



Interim Management's Discussion and Analysis

Quarterly Highlights

For the Three Months Ended March 31, 2021

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 Interim Management's Discussion and Analysis ("MD&A") is dated May 17, 2021, and provides information on the Company's activities for the three months ended March 31, 2021, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's March 31, 2021 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company has elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2020 MD&A and audited consolidated financial statements, available for viewing at www.sedar.com.

QUARTERLY HIGHLIGHTS

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

- continued its drill program at the La Esperanza project in Mexico;
- completed and filed the updated Technical Report on the Brenda gold-copper project in BC, Canada
- reviewed project data and prepared plans and targets for a Phase-2 drill program at the Nora project in Mexico;
- initiated a comprehensive data review of the Vega gold-copper project in BC, Canada;
- completed a non-brokered private placement for gross proceeds of \$790,000 in May 2021.

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 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 highs of \$1,950 per ounce in November and December 2020, and silver down to US\$23 per ounce in December 2020 and a high of \$28.50 in early February 2021. During the first quarter of 2021, 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 with gold trading between US\$1,690 and US\$1,950 per ounce and silver trading between US\$24 and US\$28.50 per ounce, closing at US\$1,771 and US\$26.10 per ounce respectively at the end of April 2021. Since the beginning of April, both gold and silver prices have steadily increased to US\$1,867 and US\$28.20 per ounce as at the date of this report. The gold-silver price ratio has moved down to 66 at the time of this report reflecting silver's relatively stronger performance. Copper and zinc prices have increased to US\$4.66 per pound and US\$1.36 per pound, respectively, at the date of this report with copper 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 has provided better market conditions for both the larger mining companies as well as for the earlier stage exploration companies, leading to significant funding opportunities since early 2020. The Company completed a private placement of \$407,000 in 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. The Company completed a placement of \$790,000 in May 2021 to fund continued drilling and exploration programs.

Impact of COVID-19 pandemic

The Company's exploration activities were stopped from March to June 2020 due to the COVID outbreak. 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 has focused on advancing the drill program at the La Esperanza project and completing the private placement subsequent to the end of the period.

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 March 31, 2021, the Company had working capital of \$265,342, compared to working capital of \$913,694 at December 31, 2020. The reduction in working capital results primarily from the Company's operating activities for the quarter. The Company's working capital position consisted of the following:

	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 279,458	\$ 926,340
Receivables	102,655	93,519
Prepaid expenses	13,470	24,502
Accounts payable and accrued liabilities	(107,074)	(96,413)
Current portion of lease liability	(23,167)	(34,254)
Working capital position	\$ 265,342	\$ 913,694

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 quarter, the Company incurred expenses, net of non-cash items, of \$653,559, which included administrative expenses of \$149,351 and exploration and evaluation expenses of \$504,208. 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.

In May 2021, the Company completed a private placement for gross proceeds of \$790,000. 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 Phase-1 drill program at the Nora project and continuing 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

Loss and comprehensive loss

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

	2021	2020
General and administrative expenses	\$ 165,148	\$ 169,918
Exploration and evaluation expenditures	504,208	223,276
Gain on sale of equipment	(6,983)	-
Loss and comprehensive loss for the quarter	\$ 662,373	\$ 393,194

Except for an increase in investor relations and promotion costs and a decrease in management fees during the quarter, general and administrative expenses remained relatively consistent with the comparative quarter.

The increase in exploration and evaluation expenditures for the current quarter is due primarily to increased claim fees paid on the Company's Mexican properties and costs relating to the drill program at La Esperanza.

Cash Flows

Cash used in operating activities during the quarter, before changes in non-cash working capital items, was \$653,559 and compares to \$382,797 in cash used in the comparative quarter. The increase in cash used in operations is primarily due to an increase in exploration and evaluation expenses as detailed above. Changes in non-cash working capital items for the current quarter provided a source of cash of \$12,557.

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Financing activities provided net cash of \$5,207 from the purchase and sale of field equipment. The Company also made principal payments of \$11,087 on its lease liability. During the comparative quarter, financing activities provided net cash of \$397,306 from a private placement completed in March 2020 and used cash of \$9,498 for principal payments on its lease liability.

MAJOR OPERATING MILESTONES

During the period under review, the Company completed a private placement for gross proceeds of \$790,000. The Company also continued its drill program at the La Esperanza project and prepared plans and targets for a Phase-2 drill program at the Nora project.

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 periods ended March 31 is as follows:

	2020	2019
Salaries – chief executive officer	\$ 56,250	\$ 56,250
Management fees – chief financial officer	15,000	37,500
Director fees	9,000	9,000
	\$ 80,250	\$ 102,750

OUTSTANDING SHARE DATA

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

	May 17, 2021	March 31, 2021	December 31, 2020
Shares issued and outstanding	125,371,622	117,471,622	117,471,622
Outstanding stock options	8,690,000	8,690,000	8,890,000
Outstanding warrants	12,951,250	9,001,250	9,001,250
Diluted shares outstanding	147,012,872	135,162,872	135,362,872

During the quarter, 400,000 stock options expired unexercised and the Company granted an investor relations consultant 200,000 two-year stock options that vest over a period of twelve months. In May 2021, the Company completed a non-brokered private placement of 7,900,000 units that included one common share of the Company and one-half of one share purchase warrant.

Notes 5 and 6 to the Company's March 31, 2021 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the quarter.

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 to date have included satellite imaging and high-resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and over 11,500 metres of drilling in 44 diamond drill holes. Drilling has returned wide high-grade silver-gold-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.

Highlights of the results of drill programs on the La Esperanza vein reported in the company's past news releases dated February 9, March 23, April 5, and May 2, 2017, include:

- Confirmed mineralized envelope of 525 metres (m) along strike and 350 m to depth including wide high-grade silver-gold-lead-zinc intercepts noted below;
- Drill hole ES-06-05 in the central section returned 13.10 m (TW 10.30 m) of 396 g/t silver (Ag), 0.71% zinc (Zn) and 1.96% lead (Pb), including 1.93 m (TW 1.52 m) of 1,380 g/t Ag, 0.38% Zn and 3.40% Pb.
- Drill hole ES-17-16 in the southeast extension returned 5.94 m (TW 4.92 m) of 257 g/t Ag, 0.64% Zn and 0.63% Pb, including 1.15 m (TW 0.95 m) 1,133 g/t Ag, 1.56% Zn and 2.98% Pb.
- Drill hole ES-17-17 in the northwest extension 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 m (TW 5.81 m) of 204 g/t Ag, 1.83% Zn, and 1.46% Pb, including 0.91 m (TW 0.79 m) 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 m (TW 11.23 m) of 219 g/t Ag, 0.93% Zn and 0.43% Pb, including 1.28 m (TW 1.11 m) 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.
- Drill hole ES-18-21, below ES-17-16, intersected the vein over a core length of 14.11 m (true width 12.20 m) with well-developed epithermal textures and disseminated sulphide minerals, including bands of higher-grade mineralization such as 2.22 m (TW 1.92 m) of 190 g/t Ag, 1.35% Zn and 0.22% Pb.

These results open the La Esperanza vein for further expansion by drilling in both directions along strike and to depth in a well-developed epithermal environment. Continued 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.

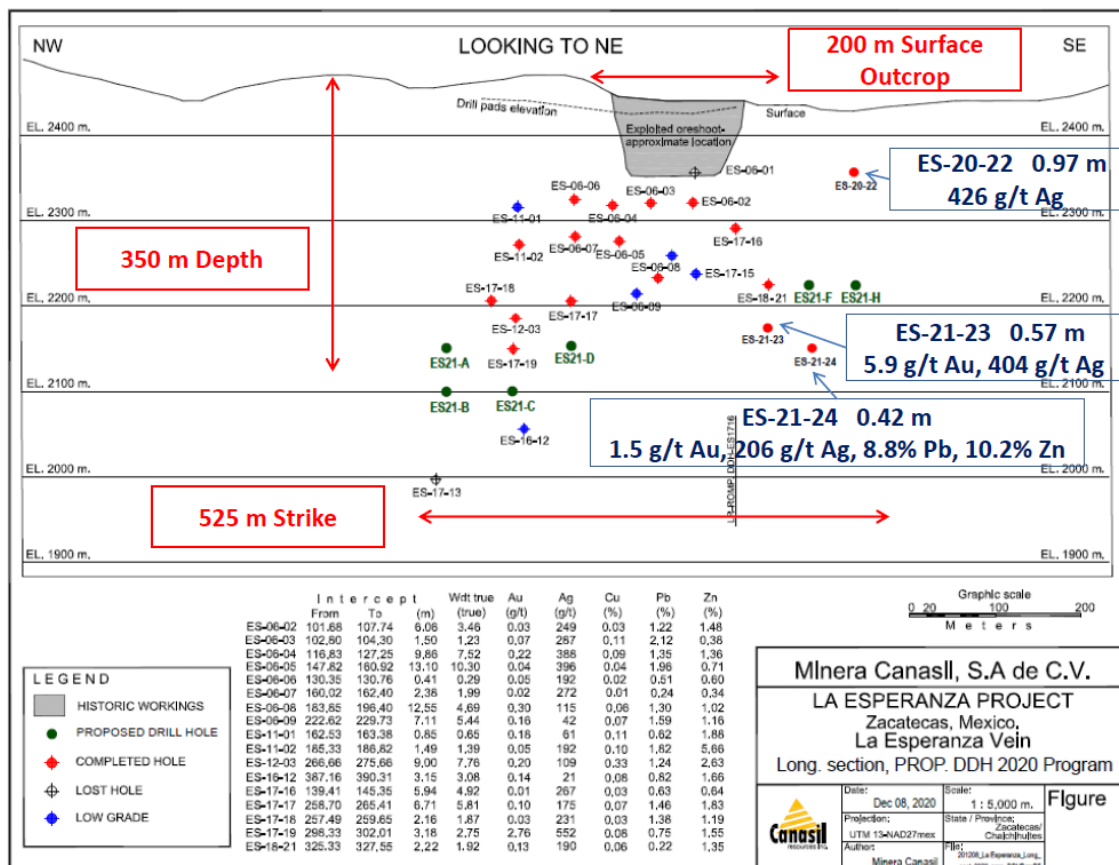
The La Esperanza vein is exposed on surface for 200 m, and has now been extended by drilling under volcanic cover for an additional 325 m for a total strike of 525 m, and is traceable by geophysics for over five (5) kilometers along a NW-SE trend. Drilling to date has defined the La Esperanza vein to 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.

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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.

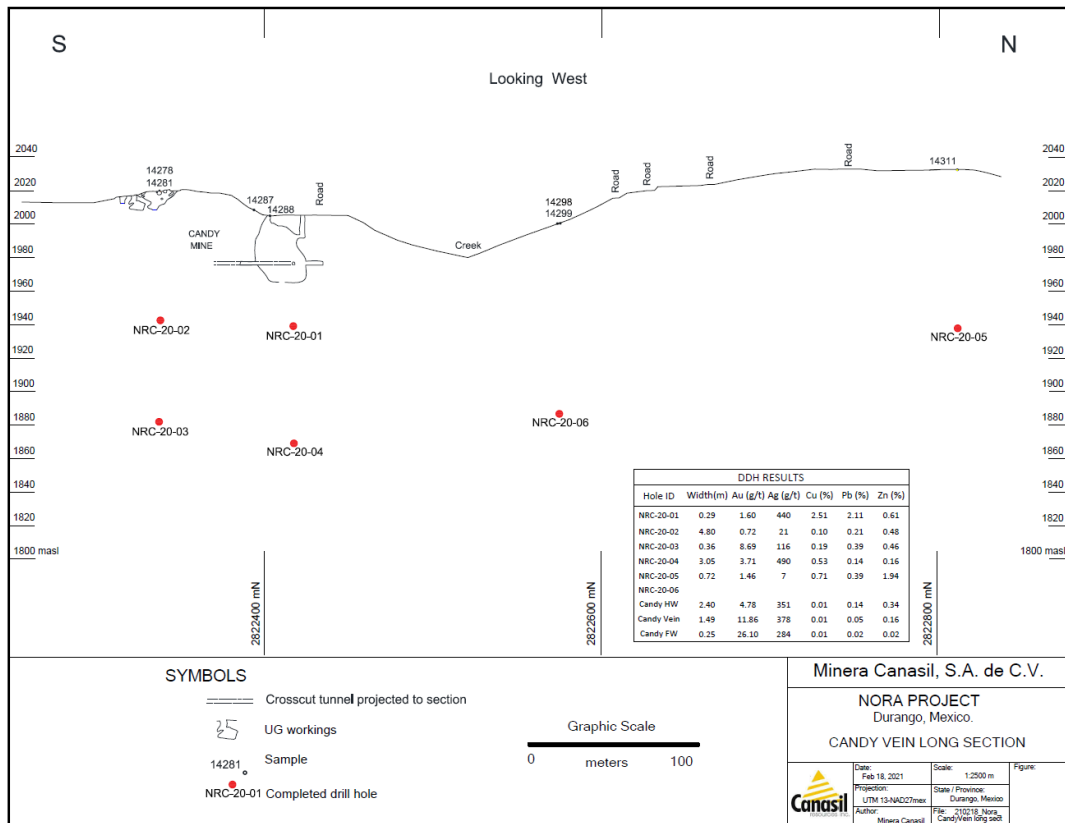
These three consistently very high-grade gold and silver intercepts occur within a core interval of 16.65 m separated by 9.50 m and 3.71 m respectively as announced in a news release dated December 09, 2020.

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										



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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 January 2017, Orex Minerals Inc. ('Orex') earned a 55% interest in the project by paying the Company \$500,000 and incurring exploration expenditures of US\$2,000,000. On June 28, 2019, the Company sold its 45% 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. Pan American has the right to buy out 1% of the NSR for \$4,000,000. The project is currently being advanced by a joint venture between Pan American (60%) and Orex (40%).

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

Mineralization observed to date is characterized by drill holes BR-07-04 and BR-07-05 returning 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. 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.

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The Company has undertaken comprehensive technical reviews of the Brenda project data between 2016 and 2020. 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, and 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.

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.

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*.

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. Recent prospecting, airborne magnetics geophysical, and LIDAR surveys covering the property area returned encouraging results highlighting structural corridors which are prospective for hosting mineralized systems both in the east and west of the project area.

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.

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. During the first quarter of 2021 the Company initiated a comprehensive review of the Vega project data which should be completed by the end of May 2021.

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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 interim MD&A – Quarterly Highlights. 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.