted triggering events that would require management to test its remaining mineral properties for impairment at year-end. Management considered it appropriate to review the Company's other properties for impairment by assessing whether fair value was less than carrying value. Since none of the Company's properties have identified reserves, management considered cost to be a reasonable approximation of fair value, as costs incurred were relatively current, work to date produced results that indicated further work on the property was warranted, and management planned to continue to explore the property on its own or through joint venture or farm-out agreements. Management is satisfied that all of these properties are of merit and warrant further exploration. Despite the difficulty that junior exploration companies have raising equity finances in the current market, the Company is optimistic that it will be able to raise sufficient funds to advance the properties in due course. Based on this assessment, management concluded that no further impairment charge was required as at December 31, 2008.

Stock-based Compensation
The fair value of stock options is determined by the application of the Black-Scholes Option-Pricing Model, which requires the input of highly subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Changes in Accounting Policies

Capital Disclosures

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535 – *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital.

Financial Instruments – Disclosures and Presentation

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862 and 3863 – *Financial Instruments – Disclosures and Presentation*. These Section requires disclosure of quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required.

Going Concern

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1400 – *General Standards on Financial Statement Presentation*. This Section requires management to assess the Company's ability to continue as a going concern and to disclose any uncertainties arising from such an assessment.

Financial Instruments

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and due to related party. Cash is classified under Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner. At December 31, 2008, the Company held the equivalent of $3,309 in cash, $66,608 in accounts receivable, and $6,118 in accounts payable, all of which are denominated in pesos.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-orientated enterprises for interim and annual financial statements effective January 1, 2011. The Company is presently considering the effect these standards will have on its financial statements.

Disclosure for Venture Issuers without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's audited financial statements for the year ended December 31, 2008, provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

Outstanding Share Data

Shares

The Company's authorized share capital consists of an unlimited number of common shares. As at December 31, 2008, the Company had 34,952,592 common shares issued and outstanding (diluted – 39,636,342) compared to 33,377,592 common shares issued and outstanding (diluted – 40,300,017) as at December 31, 2007. In June 2008, 500,000 shares were issued at $0.25 as part of the agreement with Blackcomb Minerals. In August 2008, the Company completed a private placement of 800,000 units at $0.25 per unit. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable at $0.35 per share within August 8, 2009. In December 2008 the Company issued 275,000 to Goldcorp Inc. in connection with the termination of the option agreement on the Tres Marias and Cebollas project in Mexico. The change in the number of fully diluted shares outstanding reflects the issuance of 1,575,000 common shares, expiration of 2,088,675 and addition of 400,000 warrants, and granting of 100,000 options and expiration of 650,000 options during 2008.

From December 31, 2008 to the date of this report the Company issued 250,000 shares against the exercise of 250,000 warrants, and 1,750,000 warrants not exercised expired on March 31, 2009. This increased the number of common shares issued and outstanding to 35,202,592 and decreased the number of diluted shares to 37,886,342 at the date of this report..

Options

As at December 31, 2008, a total of 2,283,750 incentive stock options were outstanding.

Number of Shares	Exercise Price	Expiry Date
150,000	$ 0.75	May 11, 2009
200,000	$ 0.75	May 14, 2009
743,750	$ 0.20	March 16, 2011
150,000	$ 0.20	October 27, 2011
75,000	$ 0.20	November 21, 2011
865,000	$ 0.50	March 20, 2012
100,000	$ 0.25	July 10, 2013
2,283,750		

Warrants

As at December 31, 2008, a total of 2,400,000 share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	$ 0.55	March 12, 2009
400,000	$ 0.35	August 8, 2009
2,400,000		

Subsequent to the year-end, the expiry date of 2,000,000 warrants was extended to March 31, 2009 and the exercise price reduced to $0.05 (see *"Recent Developments"*). 250,000 warrants were exercised and the remaining 1,750,000 warrants expired on March 31, 2009.

Escrow

There are no shares subject to escrow or pooling arrangements.

Investor Relations

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations. During the period the Company exhibited at the Vancouver Resource Investment Conference and Vancouver Mineral Exploration Roundup in January 2008, at the Prospectors and Developers Association Conference in Toronto in March 2008, at the Calgary Resource Investment Conferences in April 2008, at the Vancouver Resource Investment Conference in June 2008, and at the Toronto Resource Investment Conference in October 2008. During 2008, the Company terminated the Investor Relations contracts with Kerr Consulting in Vancouver as of November 31, 2008, and Garth McTavish in Calgary, Alberta, and Pro-Edge Investor Relations Consultants in Toronto as of October 30, 2008.

Recent developments

Subsequent to December 31, 2008, to the date of this report, the Company:

1. Completed the final agreement with Pan American Silver Corp. covering the Sandra and Escobar projects in Durango, Mexico.
2. Terminated the option agreement with Blackcomb Minerals on the Salamandra and Victoria projects in Durango, Mexico.
3. Extended the expiry date of 2,000,000 warrants from March 12, 2009 to March 31, 2009 and reduced the exercise price to $0.05. Of these warrants 250,000 were exercised and the remaining 1,750,000 expired on March 31, 2009.
4. All mineral claims in Mexico were reviewed and where appropriate extended and outlying claim blocks reduced in order to reduce the carrying cost of the Mexico project portfolio.
5. Received payment for the BC Mining Exploration Tax Credit of $189,001 related to the Brenda project.

General Conditions Affecting the Company's Operations

General Trends

The principal business of the Company is the acquisition, exploration and, if warranted, development of natural resource properties of merit. The Company is not geographically limited to any particular region but in recent years has focused attention on natural resource properties in Canada and Mexico.

During the fourth quarter of 2008 there was a marked deterioration in global economic conditions due to the financial and banking crisis in the U.S. and its effects on the global economy. This resulted in a sharp decrease in the price of commodities and precious and base metals as well as sharp drops in all stock markets and loss of confidence in the investment sector. This has had very negative impact on the share prices and liquidity of mineral producers and explorers, as well as a very negative outlook for funding of mineral exploration companies and projects. During the first quarter of 2009 these conditions have shown some marginal improvement, particularly for gold and silver and a small increase in the price of copper. While this has had a positive impact on the share price of precious metal producers, it has not yet resulted in any improvement in the prospects of financing for smaller exploration companies and earlier stage exploration projects.

Competitive Conditions

The outlook for acquisition and development of natural resource projects has deteriorated due to the global financial crisis. As a result the Company may be unable to maintain and advance its mineral exploration projects as planned. The lower level of exploration activity has resulted in greater availability and generally lower prices for mineral exploration services.

Environmental Protection

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in government regulations has the potential to reduce the profitability of future operations. To the Company's knowledge, it is in compliance with all environmental laws and regulations affecting its operations.

Number of Employees

As of December 31, 2008, the Company had no employees. All administrative and certain geological services are provided to the Company by consultants or companies controlled by related parties.

Acquisition and Disposition of Resource Properties

During the period, the Company acquired though staking of claims a further 50,000 hectares at the Victoria project, 3,100 hectares at the Carina project and 600 hectares at the Vizcaino project, all in Durango State, Mexico, and 4,000 hectares at the El Eden project in Sinaloa, Mexico, as described above. Subsequent to the year-end all mineral claims in Mexico were reviewed and where appropriate extended and outlying claim blocks were reduced in order to reduce the carrying cost of the Mexico project portfolio.

Risk Factors Relating to the Company's Business

The Company's ability to generate revenue and profit from its natural resource properties, or any other resource property it may acquire, is dependent upon a number of factors, including, without limitation, the following:

Precious and Base Metal Price Fluctuations

The Company's ability to finance its mineral property acquisition, exploration and eventual development is dependent upon the market price of certain precious and base metals. The price of such metals has fluctuated widely and is affected by numerous economic and political factors, consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and productivity, metal substitutes and stock levels. These fluctuations may result in the Company not receiving an adequate return on invested capital or the investment retaining its value.

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries no liability insurance, and any liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

Exploration and Development

There is no known body of commercial ore on the Company's mineral properties. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few exploration properties are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any commercially viable discoveries.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery

There is a degree of uncertainty attributable to the calculation of reserves and mineralization and corresponding grades being mined or dedicated to future production. In addition, there can be no assurance that precious or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Government Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production; price controls; tax increases; maintenance of claims; tenure; and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving and requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Foreign Operations

The Company operates in Mexico and has acquired four mineral properties, through staking, and has option agreements to acquire interests in three other mineral properties. The Company is currently engaged in exploration activities on these properties. Subsequent to the end of the fiscal year, the Company has acquired two additional claim areas surrounding the existing mineral properties.

Management and Directors

The Company is dependent on a small number of directors and officers and operating personnel in Mexico: Alvin Jackson, Michael McInnis, Gary Nordin, Arthur Freeze, Bahman Yamini, Kerry Spong, Graham Scott and Erme Enriquez. The loss of any of these persons could have an adverse effect on the Company. The Company does not maintain key person insurance on any of its management.

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of other natural resource companies that acquire interest in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and its shareholders. They are also required to disclose any personal interest in any material transaction, which is proposed to be entered into with the company, and to abstain from voting as a director for the approval of any such transaction.

Limited Operating History - Losses

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of June 30, 2008, the Company's accumulated deficit was $5,344,306.

Price Fluctuations and Share Price Volatility

In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During 2008, and to the date of this, report the price of the Company's shares fluctuated from a low of $0.025 to a high of $0.39 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance - Dilution

As at December 31, 2008, a total of 34,952,592 common shares of the Company were issued and outstanding. There were 2,283,750 stock options and 2,400,000 share purchase warrants outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders.

Forward-Looking Statements

Certain statements made and information contained in this MD&A and elsewhere constitute "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors in each management discussion and analysis. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of precious and base metals, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment, sufficient labour and subcontractors, and that the political environment within the Company's operating jurisdictions will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Corporate Disclosures

The Board of Directors has responsibility for developing and implementing the Company's approach to governance issues. Committees of the Board presently consist of an Audit Committee and a Management Compensation Committee. The Audit Committee consists of two unrelated, outside directors and one related director. The role of the audit committee is to oversee the Company's financial reporting obligations, systems and disclosure and to act as a liaison between the Board and the Company's auditors. The Board has also appointed a Management Compensation Committee that consists of three unrelated outside directors. The role of the Management Compensation Committee is to determine the remuneration of executive officers and to administer the Company's Stock Option Plan.

Approval

The Board of Directors of the Company has approved the disclosure contained in this quarterly MD&A.

A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at www.sedar.com, and on the Company's website at www.canasil.com