



Management's Discussion and Analysis

For the Year Ended December 31, 2020

INTRODUCTION

Canasil Resources Inc. ("Canasil" or the "Company") is a mineral exploration company listed under the trading symbol "CLZ" on the TSX Venture Exchange. The Company is engaged in the exploration and development of mineral properties with prospects for silver, gold, copper, zinc and lead in Durango and Zacatecas States, Mexico, and in British Columbia, Canada. The Company's project portfolio includes six silver-focused projects in Mexico, and four projects in British Columbia, two of which are prospective for hosting copper-gold porphyry mineralized systems.

This Annual Management's Discussion and Analysis ("MD&A") is dated April 29, 2021, and provides information on the Company's activities for the year ended December 31, 2020, and subsequent activity to the date of this report. The following discussion and analysis of the financial position and performance of the Company should be read in conjunction with the audited annual consolidated financial statements and related notes for the years ended December 31, 2020 and 2019, prepared in accordance with International Financial Reporting Standards ("IFRS").

Discussion of the Company, its operations and associated risks is further described in the Company's filings available for viewing at www.sedar.com.

HIGHLIGHTS

Highlights of the Company's activities during the period under review are as follows:

- prepared plans for drill programs at the La Esperanza and Nora silver-gold projects in Mexico;
- reviewed Nora project data and prepared Phase 1 drill program targets and plans;
- completed a non-brokered private placement for gross proceeds of \$407,000 in March 2020;
- postponed the start of the Nora project drill program due to the COVID-19 outbreak and Mexican government directives, which effectively stopped all non-essential activities including mining and mineral exploration between March and June 2020;
- prepared safety procedures and protocols to provide for safe operations protecting the Company's personnel and contractors, as well as the local communities, against risks of infection once operations re-started. The protocols were filed and accepted by the Mexican health authorities in June 2020;
- completed final preparations and commenced field work and drilling at the Nora project in early July 2020;
- completed a non-brokered private placement for gross proceeds of \$1,565,500 in July 2020;
- completed a total of eight core drill holes for 1,744 metres at the Nora project with encouraging results, returning high gold and silver intercepts over appreciable widths. The results indicate an early-stage discovery at the Nora project and warrant a Phase 2 drill program to follow up on the prospective zones identified;
- started the planned drill program at the La Esperanza project, completed the first drill hole in December 2020 and subsequently two additional drill holes in 2021 for a total of 1,000 metres. All three drill holes intersected the southeast extension of the La Esperanza vein on a blind section extending the mineralized envelope along strike and to depth;
- completed and filed an updated Technical Report on the Brenda gold-copper project in British Columbia outlining multiple priority drill targets;
- announced its intention in April 2021 to complete a non-brokered private placement to raise up to \$500,000.

Further information regarding the Company's corporate and exploration activities is provided below.

OUTLOOK

Past exploration programs have identified prospective targets for further exploration and drilling on the Company's project portfolio in Mexico and in British Columbia, Canada. They have also returned encouraging drill results, particularly from the La Esperanza high-grade silver, gold, zinc, lead project in Durango and Zacatecas States, Mexico, which warrants further drilling. In the second half of 2020 and first quarter of 2021 the Company completed an initial drill program at the Nora project in Durango State, Mexico, and started a drill program at the La Esperanza project. Both drill programs have returned encouraging results confirming the potential for further drill testing, and details are noted below in the mineral property section.

Significant exploration plans are contingent on adequate funding to carry out drilling and other programs and maintain sufficient operating working capital. In March 2020 the Company completed a private placement of \$407,000 to fund the start of drilling on its high-grade silver-gold projects in Mexico. Plans to mobilize a drill to the Nora project in March 2020 were postponed due to the COVID-19 outbreak. The Company subsequently filed the required operating protocols and commenced the drill program at Nora in early July 2020. In July 2020, the Company completed a private placement of \$1,565,500, which allowed for additional drilling at both the Nora and La Esperanza projects. An initial program of eight core drill holes for 1,744 metres to test the Candy and Nora veins at the Nora project was completed with encouraging results, followed by three drill holes to date at the La Esperanza project for a total of 1,000 metres.

Market Conditions

From mid-June 2019 to early August 2020 gold and silver prices increased significantly, gold from US\$1,340 per ounce to a high of over US\$2,050 per ounce and silver from US\$15 per ounce to US\$29 per ounce. As a result of the COVID-19 pandemic and collapse of oil prices in early March 2020, both gold and silver prices initially dropped sharply trading down to US\$1,471 per ounce for gold and US\$11.94 per ounce for silver. Since the high levels reached in August 2020, both gold and silver prices have pulled back, particularly for gold down to a low of US\$1,690 per ounce in February and March 2021, and silver down to US\$23 per ounce in December 2020. To the date of this report, despite the outcome of the US presidential elections, forecasts of improving economic conditions with the advance in COVID vaccinations and significant economic stimulus measures, gold and silver prices have been volatile, gold trading between US\$1,690 and US\$1,950 and closing at US\$1,771 per ounce, and silver trading between US\$24 and US\$28.50 and closing at US\$26.10 per ounce at the date of this report. Overall silver has performed better than gold and the gold-silver price ratio, which in March 2020 had risen to the high end of historical levels at 120 reflecting gold's role as a safe haven in times of crisis, has moved down to 68 at the time of this report. Copper and zinc prices, and in particular copper, which had also collapsed due to the economic crisis and decline in industrial production, have also increased. As at the date of this report, copper was trading at US\$4.52 per pound, and zinc at US\$1.30 per pound, with copper now well over US\$3.20 per pound but zinc still below US\$1.60 per pound in January 2018.

The overall improvement in gold and silver prices since mid-June 2019 provided renewed optimism and better market conditions for both the larger mining companies as well as for the earlier stage exploration companies, leading to significant funding opportunities in 2020. The Company was fortunate to complete a private placement of \$407,000 in late February and early March 2020, just before the economic collapse due to the COVID-19 outbreak, and a further placement of \$1,565,000 in July 2020. However, the volatility and pullback in gold and silver prices since August 2020 have resulted in lower share prices and market interest. This has limited possibilities for additional funding as well as increasing the costs associated with the funding required to continue the pace of the Company's exploration plans, in particular the more costly drill programs for testing the Company's drill-ready projects.

Impact of COVID-19 pandemic

The Mexican government issued an emergency order in March 2020 stopping all non-essential operations and services, including mining and exploration, effectively stopping exploration activities from March to June 2020. Since early July 2020, field operations resumed in Mexico with the drill program at the Nora project followed by the drill program at La Esperanza. All administrative and technical activities have continued uninterrupted. During the period, the Company focused on closing the two private placements and initiating the two drill programs.

The Company's personnel continue to comply with the respective government directives and emergency orders, and also to take maximum precautions for the safety of local communities, contractors and themselves and in order to prevent the spread of the COVID-19 infection, particularly now with the increase in new more infectious variants.

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FINANCIAL CONDITION

As at December 31, 2020, the Company had working capital of \$913,694, compared to working capital of \$752,977 at December 31, 2019. The increase in working capital is due primarily to completing two private placements during the year, which provided more cash than was required for operating and investing activities. The Company's working capital position consisted of the following:

	2020	2019
Cash and cash equivalents	\$ 926,340	\$ 818,015
Receivables	93,519	36,164
Prepaid expenses	24,502	12,751
Accounts payable and accrued liabilities	(96,413)	(73,911)
Current portion of lease liability	(34,254)	(40,042)
Working capital position	\$ 913,694	\$ 752,977

Liquidity and Financial Resources

The Company has no income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by option, joint venture or outright sale) to finance acquisitions, exploration and development of mineral properties, and meet general and administrative expenses.

During the current year, the Company incurred expenses, net of non-cash items, of \$1,709,119, which included administrative expenses of \$589,975 and exploration and evaluation expenses of \$1,119,144. The administrative budget and exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources.

During the year, the Company completed private placements for gross proceeds of \$1,972,500 and received \$21,000 from the exercise of stock options; these funds have been used to fund drill programs at the Nora and La Esperanza projects and for general corporate purposes. Management of the Company considers its current working capital to be insufficient to meet its budgeted overhead and planned exploration and land holding requirements for the ensuing twelve months. In the long-term there can be no assurance that the Company will be successful in securing the financing required to continue operations and advance its mineral projects.

While the Company has been successful in completing its drill program at the Nora project and beginning its drill program at La Esperanza, the ongoing COVID-19 pandemic has had an effect on the Company's ability to conduct its exploration activities and may affect its ability to raise additional funding in the future.

FINANCIAL PERFORMANCE

Income (Loss)

The Company's loss for the current and comparative fourth quarters includes the following:

	2020	2019
General and administrative expenses	\$ 351,342	\$ 155,524
Exploration and evaluation expenditures	336,415	220,256
Loss for the quarter	\$ (687,757)	\$ (375,780)

The Company's income (loss) for the current and comparative years includes the following:

	2020	2019
General and administrative expenses	\$ 938,806	\$ 605,103
Exploration and evaluation expenditures	1,119,144	725,472
Total operating expenses	(2,057,950)	(1,330,575)
Gain on sale of mineral property	-	2,000,000
Income (loss) for the period	\$ (2,057,950)	\$ 669,425

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General and administrative expenses for the current year include share-based compensation, a non-cash item, of \$300,167 (2019 - \$nil). Accordingly, general and administrative expenses, excluding share-based compensation, were \$638,639 in the current year and \$605,103 for the comparative year. The most notable changes for 2020 were an increase in investor relations expenses and foreign exchange loss, and a decrease in legal and management fees. The prior year gain on sale of mineral property results from the sale of the Company's interest in the Sandra-Escobar project in June 2019.

The increase in exploration and evaluation expenditures for the current year is due primarily to the cost of drilling completed at the Nora and La Esperanza projects, and to an increase in the claim fees paid on the Company's Mexican properties.

Comprehensive Income (Loss)

The Company had no other comprehensive income (loss) for the current and comparative fourth quarters.

The Company's comprehensive income (loss) for the current and comparative years includes the following:

	2020	2019
Income (loss) for the year	\$ (2,057,950)	\$ 669,425
Other comprehensive loss	-	(628)
Comprehensive income (loss) for the year	\$ (2,057,950)	\$ 668,797

Other comprehensive loss consists of unrealized losses on marketable securities, net of deferred income tax effect. In February 2019, the Company sold 700,000 Orex Minerals Inc. ("Orex") shares for net cash proceeds of \$55,372 and a loss on sale of \$14,584. In accordance with the Company's election made under IFRS 9, gains and losses realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss.

Cash Flows

Cash used for operating activities during the fourth quarter, before changes in non-cash working capital items, was \$464,355 and compares to \$365,192 used in the comparative quarter. The increase in cash used for operations is due primarily to an increase in exploration costs of \$116,159 for the current quarter as detailed above. Changes in non-cash working capital items for the current quarter used cash of \$74,615 due to an increase in receivables and prepaid expenses, and a reduction in accounts payable.

Cash used in operating activities during the year, before changes in non-cash working capital items, was \$1,709,119 and compares to \$1,288,220 in cash used in the comparative year. The increase in cash used in operations is due to the increase in general and administration expenses and exploration and evaluation expenditures as detailed above. Changes in non-cash working capital items for the current quarter used cash of \$46,604 resulting from an increase in receivables, prepaid expenses, and accounts payable.

Financing activities for the current year provided net cash of \$1,928,850 from two private placements completed in March and July 2020 and \$21,000 from the exercise of stock options. The Company also made principal payments of \$40,041 on its lease liability. Investing activities used cash of \$45,761 primarily for the purchase of exploration equipment in Mexico during the year. During the comparative year, investing activities consisted of net proceeds of \$55,372 received from the sale of 700,000 Orex shares and \$2,000,000 received from the sale of the Company's interest in the Sandra-Escobar project; financing activities in the comparative year consisted of principal payments on its lease liability of \$35,299.

SELECTED ANNUAL INFORMATION

The information in the following table provides selected financial information of the Company for 2020 and the two preceding years. This information derives from the Company's annual consolidated financial statements and should be read in conjunction with those statements and related notes. The information is presented in accordance with IFRS.

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Year Ended December 31	2020	2019	2018
Total Revenue	\$nil	\$nil	\$nil
Share-Based Compensation Expense	\$300,167	\$nil	\$nil
Exploration and Evaluation Expense	\$1,119,144	\$725,472	\$805,404
Gain on Sale of Mineral Property	\$nil	\$2,000,000	\$nil
Income (Loss) for the Year	\$(2,057,950)	\$669,425	\$(1,435,665)
Comprehensive Income (Loss) for the Year	\$(2,057,950)	\$668,797	\$(1,489,204)
Income (Loss) per Share – Basic and Diluted	\$(0.02)	\$0.01	\$(0.01)
Total Assets	\$1,196,315	\$1,021,787	\$331,832
Working Capital	\$913,694	\$752,977	\$117,166
Long-Term Liabilities – Lease Liability	\$nil	\$34,253	\$nil
Shareholders' Equity	\$1,065,648	\$873,581	\$204,784

During 2018, the Company completed a surface trenching and sampling program at Salamandra, completed a short drill program at La Esperanza before shutting down due to weather conditions, and conducted a LiDAR survey at Vega. In 2019, the Company sold its interest in the Sandra-Escobar project, analyzed the results of the LiDAR survey on the Vega project, conducted a reconnaissance and sampling program at the Nora project, and conducted a geological mapping, soil and rock sampling program at the Vega project. During 2020, the Company completed a drill program at Nora and began another drill program at La Esperanza.

The Company granted 2,000,000 stock options in 2020 and amended the terms of 4,600,000 existing options. There were no stock options granted during 2019 or 2018.

SUMMARY OF QUARTERLY INFORMATION

The following table provides selected financial information of the Company for each of the last eight quarters presented in accordance with IFRS:

Year	2020				2019			
Quarter ended:	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Exploration and evaluation expenses	\$336,415	\$474,805	\$84,648	\$223,276	\$220,256	\$361,005	\$84,493	\$59,718
General and administrative expenses	\$351,342	\$178,775	\$238,771	\$169,918	\$155,524	\$133,865	\$167,650	\$148,064
Gain on sale of mineral property	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$2,000,000	\$nil
Income (loss) for the period	\$(687,757)	\$(653,580)	\$(323,419)	\$(393,194)	\$(375,780)	\$(494,870)	\$1,747,857	\$(207,782)
Other comprehensive loss	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$(628)
Comprehensive income (loss) for the period	\$(687,757)	\$(653,580)	\$(323,419)	\$(393,194)	\$(375,780)	\$(494,870)	\$1,747,857	\$(208,410)
Income (loss) per share: basic and diluted	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$0.02	\$(0.00)

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DISCUSSION OF QUARTERLY INFORMATION

During the first quarter of 2019, the Company analyzed the results of the LIDAR survey conducted in late 2018 on the Vega property in British Columbia. During the second quarter of 2019, the Company made preparations for a field program at the Vega project, and finalized the sale of the Company's interest in the Sandra-Escobar project in Mexico. In the third quarter of 2019, the Company conducted a reconnaissance and sampling program at the Nora project in Mexico, and a geological mapping, soil and rock sampling program at the Vega project. During the fourth quarter of 2019, the Company made preparations for a drill program at the Nora project.

During the first quarter of 2020, the Company prepared for a drill program at the Nora project before being delayed by COVID-19 restrictions in Mexico, which lasted through most of the second quarter of 2020. The Company granted 1,750,000 stock options in May 2020 and recognized \$93,731 in share-based compensation for the quarter. During the third quarter of 2020, the Company commenced the drill program at Nora, which it completed in the fourth quarter. During the fourth quarter of 2020, the Company commenced its drill program at the La Esperanza project, completing one hole prior to year-end. The Company also granted 250,000 stock options and amended the terms of 4,600,000 options and recognized \$206,436 in share-based compensation during the quarter.

MAJOR OPERATING MILESTONES

During the period under review, the Company completed two private placements for gross proceeds of \$407,000 in March 2020 and \$1,565,500 in July 2020. The Company also prepared plans for drill programs at the La Esperanza and Nora projects in Mexico, reviewed Nora project data, prepared Phase 1 drill program targets and plans, and completed preparations to mobilize the drill to the Nora project by mid-March 2020. The start of the drill program was postponed until early July 2020 due to the COVID-19 outbreak. At the date of this report, the Company had completed eight drill holes at the Nora project for a total of 1,744 metres and three holes at the La Esperanza project for a total of 1,000 metres.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of the following:

	2020		2019	
Cash and cash equivalents				
Cash on deposit	\$	125,651	\$	62,081
Guaranteed investment certificate		800,689		755,934
	\$	926,340	\$	818,015
Receivables				
Value-added taxes	\$	78,835	\$	15,138
Goods and services tax and other		14,684		21,026
	\$	93,519	\$	36,164
Reclamation bonds	\$	47,000	\$	47,000
Accounts payable and accrued liabilities				
Accounts payable	\$	64,809	\$	43,154
Accrued audit, legal, exploration and other		31,604		30,757
	\$	96,413	\$	73,911

The Company's cash is measured at FVTPL using a Level 1 fair value measurement. Receivables, reclamation bonds, and accounts payable are measured at amortized cost. The carrying values of these instruments approximate their fair values due to their short-term nature.

The Company is exposed to various financial risks in respect of its financial instruments as detailed below. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

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Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's primary credit risk is associated with its cash and cash equivalents, receivables, and reclamation bonds.

The Company's Canadian cash, cash equivalents, and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks with high investment grade ratings. The Company also maintains cash balances denominated in pesos and U.S. dollars held through a major bank in Mexico, which also has a high investment grade rating. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk in respect of value-added tax ("IVA") refunds receivable from the government of Mexico. The Company currently receives its IVA refunds without significant delays. The carrying value of the Company's cash, receivables, and reclamation bonds totals \$1,066,859 and represents the Company's maximum exposure to credit risk as at December 31, 2020 (2019 - \$901,179).

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in exchange rates. The Company carries cash, receivables, and accounts payable balances denominated in Mexican pesos and U.S. dollars, which are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar.

Due to the volatility of the exchange rates between the Canadian dollar, the peso, and the U.S. dollar, such currency risk could result in future gains or losses to the Company. During the year ended December 31, 2020, the Mexican peso weakened against the Canadian dollar by approximately 7%; the U.S. dollar weakened against the Canadian dollar by approximately 2%. Based on the Company's net monetary liabilities denominated in Mexican pesos and U.S. dollars as at December 31, 2020, a 10% fluctuation in the exchange rates of these currencies would result in a gain or loss of approximately \$6,000 (2019 - \$3,050). To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration activities. Accounts payable denominated in foreign currencies are settled in a timely manner.

Interest Rate Risk

Interest rate risk relates to the effect on the Company's financial instruments due to changes in market rates of interest. The Company holds cash equivalents and reclamation bonds, which include guaranteed investment certificates that earn interest at market rates and are exposed to interest rate risk given the volatility of interest rates over time. Due to the value and nature of the Company's other financial instruments, it is management's opinion that the Company is not exposed to significant interest rate risk in respect of these financial instruments.

Liquidity Risk

The Company is subject to liquidity risk such that it may not be able to meet its obligations under its financial instruments as they fall due. The Company manages this risk by maintaining cash balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business. To date, the Company's capital requirements have been met primarily by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year ended December 31, 2020. The Company's significant accounting policies, and recent pronouncements, are provided in Note 2 to the December 31, 2020 audited consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

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PROPOSED TRANSACTIONS

The Company is currently in various discussions with other companies with respect to the funding and advancement of its projects, however, it does not have any proposed transactions in this regard as at the date of this report.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company relies heavily on its directors and officers for many of its administrative and professional services. Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the years ended December 31 is as follows:

	2020	2019
Salaries – chief executive officer	\$ 225,000	\$ 225,000
Management fees – chief financial officer	87,500	150,000
Director fees	36,000	36,000
	\$ 348,500	\$ 411,000

In addition, the Company recorded share-based compensation of \$214,218 (2019 - \$nil) relating to stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 8 to the Company's December 31, 2020 annual consolidated financial statements.

OUTSTANDING SHARE DATA

A summary of the Company's outstanding shares, options, and warrants is as follows:

	April 29, 2021	December 31, 2020	December 31, 2019
Shares issued and outstanding	117,471,622	117,471,622	104,206,622
Outstanding stock options	8,490,000	8,890,000	7,240,000
Outstanding warrants	9,001,250	9,001,250	2,309,250
Diluted shares outstanding	134,962,872	135,362,872	113,755,872

In March 2020, the Company completed a non-brokered private placement by issuing 5,087,500 shares and 5,087,500 warrants. In July 2020, the Company completed a non-brokered private placement by issuing 7,827,500 shares and 3,913,750 warrants. In November 2020, the Company issued 350,000 shares for the exercise of stock options. In February 2020, 2,309,250 warrants expired unexercised. In May 2020, the Company granted 1,750,000 five-year incentive stock options and in November 2020, the Company granted 250,000 five-year incentive stock options and amended the terms of 4,600,000 existing stock options. On March 1, 2021, 400,000 stock options expired unexercised.

Notes 7 and 8 to the Company's December 31, 2020 consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the year.

MINERAL PROPERTY SUMMARY

The Company holds the following mineral exploration projects in Mexico and Canada:

<p>Durango and Zacatecas, Mexico:</p> <ul style="list-style-type: none"> • La Esperanza silver-gold-zinc-lead project – 100% • Salamandra zinc-silver project – 100% • Nora silver-gold-copper project – 100% • Colibri silver-zinc-lead-copper project – 100% • Vizcaino silver-gold project – 100% • Carina silver project – 100% 	<p>British Columbia, Canada:</p> <ul style="list-style-type: none"> • Brenda, gold-copper property – 100% • Vega, gold-copper property – 100% • Granite, gold property – 100% • LIL, silver property – 100%
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La Esperanza

The La Esperanza silver-gold-zinc-lead project claims cover 14,916 hectares and are located spanning the border of Durango and Zacatecas States, 100 kilometres south-southeast of the City of Durango. The project is located in a prolific mining district on the important Fresnillo silver trend, 80 kilometres northwest of the Fresnillo mine, and approximately 35 kilometres from Pan American Silver's La Colorada mine, and First Majestic Silver's La Parrilla and Del Toro mines. Systematic and comprehensive exploration programs were conducted on the project from 2006 to 2012, including satellite imaging and high-resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and 7,728 metres of drilling in 32 diamond drill holes. Prior drilling has returned wide high-grade silver-lead-zinc intercepts from the La Esperanza vein, located in the southeast of the project area that is open in all directions (announced in past news releases). Additional occurrences of silver-lead-zinc vein mineralization have also been identified in the northwest of the project area. Two of these have been tested with initial drill programs, which indicated potential for significant silver-lead-zinc mineralization.

From December 2016 to April 2017, the Company undertook a drill program for a total of 2,452 metres in eight drill holes, testing the La Esperanza vein along strike and to depth beyond previous drill intercepts. Results from this program were announced in news releases dated February 9, March 23, April 5, and May 2, 2017. All eight drill holes intercepted the La Esperanza vein and the results were particularly encouraging, extending the confirmed envelope of the La Esperanza vein to over 400 metres along strike to the southeast and to the northwest, and 425 metres to depth. Several holes returned results of particular interest; drill hole ES-17-16 in the southeast extension of the vein returned 5.94 metres (TW 4.92 metres) of 257 g/t Ag, 0.64% Zn and 0.63% Pb, including 1.15 metres (TW 0.95 metres) 1,133 g/t Ag, 1.56% Zn and 2.98% Pb. Drill hole ES-17-17 in the northwest extension of the vein returned three separate hanging wall vein intercepts followed by the main vein and a footwall vein. The main vein returned an intercept of 6.71 metres (TW 5.81 metres) of 204 g/t Ag, 1.83% Zn, and 1.46% Pb, including 0.91 metres (TW 0.79 metres) of 347 g/t Ag, 2.98% Zn and 2.20% Pb. Drill hole ES-17-19, intercepted the vein below ES-17-17 with 12.97 metres (TW 11.23 metres) of 219 g/t Ag, 0.93% Zn and 0.43% Pb, including 1.28 metres (TW 1.11 metres) of 6.39 g/t Au, 1,281 g/t Ag, 2.23% Zn and 1.25% Pb. This was the highest gold value recorded to date from the La Esperanza vein together with high silver values. These results open the La Esperanza vein for further expansion by drilling in both directions along strike and to depth.

In late May 2018 a drill program was initiated to drill below and along strike from the previous high-grade intercepts on the southeastern and northwestern sides of the main La Esperanza vein. Drill hole ES-18-21 was completed to 347 metres targeted below ES-17-16, and intersected the La Esperanza vein at 315 metres downhole over a core length of 14.11 metres (true width 12.20 metres) with well-developed epithermal textures and disseminated sulphide minerals. The entire vein structure was mineralized with silver, zinc, and lead, including bands of higher-grade mineralization such an intercept of 2.22 metres (TW 1.92 metres) of 190 g/t Ag, 1.35% Zn and 0.22% Pb.

The recovery of a wide, complete and non-faulted interval of the La Esperanza vein as projected in a previously untested zone was very encouraging and opens the southeast extension of the La Esperanza vein for additional drilling along strike and to depth. The vein textures and symmetry of the vein suggest a well-developed epithermal environment, with the strongest mineralization within a breccia domain near the footwall contact. Re-logging of earlier vein intersections suggest similar controls on mineralization, consistent with mineralizing relationships noted at other epithermal vein deposits. The La Esperanza vein remains open for expansion both to the northwest and southeast along strike and to depth. The next phase of drilling will be focused along strike and below drill holes ES-17-17 and ES-17-19 in the northwest, and along strike and below drill holes ES-17-16 and ES-18-21 in the southeast.

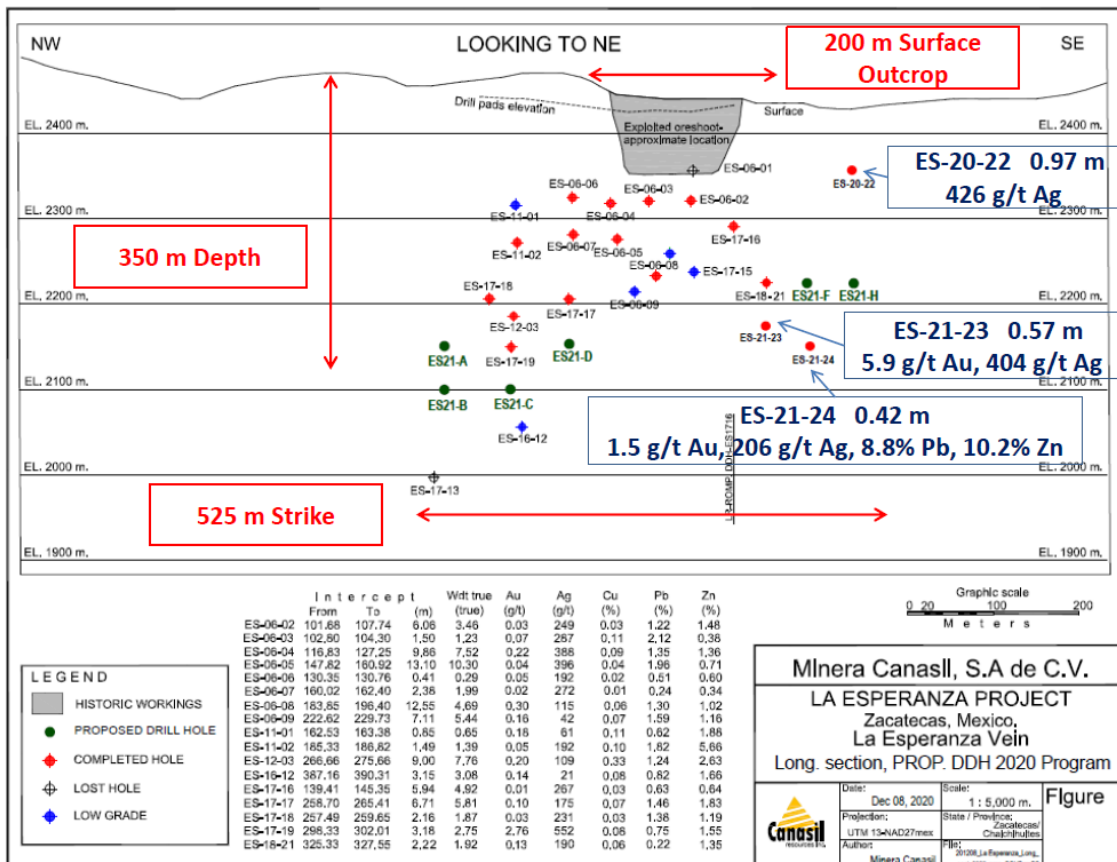
Three core drill holes were completed in late 2020 and early 2021 targeting the southeast extension of the La Esperanza vein. All three holes returned wide altered and mineralized intercepts with narrow higher grade bands marking the main La Esperanza vein, as shown in the table and long section below. The multiple altered and mineralized intercepts in all three drill holes confirm a strong mineralizing environment, and are encouraging indicators for continued drilling. The drill program is predicated on extending mineralization both to the southeast and northwest of the known La Esperanza vein mineralized envelope, which is being successfully accomplished.

The La Esperanza vein is exposed on surface for 200 m, and has now been extended by drilling under volcanic cover for an additional 325 m for a total strike of 525 m, and is traceable by geophysics for over five (5) kilometers along a NW-SE trend. Drilling to date has defined the La Esperanza vein to a depth of 350 m, in a region where epithermal vein mineralization in a neighbouring mine is noted down to 1,000 m below surface underlain by skarn mineralization to a depth of over 1,800 m.

La Esperanza Silver-Gold Project, Durango & Zacatecas States, Mexico										
2020-21 Drill Results - ES20-22, ES-21-23, ES-21-24										
Vein/Structure	From	To	Width	TrueWidth	Gold	Silver	Copper	Lead	Zinc	Ag. Eq.*
	Metres	Metres	Metres	Metres	g/t	g/t	%	%	%	g/t
ES-20-22										
La Esperanza Vein	92.45	99.00	6.55	6.05	0.00	64	0.00	0.13	0.12	64
Includes	96.40	97.37	0.97	0.90	0.01	426	0.02	0.70	0.42	426
ES-21-23										
La Esperanza Vein	339.60	351.23	11.63	10.74	0.34	32	0.04	0.23	0.19	57
Includes	342.67	344.00	1.33	1.23	2.55	177	0.12	0.52	0.43	362
Includes	342.67	343.24	0.57	0.53	5.90	404	0.24	0.99	0.22	832
And	350.72	351.23	0.51	0.47	0.91	116	0.02	0.73	0.47	182
ES-21-24										
La Esperanza Vein	370.19	375.64	5.45	4.92	0.29	35	0.08	0.87	1.25	91
Includes	372.67	372.87	0.20	0.18	1.19	69	0.01	0.20	0.16	155
And	375.22	375.64	0.42	0.38	1.51	206	0.05	8.83	10.25	796

*Silver Equivalent for reference, calculated based on metal prices below and assuming equivalent recoveries for all metals
Au:Ag ratio 72.5, Cu US\$2.95/lb, Pb US\$ 0.86/lb, Zn US\$ 1.09/lb – Cu, Pb & Zn <1% Not Included

Fig. 1: La Esperanza Vein Long Section With 2020-21 Drill Hole Locations



Nora

The Nora project is located approximately 200 kilometers north-west of the City of Durango, with good access and infrastructure. There are two principal epithermal vein outcrops at the Nora project, the Candy and Nora veins. The Candy vein has been traced for approximately 750 metres at surface through pits and trenches from historical mining activity, and discontinuous outcrops. Mineralization is found adjacent to a fault structure that has been traced over three kilometers along strike. Historical mining activity on the Candy vein included a 115-metre-long adit and a short cross-cut that exposed the vein approximately 50 metres below surface. Samples of vein outcrop and mineral dumps from the Candy vein returned significant gold, silver, copper, zinc and lead values. The highest-grade sample of outcropping vein returned 1.00 metre with 1.98 g/t Au, 514 g/t Ag, 1.03% Cu, 3.28% Zn and 4.45% Pb, and the highest grab sample collected from waste piles ("dumps") returned 1.34 g/t Au, 293 g/t Ag, 0.47% Cu, 0.38% Zn and 9.27% Pb. The second Nora vein is found 600 metres northeast of the Candy vein and can be traced for 230 metres along strike with widths of over 9.0 metres. Surface samples from this vein contained trace sulphides.

Soil samples collected along a grid covering the area surrounding the Candy and Nora veins and projected extensions over an area of three kilometers by two kilometers return elevated silver, base metal (copper, lead and zinc) and pathfinder (molybdenum and arsenic) values over a large area. The combination of the vein outcrops with large areas of anomalous silver and base metal values in soil samples may indicate a larger buried mineral system at depth.

In August 2019 a surface sampling program was carried out to further evaluate the Candy and Nora vein outcrops – 21 samples were collected from outcrops of the Candy vein, 31 samples from adjacent country rocks, and 12 samples from dumps, over a distance of 918 metres. The objective of this work was to confirm the high-grade mineralization in the Candy vein and to identify possible locations for subsequent drilling. Ten samples from the Nora vein collected along a distance of 160 metres returned anomalous silver values and contained trace sulphides and a geochemical signature typical of the higher levels of an epithermal vein system.

The high gold, silver, copper, lead and zinc grades from the Candy vein over a significant strike length, and from mineralized dumps, were very encouraging. The average grade of 21 samples from the Candy vein is 1.69 g/t Au, 140 g/t Ag, 0.40% Cu, 1.59% Pb, and 0.57% Zn over 0.68 metres. The highest silver grade was in sample #14278 with 3.72 g/t Au, 605 g/t Ag, 0.97% Cu, 1.17% Pb and 0.40% Zn over 1.0 metre. The highest gold value was in sample #14311 with 12.55 g/t Au, 12.2 g/t Ag, 1.02% Cu, 2.67% Pb and 0.68% Zn over 0.40 metres (announced in news release dated September 26, 2019). The average grade of the 12 dump samples is 1.40 g/t Au, 86 g/t Ag, 1.06% Cu, 3.37% Pb, and 1.64% Zn.

Plans for an initial drill program to test the Candy vein were prepared in March and finalized in July 2020 to include six core drill holes along four sections over a strike distance of 500 metres to test below higher-grade silver, gold, copper, lead and zinc surface samples. The drill plans were updated to include initial testing of the Nora vein, and eight drill holes were completed for a total of 1,744 metres. Results from the Candy vein are very encouraging with all six drill holes consistently intersecting significant gold-silver mineralization as detailed in the table and long section below.

Drill hole NRC-20-06 returned three mineralized intercepts with the highest gold and silver values from the six drill holes drilled to date on the Candy vein as follows:

- 1.65 metres (m), true width (TW) 1.49 m, averaging 11.86 g/t gold and 378 g/t silver for 1,238 g/t AgEq* from the Candy vein, including 1.00 m (TW 0.91 m) with 19.49 g/t gold and 620 g/t silver for 2,033 g/t AgEq*, and 0.50 m (TW 0.45 m) with 36.70 g/t gold and 1,010 g/t silver for 3,671 g/t AgEq*.
- 2.65 m (TW 2.40 m) averaging 4.78 g/t gold and 351 g/t silver for 698 g/t AgEq*, up-hole from the above intercept, referred to as the Candy hanging wall structure, including 1.15 m (1.04 m TW) with 7.90 g/t gold and 528 g/t silver for 1,101 g/t AgEq*, and 0.50 m (TW 0.45 m) with 15.6 g/t gold and 561 g/t silver for 1,692 g/t AgEq*.
- 0.29 m (TW 0.26 m) carrying 26.1 g/t gold and 284 g/t silver for 2,176 g/t AgEq*, in a lower intercept, referred to as the Candy foot wall structure.

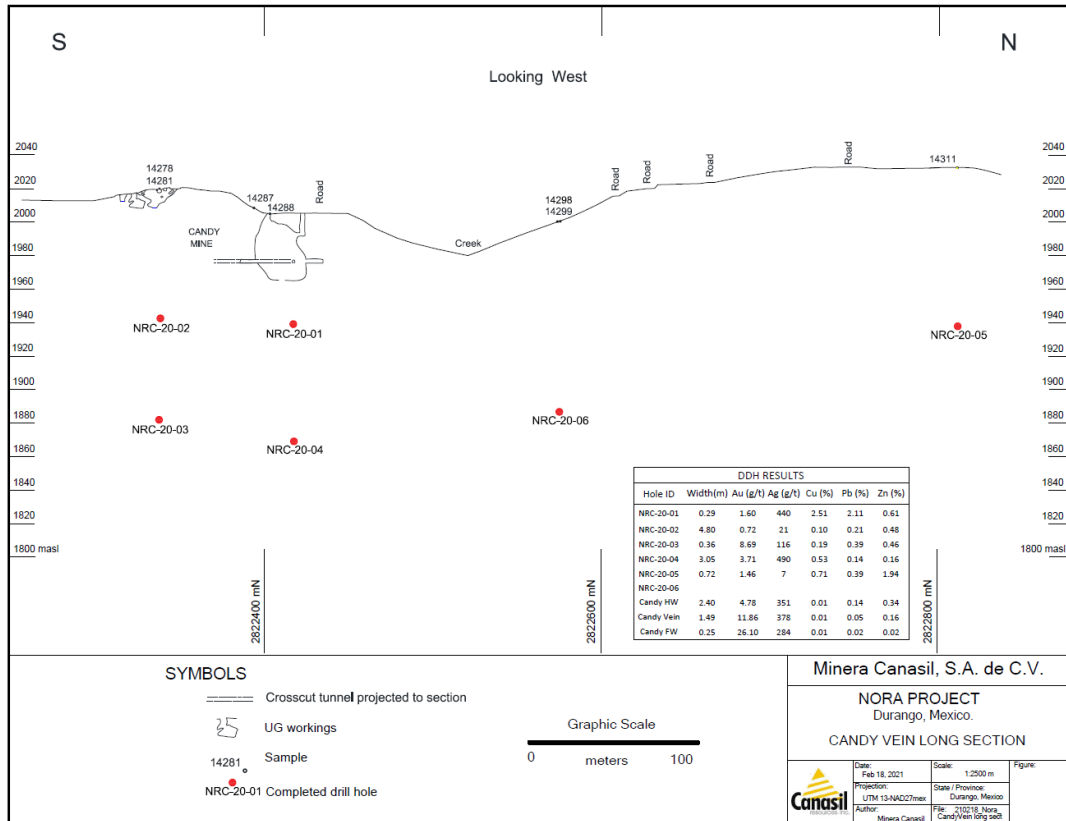
These three consistently very high-grade gold and silver intercepts occur within a core interval of 16.65 m separated by 9.50 m and 3.71 m respectively as announced in a news release dated December 09, 2020.

Drill hole NRC-20-04, located 100 metres south of NRC-20-06, returned a wide high-grade intercept of 3.73 metres (3.05 metres true width) carrying 3.71 g/t Au, 489 g/t Ag and 0.53% Cu for 789 g/t AgEq*. Drill holes NRC-20-01 and NRC-20-03 both returned narrow high-grade silver and gold intercepts carrying 440 g/t Ag and 8.69 g/t Au respectively. Drill holes NRC-20-01 and NRC-20-02 returned some wider intercepts of disseminated mineralization with lower grades. These results were announced in news releases dated September 9 and October 21, 2020.

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These initial drill results confirm the potential of the Candy vein for hosting very high-grade gold and silver mineralization, warranting a larger Phase 2 drill program to follow up on the high-grade zones identified by this initial drill program at the Nora project.

Nora Silver-Gold Project, Durango State, Mexico – 2020 Candy Vein Drill Results NRC-20-01 to NRC-20-06										
Vein/Structure	From	To	Width	TrueWidth	Gold	Silver	Copper	Lead	Zinc	Ag. Eq.*
	Metres	Metres	Metres	Metres	g/t	g/t	%	%	%	g/t
NRC-20-06										
CANDY HW	132.85	135.50	2.65	2.40	4.78	351	0.01	0.14	0.34	698
INCLUDES	132.85	134.00	1.15	1.04	7.90	528	0.02	0.16	0.29	1,101
INCLUDES	133.50	134.00	0.50	0.45	15.60	561	0.01	0.17	0.33	1,692
AND	135.00	135.50	0.50	0.45	7.13	639	0.03	0.19	0.51	1,156
CANDY VEIN	145.00	146.65	1.65	1.49	11.86	378	0.01	0.05	0.16	1,238
INCLUDES	145.00	146.00	1.00	0.91	19.49	620	0.01	0.05	0.15	2,033
AND	145.00	145.50	0.50	0.45	36.70	1,010	0.02	0.09	0.26	3,671
CANDY FW	149.21	149.50	0.29	0.26	26.10	284	0.01	0.017	0.03	2,176
NRC-20-05										
CANDY VEIN	151.50	152.23	0.73	0.72	1.46	7.49	0.71	0.39	1.93	167
NRC-20-04										
CANDY VEIN	139.52	143.25	3.73	3.05	3.71	489	0.53	0.14	0.16	805
Includes	139.52	140.50	0.98	0.80	5.30	1,320	0.64	0.32	0.34	1,769
And	142.45	143.25	0.80	0.65	6.89	388	1.21	0.10	0.10	984
NRC-20-03										
CANDY VEIN	171.82	172.18	0.36	0.36	8.69	116	0.19	0.39	0.46	782
NRC-20-02										
CANDY VEIN	123.95	124.35	0.40	0.38	1.81	62	0.08	0.12	0.61	219
NRC-20-01										
CANDY VEIN	88.70	88.99	0.29	0.29	1.60	440	2.51	2.11	0.61	797
*Silver Equivalent calculated based on metal prices below and assuming 100% recoveries for all metals Au US\$ 1,935/Oz, Ag US\$ 28/Oz, (Au:Ag 72.5) Cu US\$2.95/lb, Pb US\$ 0.86/lb, Zn US\$ 1.09/lb – Pb & Zn <1% Not Included										



Salamandra

The Salamandra zinc-silver project is located in Durango State, 35 kilometres northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares and was acquired through staking of claims and the purchase of a 100% interest in the central 900 hectares within the project area, subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

Past exploration by Canasil at Salamandra includes geological mapping and surface sampling, 3D-IP ground geophysics, ZTEM airborne geophysics and twelve diamond drill holes for a total of 3,595 metres. In May 2013, the Company signed an option agreement with MAG Silver Corp. (MAG) providing the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement and Canasil retains a 100% interest in the project.

MAG spent \$5.8 million on exploration programs which included surface sampling, data review, and satellite imaging in 2013, followed by three phases of diamond drilling programs for a total of 14,382 metres in 23 drill holes between 2013 and 2015. The surface sampling and data review identified indications of large replacement deposits at Salamandra. The drill programs reported encouraging high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and an interesting interval of gold-tungsten mineralization.

Past drill intercepts of particular note at the Salamandra project are; SA-07-02 from 7.40 metres to 17.25 metres, an interval of 9.85 metres of 102 g/t Ag and 0.55% Zn, and from 27.65 metres to 35.10 metres, an interval of 7.45 metres with 50 g/t Ag, 12.00% Zn, and 0.22% Cu. Drill hole SA-07-03 returned 10.00 metres of 71 g/t Ag, 3.48% Zn, and 1.26% Pb. Drill hole SA-13-13 carried low grade zinc mineralization throughout an interval of 810.16 metres with 0.60% Zn, including 31.72 metres of 3.60% Zn. SA-14-15 returned 7.89 metres of 166 g/t Ag, 1.20% Zn, 1.2% Cu, and 0.60% Pb, including 2.30 metres of 393 g/t Ag, 2.8% Zn, 3.6% Cu, 0.40% Pb. These results have been reported in the Company's prior news releases dated 18 July, 2007, 17 March, 2014, and 21 July, 2014.

Salamandra hosts an extensive, complex system with a strong metals endowment. Pervasive zinc mineralization intersected in most of the drill holes, the high-grade silver-copper intercepts and deeper gold and tungsten intercepts indicate the potential for a large metalliferous system at Salamandra. This system remains open and requires additional drilling.

Sandra-Escobar

The Sandra-Escobar property covers over 6,970 hectares located 200 kilometers northwest of the city of Durango, Mexico. In September 2015, the Company signed an option agreement providing Orex Minerals with the right to earn up to a 65% interest in the project over a three-year period. In January 2017, Orex earned a 55% interest in the project and declined its option to earn an additional 10% interest. On June 28, 2019, the Company sold its interest in Sandra-Escobar to Pan American Silver Corp. ("Pan American") for \$2,000,000 plus a 2% NSR Royalty Interest on Pan American's interest in the project. The project is currently being advanced by a joint venture between Pan American (60%) and Orex (40%).

The property hosts multiple mineralized structures with zones of disseminated silver mineralization as well as quartz veins and breccia structures. Exploration programs have included geological mapping and surface sampling, ASTER satellite imaging, 11.8 line-kilometre ground IP survey, 420 line-kilometer ZTEM airborne geophysical survey, petrographic analysis of surface samples, high resolution satellite imaging and topographic mapping surveys, and 11,801-metres of diamond drilling in 76 drill holes,

Results of an initial resource estimate completed by Mining Plus Consultants focused on an area of disseminated near-surface silver mineralization called the Boleras Deposit defined an Inferred Resource of 9.8 million tonnes grading 106 g/t Ag for a total of 33.3 million ounces Ag at a "Base Case" of 45 g/t Ag cut-off, however with low metallurgical recoveries using conventional methods on composite samples prepared to represent the average grades reported.

Brenda

The Brenda gold-copper project covers 4,450 hectares (44.5 sq. km.), located in north-central British Columbia, 25km northwest of Centerra Gold's former Kemess South mine and 15km northwest of the proposed Kemess Underground mine and Kemess East deposit, in a region recognized for hosting porphyry gold and copper deposits. Systematic exploration programs on the Brenda project have included geological mapping and surface sampling, satellite surveys, airborne and ground geophysics, 12,067 metres of diamond drilling in 65 drill holes, and

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petrographic studies of drill core samples. These programs have identified and intersected widespread porphyry gold-copper style mineralization.

In 2007, two deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of five intercepts above a depth of 450 metres returning 0.48 g/t gold and 0.079% copper over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t gold and 0.116% copper over a combined intercept length of 93 metres. Unmineralized dykes separate the mineralized intervals. The mineralized system averages 300 to 400 metres in width and has been traced along a strike length of 400 metres by drilling, with a potential strike length in excess of 1,000 metres when including the chargeability anomalies observed in a 3-Dimensional Induced Polarization geophysical survey.

In August 2013, a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher-grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-07-04 from 504 metres to 572 metres, and the intercepts below 570 metres returned no significant gold-copper mineralization with only low copper and gold values over certain intervals. It appears that BR-13-01 entered a post-mineralization intrusive dyke at depth and remained within it to the end of the hole. Additional drilling will be required to test the true depth-extent of mineralization.

In late 2016 and early 2017, the Company undertook comprehensive technical reviews of the Brenda project data. All historical data has been reviewed and checked prior to modelling and analysis using modelling software. Detailed analysis of the data has identified targets for further exploration including additional mapping and sampling, deeper sensing ground and airborne geophysics and drill testing. An initial NI 43-101 Technical Report was filed on November 15, 2017, covering the technical review and recommendations.

In 2020 an updated NI 43-101 Technical Report was completed and filed on February 10, 2021. The Technical Report highlights include:

- The Brenda project is a Cu-Au±Mo porphyry system with potentially elevated gold and copper grades due to reactive intermediate to mafic host rocks cut by high-K calc-alkalic intrusions similar to those at important porphyry deposits worldwide.
- Modelling of the central White Pass zone, tested by 41 drill holes (10,034 metres), outlines a Mineralized Zone (MZ) characterized by drill intercepts of >0.1 g/t Au with approximate dimensions of 1,000m by 400m and from 100-600m thick. A Higher-Grade Zone (HGZ) of >0.4 g/t Au has estimated dimensions of 200m by 300m and 150m thick. Three-dimensional shapes for the MZ and HGZ were generated in similar fashion to that of grade shell interpolation using Leapfrog Geo.
- Multiple targets for additional copper-gold mineralization exist northeast, southeast, southwest and east of the Mineralized Zone. Multiple chargeability anomalies, just below the current shapes for the MZ and HGZ and to the northeast and southwest, as well as Au and Cu soil anomalies to the southeast and east have not been drill tested and are recommended for future exploration and drilling. Maps outlining the MZ and prospective target areas are included below for reference.
- The modelling also identified several gaps between mineralized intervals from past drilling. Targeted infill drilling may connect some of the existing higher-grade intervals thereby expanding the dimensions of the HGZ.
- The Project has excellent road access with a fully equipped exploration camp. Proximity to Centerra Gold Inc.'s (Centerra Gold) former Kemess South mine infrastructure, fully permitted proposed Kemess Underground mine, and Benchmark Metals Lawyers project are important advantages.

Detailed studies and review of exploration data completed by Wade Barnes, P. Geo., in 2016 and 2017 included three-dimensional geological modelling of the central White Pass zone, and identification of prospective targets based on surface and downhole geochemical analysis using the porphyry elemental zoning model of Halley et al. (2015)¹. From late 2019 to early 2021, K. Brock Riedell, consulting geologist, carried out a desktop evaluation that included re-logging of available skeleton core and refined targeting based on analysis of drilling and soil geochemical data, applying the MDRU Porphyry Index or MPIx (Bouzari et al., 2019)², to vector towards higher grade Cu-Au mineralization. These studies confirmed the project's potential for hosting a large gold-copper mineralized system and identified multiple targets with a recommended exploration program, including 7,000 metres of diamond drilling, for a total budget of \$2.13 million.

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The report titled "NI 43-101 Technical Report on the Brenda Gold-Copper Project" dated February 03, 2021 (the "Technical Report") is available on SEDAR (www.sedar.com), and on the Company's website (www.canasil.com). The Technical Report was prepared for Canasil by Robert A. (Bob) Lane, M.Sc., P. Geo., of Plateau Minerals Corp. Mr. Lane is a Qualified Person as defined under National Instrument 43-101 of the Canadian Securities Administrators - *Standards of Disclosure for Mineral Projects*.

The Brenda project remains an attractive prospect based on the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid and mining facilities.

¹ Halley, S., Dilles, J.H., and Tosdal, R.M., 2015, Footprints: Hydrothermal alteration and geochemical dispersion around porphyry copper deposits: SEG Newsletter, no. 100, p. 1, 12-17.

² Bouzari, F., Bissig, T., Hart, C.J.R., and Leal-Meija, H., 2019, An exploration framework for porphyry to epithermal transitions in the Toadogone mineral district (94E): Geoscience BC Report 2019-18, 105 p.

Vega

The Vega project is located in north-central British Columbia, approximately 300 kilometres northwest of Prince George, BC, with access via the Omineca Mines Access Road and logging roads. The project covers 9,002 hectares on the Quesnel trough trend running through central British Columbia and hosting the Mount Milligan, Chuchi, Kwanika, Lorraine and Cat porphyry deposits. There are several showings in the eastern and western sectors of the Vega property prospective for hosting copper-gold porphyry mineralization. Most of the past exploration work done by Canasil has been focused on the Vega Showings located in the eastern portion of the property. More recent work has identified additional gold/copper showings on the western side of the property, most notably the Pluto showing. In September 2016, the Company carried out prospecting field work on the Pluto and Vega showings. This work confirmed past observations on the Vega showing, and in particular highlighted the Pluto showing identifying a surface signature suggesting the upper levels of a porphyry copper-gold mineralized system. The Company conducted an airborne magnetics geophysical survey covering the Vega property area in November 2016. This survey returned encouraging results highlighting structural corridors which are prospective for hosting porphyry mineralized systems both in the east and west of the project area.

In September 2018, the Company engaged McElhanney Consulting Services Ltd. to undertake an airborne LiDAR survey over the core area of the Vega Property. The objective of the survey was to obtain "bare earth" and orthophoto imagery to use in future exploration programmes. LiDAR measures the height of forest canopies and maps the ground beneath the forest to create high-resolution digital elevation models (DEMs) that can reveal micro-topographic features that are otherwise hidden by the forest. This permits the identification of faults and fractures, bedrock trends and surficial deposits such as moraine, eskers and gravel terraces. LiDAR-derived products can be easily integrated into a Geographic Information System (GIS) for analysis and interpretation, and viewed in combination with previously collected geological, geophysical and geochemical data.

As a result of the survey previously un-documented features are noted at Vega, some of which require confirmation on the ground. The site was flown September 29, 2018; data was delivered in November and December, 2018, followed by review and analysis of the results in 2019. The results of the LiDAR survey will assist with further surface sampling and geological mapping of these prospective zones to define drill targets.

In September 2019 a geological mapping and surface sampling program was completed to investigate prospective targets zones on the Vega project. The field work encompassed a detailed "base-of-slope" sampling programme on 100-metre spacings within a core area that is approximately 6.5 by 7.5 kilometres in size. The area selected is within the western half of the Vega Property and was intended to complete "first-pass" coverage of a prospective tract characterized by several copper, gold and silver showings and intense rock alteration that maybe related to magnetic anomalies and porphyritic intrusive rocks.

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Recent results identified anomalous and often high-contrast copper, gold and molybdenum anomalies, sometimes associated with strong magnetic anomalies. Three large "clusters" are evident, including:

1. Anomaly 1, which suggests extensions to the Pluto showing, may exist up to 2,000 metres north from the original showing. This extension has not been previously mapped or prospected;
2. Anomaly 2, downslope from a new 2019 mapping/prospecting discovery of outcropping copper mineralization associated within an area of magnetite-epidote (propylitic) veining in quartz diorite intrusive. A grab sample from this area returned 2.26% Cu and 0.145 g/t Au;
3. Anomaly 3, occurring on both flanks of Thane Creek close to the possible contact of Hogem Batholith units with Triassic-aged volcanic rocks. This area is reported to have several (poorly located) RGS Minfile showings recording anomalous copper and gold values. Prospecting and mapping along Thane Creek identified abundant quartz-sericite-pyrite and potassic feldspar+biotite+hematite -altered quartz diorite float as well as localized fracture-controlled quartz+pyrite+mica veinlets with trace chalcopyrite;
4. Additional anomalies are present within the survey area.
5. Areas of silicification, sericite-pyrite and feldspar-hematite alteration were encountered that are very encouraging signs of a hydrothermal environment for hosting porphyry style copper-gold mineralization.

Additional exploration is recommended. Exploration interest in the region of the Vega Project has increased significantly in 2020. Several property option agreements have been signed by other companies, staking has increased, and numerous exploration initiatives are currently underway in the area.

Technical

Robert Brown, P. Eng. British Columbia, and Advisor to the Board of Canasil, is the Company's designated Qualified Person in accordance with National Instrument 43-101 in relation to data provided with regard to exploration programs undertaken by the Company.

CAUTIONARY NOTE

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.

Approval

The Board of Directors of the Company has approved the disclosure contained in this annual 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.