



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**Expressed in Canadian Dollars**

**Unaudited**

*NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS*

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

*"Bahman Yamini"*

*"Kerry Spong"*

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**President and Chief Executive Officer**

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**Vice President, Finance & CFO**

*May 28, 2015*

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**CANASIL RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

Expressed in Canadian Dollars  
*Unaudited*

<b>ASSETS</b>	March 31, 2015	December 31, 2014
<b>Current</b>		
Cash <i>(Note 6)</i>	\$ 130,374	\$ 125,226
Receivables <i>(Note 6)</i>	381,393	458,930
Prepaid expenses	4,832	4,914
	<u>516,599</u>	<u>589,070</u>
<b>Reclamation bonds</b>	28,000	28,000
<b>Property and equipment</b>	52,937	54,568
	<u>\$ 597,536</u>	<u>\$ 671,638</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 161,529	\$ 110,046
Accounts payable and accrued liabilities – related parties <i>(Note 7)</i>	262,500	210,864
Due to related parties <i>(Note 7)</i>	295,000	185,000
	<u>719,029</u>	<u>505,910</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Share capital</b> <i>(Note 4)</i>	17,418,851	17,418,851
<b>Convertible debenture</b> <i>(Note 6)</i>	3,272,052	3,179,030
<b>Contributed surplus</b>	1,640,077	1,640,077
<b>Deficit</b>	<u>(22,452,473)</u>	<u>(22,072,230)</u>
	(121,493)	165,728
	<u>\$ 597,536</u>	<u>\$ 671,638</u>

**Nature and continuance of operations** *(Note 1)*  
**Subsequent event** *(Note 9)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

**CANASIL RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES  
IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

Expressed in Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Note 4)	Convertible Debenture (Note 6)	Contributed Surplus (Note 5)	Deficit	Total
<b>Balance – December 31, 2013</b>	77,867,873	\$ 17,159,791	\$ -	\$ 1,622,649	\$ (18,494,774)	\$ 287,666
Private placement	370,000	33,300	-	-	-	33,300
Convertible debenture	-	-	1,356,162	-	-	1,356,162
Share-based compensation	-	-	-	17,428	-	17,428
Comprehensive loss for the period	-	-	-	-	(1,477,290)	(1,477,290)
<b>Balance – March 31, 2014</b>	78,237,873	17,193,091	1,356,162	1,640,077	(19,972,064)	217,266
Warrants exercised	2,821,999	225,760	-	-	-	225,760
Convertible debenture	-	-	1,822,868	-	-	1,822,868
Comprehensive loss for the period	-	-	-	-	(2,100,166)	(2,100,166)
<b>Balance – December 31, 2014</b>	81,059,872	17,418,851	3,179,030	1,640,077	(22,072,230)	165,728
Convertible debenture	-	-	93,022	-	-	93,022
Comprehensive loss for the period	-	-	-	-	(380,243)	(380,243)
<b>Balance – March 31, 2015</b>	81,059,872	\$ 17,418,851	\$ 3,272,052	\$ 1,640,077	\$ (22,452,473)	\$ (121,493)

- See Accompanying Notes -

**CANASIL RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS  
OF LOSS AND COMPREHENSIVE LOSS  
FOR THE THREE MONTHS ENDED MARCH 31**

Expressed in Canadian Dollars

*Unaudited*

	2015	2014
<b>Expenses</b>		
Accounting and audit	\$ 8,400	\$ 7,500
Conferences and conventions	924	4,332
Depreciation	1,631	2,096
Exploration and evaluation <i>(Note 3)</i>	312,225	1,321,001
Foreign exchange loss (gain)	(20,405)	10,692
General exploration	-	1,259
Investor relations and promotions	-	5,793
Interest income	(2,041)	(3,697)
Legal fees	-	4,526
Listing and filing fees	5,200	7,461
Management fees	15,000	15,000
Office rent, services and supplies	17,306	20,227
Salaries and wages	37,500	54,654
Shareholder communications	1,000	2,403
Share-based compensation <i>(Note 5)</i>	-	17,428
Transfer agent fees	1,467	1,915
Travel and accommodation	2,036	4,700
<b>Loss and comprehensive loss for the period</b>	<b>\$ (380,243)</b>	<b>\$ (1,477,290)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Weighted-average number of shares</b>		
<b>Outstanding – basic and diluted</b>	<b>81,059,872</b>	<b>78,044,651</b>

- See Accompanying Notes -

**CANASIL RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS**  
**OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31**

Expressed in Canadian Dollars  
Unaudited

<b>CASH RESOURCES PROVIDED BY (USED IN)</b>	2015	2014
<b>Operating activities</b>		
Loss for the period	\$ (380,243)	\$ (1,477,290)
Items not involving cash		
Depreciation	1,631	2,096
Share-based compensation	-	17,428
	<u>(378,612)</u>	<u>(1,457,766)</u>
Changes in non-cash working capital		
Receivables	77,537	(106,027)
Prepaid expenses	82	2,146
Accounts payable and accrued liabilities	51,483	767,955
Accounts payable and accrued liabilities – related parties	51,636	54,719
	<u>(197,874)</u>	<u>(738,973)</u>
<b>Financing activities</b>		
Share capital issued for cash	-	33,300
Convertible debenture	93,022	1,356,162
Due to related parties, net of repayments	110,000	75,000
	<u>203,022</u>	<u>1,464,462</u>
<b>Change in cash for the period</b>	5,148	725,489
Cash position - beginning of period	<u>125,226</u>	<u>119,692</u>
<b>Cash position - end of period</b>	<u>\$ 130,374</u>	<u>\$ 845,181</u>

- See Accompanying Notes -

## CANASIL RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

Expressed in Canadian Dollars

Unaudited

#### 1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 915 – 700 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interest in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

	March 31, 2015	December 31, 2014
Deficit	\$ 22,452,473	\$ 22,072,230
Working capital (deficiency)	\$ (202,430)	\$ 83,160

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Statement of compliance and basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2014. All financial information presented herein is unaudited. The Company's board of directors approved these condensed interim consolidated financial statements for issue on May 28, 2015.

## CANASIL RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

Expressed in Canadian Dollars

Unaudited

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## 2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss, using the accrual basis of accounting, except for cash flow information.

### Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CRD Minerals Corp., Minera Canasil, S.A. de C.V. and Minera CRD S.A. de C.V. All significant inter-company transactions, balances, and unrealized translation gains or losses have been eliminated.

### Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss for the period.

## 3. EXPLORATION AND EVALUATION

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. A description of the Company's mineral interests follows:

### Salamandra project, Mexico

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. MAG can earn an initial 55% interest by paying the Company \$750,000 and incurring \$5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional \$20,000,000 in exploration expenditures within four years. Upon executing a binding letter agreement, the Company received the initial cash payment of \$150,000 and in May 2014 received the first-anniversary option payment of \$150,000 (*Note 9*).

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the agreement, MAG has the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds will be used to incur expenditures on the property by Minera CRD (*Note 6*). Should MAG comply with the terms of the agreement and earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD. Further development of the property would be carried out jointly by the Company and MAG through CRD and Minera CRD.



**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015**

Expressed in Canadian Dollars

*Unaudited***3. EXPLORATION AND EVALUATION - continued****La Esperanza project, Mexico**

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to a Net Smelter Returns royalty ("NSR") of up to 1%, which can be purchased by the Company for US\$100,000. The claims are located in Zacatecas State, Mexico. The Company acquired its 100% interest in these claims by making option payments of US\$160,000 over a four-year period to May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

**Sandra and Escobar projects, Mexico**

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. The Company has also acquired various additional claims in the area from third parties.

**Other projects**

The Company has staked other claims located in Durango State, Mexico which include the Colibri, Carina, Victoria, Vizcaino, Nora, and Candelaria, projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

**Mineral title**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

**Expenditures for the period ending March 31, by activity, are as follows:**

	2015	2014
Acquisition and option payments	\$ -	\$ 1,000
Administration	62,457	53,337
Assays	-	187,007
Consulting	11,941	79,520
Drilling	-	763,423
Field costs	11,718	29,930
Geology	23,554	26,699
Land holding costs	164,506	162,057
Legal	35,522	35,596
Mapping and surveying	-	263
Transportation and rentals	2,527	44,561
Expenditure recoveries	-	(62,392)
	<u>\$ 312,225</u>	<u>\$ 1,321,001</u>

**CANASIL RESOURCES INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

Expressed in Canadian Dollars  
*Unaudited*

**3. EXPLORATION AND EVALUATION - continued**

**Expenditures for the period and cumulative expenditures as at March 31 are as follows:**

2015	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ -	\$ -	\$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	315	315	261,342
- Expenditure recoveries	-	-	-	(21,787)
Sandra and Escobar, Mexico	-	26,526	26,526	1,463,828
La Esperanza, Mexico	-	97,623	97,623	1,396,124
- Expenditure recoveries	-	-	-	(260,939)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	15,527	15,527	1,822,213
Salamandra, Mexico	-	134,202	134,202	4,575,031
- Expenditure recoveries	-	-	-	(223,652)
- Option payments received	-	-	-	(353,989)
Victoria, Mexico	-	316	316	421,093
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	14,522	14,522	251,186
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	23,194	23,194	570,104
	\$ -	\$ 312,225	\$ 312,225	\$ 11,460,761

  

2014	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ -	\$ -	\$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	657	657	226,301
- Expenditure recoveries	-	-	-	(20,580)
Sandra and Escobar, Mexico	1,000	30,677	31,677	1,410,965
La Esperanza, Mexico	-	49,054	49,054	1,180,705
- Expenditure recoveries	-	-	-	(260,939)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	6,041	6,041	1,766,637
Salamandra, Mexico	-	1,224,936	1,224,936	2,788,551
- Expenditure recoveries	-	(62,392)	(62,392)	(201,097)
- Option payments received	-	-	-	(203,989)
Victoria, Mexico	-	709	709	399,663
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	40,870	40,870	222,537
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	29,449	29,449	495,027
	\$ 1,000	\$ 1,320,001	\$ 1,321,001	\$ 9,363,988

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015**

Expressed in Canadian Dollars

*Unaudited***4. SHARE CAPITAL**

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

**Private placement**

In January 2014, the Company closed the third and final tranche of a private placement announced in December 2013 and issued 370,000 units at price of \$0.09 per unit for gross proceeds of \$33,300. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.15 until February 17, 2015. On November 6, 2013, the exercise price of 140,150 of these warrants was reduced to \$0.08 per share; 40,150 of these warrants were exercised during December 2014 and the balance expired unexercised on February 17, 2015.

**5. STOCK OPTIONS AND WARRANTS**

The Company has an Incentive Stock Option Plan that complies with the rules set forth by the TSX Venture Exchange. Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2013	6,511,999	\$ 0.20	4,375,000	\$ 0.21
Issued/granted	185,000	\$ 0.15	375,000	\$ 0.10
Exercised	(2,821,999)	\$ 0.08	-	\$ -
Expired	<u>(3,730,150)</u>	\$ 0.08	<u>(75,000)</u>	\$ 0.20
Outstanding, December 31, 2014	144,850	\$ 0.10	4,675,000	\$ 0.21
Expired	<u>(144,850)</u>	\$ 0.10	<u>(875,000)</u>	\$ 0.10
Outstanding, March 31, 2015	-	\$ -	3,800,000	\$ 0.23
Exercisable, March 31, 2015	-	\$ -	3,800,000	\$ 0.23

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015**

Expressed in Canadian Dollars

*Unaudited***5. STOCK OPTIONS AND WARRANTS – continued**

At March 31, 2015, the Company had outstanding stock options enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	1,750,000	\$ 0.28	November 23, 2015
	200,000	\$ 0.35	January 13, 2016
	1,175,000	\$ 0.20	January 20, 2017
	300,000	\$ 0.18	October 29, 2017
	<u>375,000</u>	\$ 0.10	January 4, 2019
	<u>3,800,000</u>		

**Share-based compensation**

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

	2015	2014
Total options granted	-	375,000
Average exercise price	\$ -	\$ 0.10
Estimated fair value of options granted	\$ -	\$ 17,428
Estimated fair value per option	\$ -	\$ 0.05

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

	2015	2014
Risk-free interest rate	-	1.91%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	84%
Expected forfeiture rate	-	0.00%
Expected option life in years	-	5.00

The Company has recorded share-based compensation during the period as follows:

	2015	2014
Number of options vested in period	-	375,000
Compensation recognized in period	\$ -	\$ 17,428

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015**

Expressed in Canadian Dollars

*Unaudited***6. CONVERTIBLE DEBENTURE**

Under the terms of its option agreement on the Salamandra project (*Note 3*), MAG is funding certain exploration expenditures on the Salamandra project by advancing funds to CRD under an unsecured, non-interest bearing convertible debenture. To March 31, 2015, MAG had advanced a total of \$3,272,052 (2014 - \$1,356,162) under the convertible debenture. Funds received under the debenture are used solely for incurring such qualifying exploration expenditures on the Salamandra project. Included in cash as at March 31, 2015 is \$114,573 that was advanced by MAG and will be applied to related accounts payable of \$48,405. The balance of \$66,168 (2014 - \$20,304) represents the additional funds advanced by MAG that are restricted for future qualifying exploration expenditures at Salamandra. Included in receivables is \$357,518 (2014 - \$183,309) in value-added taxes incurred on expenditures made at Salamandra. This amount has been funded under the convertible debenture and upon refund by the government of Mexico, will be available for further expenditures at Salamandra.

The terms of the option agreement provide the right for MAG to convert the debenture into a fixed number of common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD upon exercise of the option. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

**7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

- accounts payable and accrued liabilities – related parties include \$nil (2014 – \$12,315) in legal fees due to a law firm in which an officer of the Company is a partner, \$nil (2014 - \$5,513) in geological consulting fees due to a company controlled by a director of the Company, and \$262,500 (2014 – \$52,500) in salaries and management fees due to the chief executive officer and the chief financial officer;
- due to related parties includes loan advances totaling \$295,000 (2014 – \$120,000) made to the Company by an officer and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment.
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

	2015	2014
Salaries and wages	\$ 37,500	\$ 37,500
Management fees	15,000	15,000
Legal fees	-	14,404
Share-based compensation (i)	-	9,295
	<u>\$ 52,500</u>	<u>\$ 76,199</u>

(i) Calculated using the Black-Scholes Option-Pricing Model, using the assumptions detailed in Note 5.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015**

Expressed in Canadian Dollars

*Unaudited*

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**8. SEGMENTED INFORMATION**

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

2015	Canada	Mexico	Total
Property and equipment	\$ 5,547	\$ 47,390	\$ 52,937

  

2014	Canada	Mexico	Total
Property and equipment	\$ 7,650	\$ 50,908	\$ 58,558

**9. SUBSEQUENT EVENT**

Subsequent to March 31, 2015, the Company received \$200,000 from MAG, representing the second anniversary option payment due under the Salamandra agreement (*Note 3*).

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2015

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This Interim Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("Canasil" or "the Company") is dated May 28, 2015, and provides information on the Company's activities for the three months ended March 31, 2015, 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 unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2015, prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the audited annual consolidated financial statements and related notes for the years ended December 31, 2014 and 2013 and the MD&A for the year ended December 31, 2014.

**Overview and Outlook**

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

During the period, the Company's exploration activities were focused on the analysis and interpretation of the results of the Phase 1 and Phase 2 drill programs completed in 2014 at the Salamandra project in Durango, Mexico, under the option with MAG Silver Corp. ("MAG"), providing for MAG to earn up to a 70% interest in the project. A total 10,112 metres of diamond drilling was completed in 17 drill holes under MAG's direction with results reported in news releases issued on March 17, 2014, and July 21, 2014. These programs returned encouraging mineralized intercepts, including high-grade silver-copper mineralization and extensive zones of zinc mineralization with thick higher-grade intervals, as well as significant or strongly anomalous amounts of silver, copper, zinc and lead as detailed in the respective news releases and the Company's 2014 filings. The results indicate the potential for a large metals-rich mineralized system at Salamandra. The drill results have been systematically reviewed and interpreted in combination with the existing airborne and ground geophysics to identify areas with potential for high-grade polymetallic skarn and Carbonate Replacement Deposit style mineralization ("CRD mineralization") and to define drill targets for the Phase 3 drill program planned for early in the third quarter of 2015. Total qualifying exploration expenditures of approximately \$4.5 million were reported by MAG up to March 31, 2015.

In Mexico and British Columbia, all core mineral claims were maintained in good standing and the Company continued discussions on additional cooperation agreements to advance its projects. A number of site visits have been completed and the Company is continuing discussions with the aim of finalizing such agreements.

Gary Nordin, P. Geo. British Columbia and Director of Canasil, is the Company's designated Qualified Person in relation to data provided with regards to exploration programs undertaken by the Company on its exploration projects in accordance with National Instrument 43-101.

As at March 31, 2015, the Company had a working capital deficiency of \$202,430. Current liabilities include loan advances of \$295,000 received from an officer and a company with a director in common with the Company as well as salaries and management fees owing to the Company's executive officers in the amount of \$262,500; these officers have not drawn salaries or management fees since 2013. During the period, the Company received advances of \$93,022 from MAG under a convertible debenture pursuant to the Salamandra option agreement, the proceeds of which are being used to fund exploration expenditures on the Salamandra project (see "*Mineral Properties*"). Subsequent to March 31, 2015, the Company received \$200,000 from MAG, representing the second anniversary option payment due under the Salamandra option agreement.

Gold and silver prices continued to trade at relatively low levels during the period. After an initial increase to over \$18 per ounce in January, Silver dropped back to \$15.50 per ounce by mid-March before closing at \$17 per ounce by the end of the first quarter. The failure to maintain the initial increasing trend in the silver and gold prices at the beginning of the period dampened the early optimism seen at the outset of the period and any positive prospects for both producers and explorers. Continued negative global economic and growth forecasts also had a negative impact on the resource markets in general and particularly on silver producers and explorers. Due to the continued uncertainties in the resource sector, financial markets and low share prices, and the particular financing challenges faced by junior explorers, the Company has reduced expenditures wherever possible and has not undertaken direct high cost exploration expenditures such as drilling (except at Salamandra, which is currently being funded by MAG), which would be highly dilutive if financed at current share prices.

The Company continues to focus on attracting additional high quality joint venture partners on its drill-ready projects providing income through property payments and allowing for further work and results without additional dilution. The Company has also had discussions with regard to the potential sale of certain exploration properties as a further avenue for non-dilutive funding. While discussions are currently in progress with a number of potential partners and interested parties, final conclusion of agreements have also been negatively impacted by the low metal price environment.

The receipt of the second anniversary option payment of \$200,000 from MAG in May 2015 improved the Company's working capital position and will assist management in continuing with its initiatives in the coming months. In addition, MAG has planned to commence a Phase 3 drill program at Salamandra early in the third quarter of 2015.

## Mineral Properties

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

<b>Durango and Zacatecas, Mexico:</b>	<b>British Columbia, Canada</b>
<ul style="list-style-type: none"> <li>• Salamandra zinc silver project – 100% in part, plus option to earn 100%, subject to option agreement with MAG</li> <li>• La Esperanza silver zinc lead project – 100%,</li> <li>• Sandra gold silver project – 100%</li> <li>• Escobar gold silver claims – 40%</li> <li>• Carina silver project – 100%</li> <li>• Colibri silver zinc lead copper project – 100%</li> <li>• Vizcaino silver gold project – 100%</li> <li>• Victoria zinc silver project – 100%</li> <li>• Nora silver gold copper project – 100% in part, plus option to earn 100%</li> </ul>	<ul style="list-style-type: none"> <li>• Brenda, gold-copper property – 100%</li> <li>• Vega, gold-copper property – 100%</li> <li>• Granite, gold property – 100%</li> <li>• LIL, silver property – 100%</li> </ul>

## Exploration projects in Mexico

### Salamandra zinc-silver project, Durango State, Mexico

The Salamandra project is located in Durango State, 35 km northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares, acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to an NSR of 2%. The Company can make option payments based on a specific schedule of payments that total US\$600,000 over a period of eight years from 2012 to 2019, of which US\$175,000 has been paid to date.

Initial exploration at Salamandra included extensive geological mapping and surface sampling and 3D-IP ground geophysics, followed by twelve diamond drill holes for a total of 3,595 metres. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones, including high grade silver and zinc intercepts of up to 12.00% zinc over 7.45 metres and 102 g/t silver over 9.85 metres within wider mineralized sections, which appear to be part of a potentially large mineralized system that is open along strike and to depth. Follow-up ZTEM airborne geophysics and detailed surface sampling programs identified a large electromagnetic signature over an area of 3.5 kilometres by 2.5 kilometres, a vein exposure where a 0.90 metre sample returned 2,150 g/t silver, 5.39% copper and 1.89% zinc, and significant silver-copper-zinc-lead as well as arsenic-antimony geochemical anomalies providing indications of the potential for a buried intrusive hosted mineralized system. The geology and style of mineralization observed at Salamandra are similar to the San Martin silver-base-metal mine of Grupo Mexico, located 80 kilometres southeast of the project, and the largest underground mining operation in Mexico.

In May 2013, the Company signed an option agreement with MAG on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. MAG can earn an initial 55% interest by paying the Company \$750,000 and incurring \$5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional \$20,000,000 in exploration expenditures within four years. Upon executing a binding letter agreement, the Company received the initial cash payment of \$150,000 and in May 2014 received the first-anniversary option payment of \$150,000. In May 2015, the Company received the second-anniversary option payment of \$200,000.

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the agreement, MAG has the option to incur qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds will be used to incur expenditures on the property by Minera CRD (see "*Liquidity and Capital Resources*"). Should MAG comply with the terms of the agreement and earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD. Further development of the property would be carried out jointly by the Company and MAG through CRD and Minera CRD. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

MAG reported cumulative qualifying expenditures of approximately \$4.5 million at Salamandra up to March 31, 2015. The exploration programs included surface sampling and data review in 2013, followed by Phase 1 and Phase 2 diamond drill programs for a total of 10,110 metres in 17 drill holes to date. The surface sampling and data review identified all major indicators of large carbonate replacement deposits at Salamandra. Results of the Phase 1 drill program were reported on March 17, 2014, and the Phase 2 drill program on July 21, 2014. The drill programs reported encouraging high-grade silver-copper-zinc intercepts as well as pervasive zinc mineralization as detailed below, further confirming potential for a large metals-rich mineralized system at Salamandra.

In the Phase 1 drill program, hole SM14-15 intersected high-grade silver-copper mineralization over 7.89 metres, which reported 166 grams/tonne ("g/t") silver ("Ag") and 1.2% copper ("Cu"), including: 2.3 metres grading 393 g/t Ag and 3.6% Cu with appreciable lead ("Pb") and zinc ("Zn"). Hole SM13-13 cut 31.72 metres grading 3.5% Zn including 17.72 metres grading 5.0%



Zn with no other appreciable metals. Notably, SM13-13 contained zinc mineralization for almost its entire length, with 810 metres averaging 0.6% Zn including several thick zones grading over 1.5% Zn. Drill Hole SM-14-14 returned two intercepts, one with 0.48 metres of 197 g/t Ag, 0.4% Cu and 1.1% Zn, and the second with 0.42 metres of 108 g/t Ag, 0.5% Cu, and 0.6% Zn. The remaining three holes cut significant or strongly anomalous amounts of silver, copper, zinc and lead.

The Phase 2 drill program consisted of five follow-up drill holes from the Phase 1 program and seven exploration drill holes. The best follow-up hole is SA14-20, which cut 0.63 metres grading 258 grams per tonne ("gpt") (7.5 ounces per ton ("opt")) silver with 0.27% copper lying immediately above 9.9 metres grading 2.3% zinc. These values and relative position are very similar to that seen 380 metres deeper in SA14-15 and appear to reflect the same mineralized zone. Hole SA14-22, also drilled to off-set Hole 15, cut several zinc-rich zones but appears to have been drilled above and parallel to the mineralized zone cut in Holes 15 and 20. Similarly, the first two of the three follow-up holes (SA14-19, 24 and 29) drilled to offset the broad zinc-zone cut in Hole SA13-13 each cut significant widths of zinc mineralization but the intercept geometries prevent correlation. The seven exploration holes tested the remaining previously undrilled half of the circumference of the intrusive centre. Hole SA14-28 was the best of these exploration holes, cutting 173.46 metres of 1.0% zinc mineralization starting 20 metres below the surface. Holes SA14-19, 20, 21, 22, 24 and 25 also hit notable widths of zinc mineralization. Drill holes SA14-25 and SA14-18, were drilled away from the intrusive centre to test under the recent basalt flows that flank the entire project area; both cut major faults interpreted to be the reactivated western margin of the Central Mexico Basin, the principal regional structural control on several major CRD-skarn systems. MAG commented on the pervasive zinc mineralization intersected in most of the drill holes and the high-grade silver-copper intercepts, noting that the results to date indicate the potential for a large metals-rich mineralized system at Salamandra.

The drill results have been systematically reviewed and interpreted in combination with the existing airborne and ground geophysics to identify areas with potential for high-grade polymetallic skarn and Carbonate Replacement Deposit style mineralization ("CRD mineralization") and to define drill targets for the Phase 3 drill program planned early in the third quarter of 2015.

*Qualified Person, Quality Assurance and Control: The above results have been compiled and provided by MAG; for details regarding the Qualified Person and Quality Assurance and Control procedures, please refer to the MAG news release dated March 17, 2014 for the Phase 1 results and July 21, 2014, for the Phase 2 results.*

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

The 100% owned La Esperanza project claims cover 14,916 hectares and are located on the border of Durango and Zacatecas States, 100 km south-southeast of the City of Durango. Prior exploration has been conducted by Canasil and also by MAG Silver Corp. under an option agreement between August 2010 and May 2013. Canasil's initial Phase 1 drill program included 1,432 metres in 9 drill holes, returned wide high grade silver-lead-zinc intercepts from the La Esperanza vein which is open in all directions. Further geological mapping and surface sampling identified four high-grade silver vein occurrences in the northwest of the project area.

MAG completed a 1,330 line-kilometre ZTEM helicopter-borne geophysical survey, a Phase-1 drill program of 3,247 metres in 11 drill holes on the La Esperanza vein, and a Phase-2 drill program of 12 diamond drill holes for a total of 3,049 metres to test two of the veins located in the northwest of the project area. The results reported additional high-grade drill intercepts from three drill holes on the La Esperanza vein and potential for significant silver-lead-zinc mineralization associated with the two veins tested in the northwest area. MAG reported total expenditures of \$2,468,380 incurred on La Esperanza under the option agreement, which was terminated in May 2013.

#### **Sandra-Escobar silver-gold project, Durango State, Mexico**

The 100%-owned Sandra project covers 7,512 hectares, and is located 183 kilometres northwest of the City of Durango. The Company also holds a 40% interest in the adjoining 634 hectare Escobar claims of Pan American Silver Corp., earned under an option agreement with Pan American between 2008 and 2012. The project hosts a high level gold-silver system centered on a large altered rhyolite dome complex, with extensive evidence of gold, silver and base metal mineralization, indicating potential for disseminated mineralization, as well as several high-grade silver-gold-base metal veins.

The Company completed a 420 line-kilometre ZTEM airborne geophysical survey, petrographic analysis of 23 surface samples, a high resolution satellite imaging survey to prepare detailed contour maps, and a 1,848-metre diamond drill program in eleven drill holes, followed by an ASTER satellite alteration imaging survey and an 11.8 line-kilometre ground IP survey. These programs have confirmed evidence of a large hydrothermal system centred on an intrusive source, and have outlined seven significant silver-gold-base metal targets over an area of 25 square km for future drilling. The results indicate a similar geologic setting to some major silver and gold deposits in northern Durango State such as Silver Standard Resources' La Pitarrilla deposit and Argonaut Gold's San Agustin deposit.

The Company has also acquired various additional claims in the area from third parties and added two further claim blocks for a total of 10,000 hectares to cover additional prospective zones adjacent to the project area.

***Other projects, Mexico***

There was no significant activity on these projects during the period. All core project claims were maintained in good standing and all required claim taxes were paid on the core claims.

**Exploration projects in British Columbia, Canada**

***Brenda gold-copper project***

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, Canada, 25 km northwest of the past producing Kemess South Mine. Cumulative exploration expenditures of over \$3.8 million to date include satellite surveys, airborne and ground geophysics, extensive geological mapping and sampling and 11,000 metres of diamond drilling in 64 drill holes. These programs have confirmed the potential for a deep-seated porphyry gold-copper system at the Brenda project, similar to the nearby Kemess Underground (North Kemess) deposit advancing through feasibility by AuRico Gold Corp. with indicated resources of 3 million ounces gold and 1 billion pounds copper (185 million tonnes with an average grade of 0.48 g/t Au and 0.25% Cu).

Two previous deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of 5 intercepts above a depth of 450 metres returning 0.48 g/t gold and 0.079% copper over a combined intercept length of 393.72 metres, and the average grade of 3 intercepts below 450 metres returning 0.68 g/t gold and 0.116% copper over a combined intercept length of 92.84 metres. A significant number of drill core samples returned assays of over 1.0 g/t gold and 0.15% copper. 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 indicated by the chargeability anomalies observed in a 3-Dimensional Induced Polarisation 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-97-04 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. The mineralized intercepts and post mineral intrusions observed in drilling to date reflect the characteristic signature observed in large porphyry systems. Further review will be required to determine the structural setting based on the prior data and deeper penetrating geophysical surveys are needed to define prospective mineralized zones.

There was no field work carried out on the Brenda project during the period. Assessment filings based on exploration work completed in 2013 were completed to extend the claim validity on all Brenda claims to the maximum allowable to May 30, 2024.

***Other projects in British Columbia, Canada***

In British Columbia, short field evaluation programs were completed during 2014 at the Vega and Granite projects and high resolution satellite imaging surveys undertaken at the Vega and Lil projects. These programs allowed for filing of required assessment work, in addition to filings already completed for work completed in 2013, to maintain the core claims at these projects in good standing. The claims areas for all three projects were reduced to cover the main areas of interest.

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2015

**Mineral Properties – Exploration and Evaluation Expenditures**

The Company expenses exploration and evaluation expenditures in the period incurred. A summary of the Company's exploration and evaluation expenditures for the periods ended March 31 follows:

	2015	2014
<b>Canada</b>		
<b>Other Properties</b>		
Land holding costs	\$ 315	\$ 657
<b>Mexico</b>		
<b>Salamandra Property</b>		
Administration	7,815	27,041
Assays	-	187,007
Consulting	11,941	79,520
Drilling	-	763,423
Field costs	10,224	28,930
Geological	7,199	6,694
Land holding costs	59,050	52,164
Legal	35,522	35,596
Transportation and rentals	2,451	44,561
Expenditure recoveries	-	(62,392)
	134,202	1,162,544
<b>Sandra and Escobar Properties</b>		
Acquisition and option payments	-	1,000
Administration	8,153	5,310
Field costs	498	500
Geological	3,820	2,423
Land holding costs	14,055	22,181
Mapping and surveying	-	263
	26,526	31,677
<b>La Esperanza Property</b>		
Administration	30,025	8,292
Field costs	853	500
Geological	9,335	7,311
Land holding costs	57,410	32,951
	97,623	49,054
<b>Carina Property</b>		
Administration	4,464	6,908
Geological	335	1,295
Land holding costs	9,723	32,667
	14,522	40,870
<b>Victoria Property</b>		
Administration	97	120
Field costs	219	-
Geological	-	589
	\$ 316	\$ 709

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2015

Exploration and Evaluation Expenditures for the periods ended March 31 – *continued*

	2015	2014
<b>Mexico – continued</b>		
<b>Colibri Property</b>		
Administration	\$ 4,773	\$ 1,021
Geological	1,914	5,020
Land holding costs	8,840	-
	15,527	6,041
<b>Other Properties</b>		
Administration	7,130	4,645
Geological	951	3,367
Land holding costs	15,113	21,437
	23,194	29,449
<b>Total costs for period</b>	\$ 312,225	\$ 1,321,001

Exploration and evaluation expenditures for the period ending March 31, by activity, are as follows:

	2015	2014
Acquisition and option		
Payments	\$ -	\$ 1,000
Administration	62,457	53,337
Assays	-	187,007
Consulting	11,941	79,520
Drilling	-	763,423
Field costs	11,718	29,930
Geology	23,554	26,699
Land holding costs	164,506	162,057
Legal	35,522	35,596
Mapping and surveying	-	263
Transportation and rentals	2,527	44,561
Expenditure recoveries	-	(62,392)
	\$ 312,225	\$ 1,321,001

**Results of Operations**

The Company had a loss and comprehensive loss for the current period of \$380,243, which compares to a loss and comprehensive loss of \$1,477,290 for the comparative period. Significant items included in loss and comprehensive loss are as follows:

	2015	2014
Exploration and evaluation	\$ 312,225	\$ 1,321,001
Foreign exchange loss (gain)	\$ (20,405)	\$ 10,692
Management fees	\$ 15,000	\$ 15,000
Office services and supplies	\$ 17,306	\$ 20,227
Salaries and wages	\$ 37,500	\$ 54,654
Share-based compensation	\$ -	\$ 17,428

The current loss includes general and administrative expenses of \$90,464 (2014 - \$149,294) and exploration and evaluation expenditures of \$312,225 (2014 - \$1,321,001). Management has reduced general and administrative expenses wherever possible in order to conserve cash. The 2014 general and administrative expenses include \$17,428 of share-based compensation. Exploration and evaluation expenditures were significantly higher in 2014 due to the drill programs conducted under the direction of MAG in accordance with the Salamandra option agreement (see "*Mineral Properties*"). Exploration and evaluation costs include \$134,202 (2014 - \$1,162,544) that were incurred on the Salamandra project; \$110,089 (2014 - \$1,137,001) of these costs were funded by advances from MAG under its convertible debenture (see "*Liquidity and Capital Resources*"). In 2014, the Company received exploration expenditure recoveries of \$62,392 from MAG in respect of the Salamandra project. Exploration expenditures on the Company's other projects totalled \$178,023 compared to the prior year total of \$158,457.

**CANASIL RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the three months ended March 31, 2015

Net cash used for operating activities during the period, before changes in non-cash working capital items, was \$378,612 (2014 - \$1,457,766), which includes \$312,225 (2014 - \$1,321,001) in exploration and evaluation expenditures. The decrease in cash used for operations is primarily due to the drill programs conducted at the Salamandra project during 2014; there was no drilling conducted in the current period. Significant changes in non-cash working capital items for the current year include a decrease in value-added taxes recoverable of \$77,537 due primarily to refunds received from the government of Mexico, and an increase in accounts payable of \$103,119, which relates to an increase in accrued audit fees, legal fees relating to the Salamandra project, and salaries and management fees owing to the chief executive officer and the chief financial officer. Net cash provided by financing activities during the period was \$203,022 (2014 - \$1,464,462) as a result of the Company receiving \$110,000 (2014 - \$75,000) in loan advances from related parties, and \$93,022 (2014 - \$1,356,162) in advances from MAG under the convertible debenture. In 2014, the Company also received \$33,300 for the final tranche of a private placement completed in February 2014.

**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	2015		2014				2013		
Quarter ended:	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	
Revenue	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	
Exploration and evaluation expenses	\$312,225	\$619,382	\$388,204	\$926,962	\$1,321,001	\$79,443	\$502,549	\$156,043	
Option payments received	\$nil	\$nil	\$nil	\$150,000	\$nil	\$nil	\$nil	\$150,000	
Share-based compensation expense	\$nil	\$nil	\$nil	\$nil	\$17,428	\$nil	\$nil	\$nil	
Loss and comprehensive loss	\$380,243	\$723,081	\$477,484	\$899,601	\$1,477,290	\$190,933	\$565,523	\$138,457	
Loss per share: basic and diluted	\$0.00	\$0.01	\$0.01	\$0.01	\$0.02	\$0.00	\$0.01	\$0.00	
Weighted-average shares	81,059,872	79,635,525	79,022,656	78,237,873	78,044,651	74,434,503	73,407,873	73,407,873	

**Discussion of Quarterly Information**

During the second quarter of 2013, the Company completed exploration and evaluation expenditures of \$156,043 and received an option payment of \$150,000 from MAG on the Salamandra project. In the third quarter of 2013, the Company conducted limited exploration on its Mexican properties; however, it incurred \$152,414 in land holding costs. During this quarter, the Company also incurred \$284,478 on a 962-metre drill program at Brenda and \$32,334 to complete prospecting and surface sampling programs on the Lil and Vega properties. During this quarter, the Company also realized \$67,081 of the deferred flow-through premium relating to its issuance of flow-through shares in 2012. During the fourth quarter of 2013, the Company continued to minimize expenses and conserve its cash resources.

In the first quarter of 2014, the Company conducted minimal exploration work, except for exploration at its Salamandra project, which is being directed by MAG under the option agreement. The Company maintained its core properties in good standing. Exploration and evaluation expenditures for the first quarter of 2014 include land holding costs of \$162,057, which compares to \$151,583 for the same quarter of 2013. The Company recorded \$1,162,544 in exploration costs on its Salamandra project relating primarily to the drill program overseen by MAG during the quarter. During the second quarter of 2014, with the drill program at Salamandra being completed in May, exploration costs were less than those incurred in the first quarter. The Company recorded \$883,332 in exploration costs on its Salamandra project during the quarter. The Company also received the first-anniversary payment of \$150,000 from MAG under the Salamandra agreement. During the third quarter of 2014, the Company undertook field programs on its Vega, Lil, and Granite projects and maintained core properties. Exploration and evaluation expenditures for the third quarter of 2014 include land holding and surface access costs of \$217,010, which compares to \$152,414 for the same quarter of 2013. There was no drilling completed on Salamandra during the quarter. During the fourth quarter of 2014, analytical and interpretive work continued at Salamandra with costs of \$548,088 being recorded; work on the Company's other properties was limited as it endeavoured to conserve cash.

In the first quarter of 2015, the Company conducted minimal exploration work except for modelling and interpretative work on its Salamandra project in preparation for the Phase 3 drill program. The Company maintained its core properties in good standing. Exploration and evaluation expenditures for the first quarter of 2015 include land holding costs of \$164,506, which compares to \$162,057 for the same quarter of 2014.

### **Liquidity and Capital Resources**

The Company has no material income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties, and meet general and administrative expenses. Accordingly, management has identified certain conditions that cast significant doubt upon the Company's ability to continue as a going concern (see Note 1 to the March 31, 2015 condensed interim consolidated financial statements). The Company currently has limited cash resources and there can be no assurance that the Company will be successful in securing the financing required to continue operations and advance its mineral projects.

The Company had cash on hand of \$130,374 as at March 31, 2015 (December 31, 2014 - \$125,226), receivables of \$381,393 (December 31, 2014 - \$458,930), accounts payable and accrued liabilities of \$161,529 (December 31, 2014 - \$110,046), and accounts payable and accrued liabilities – related parties of \$262,500 (December 31, 2014 - \$210,864). As at March 31, 2015, the Company had short-term debt consisting of loan advances totalling \$295,000 (December 31, 2014 - \$185,000) received from related parties. These advances are unsecured, non-interest bearing, and have no fixed repayment terms. The Company had a working capital deficiency at March 31, 2015 of \$202,430 (December 31, 2014 – positive working capital of \$83,160).

To March 31, 2015, the Company had received \$3,272,052 (2014 - \$1,356,162) in advances under the convertible debenture with MAG (see "*Mineral Properties*"). Funds received under the debenture are used solely for incurring certain qualifying exploration expenditures on the Salamandra project under the option agreement with MAG. Included in cash as at March 31, 2015 is \$114,573 that was advanced by MAG and will be applied towards related accounts payable of \$48,405. The balance of \$66,168 represents the additional funds advanced by MAG that are available only for future qualifying exploration expenditures at Salamandra. Included in receivables is \$357,518 in value-added taxes on expenditures made at Salamandra. This amount has been funded under the convertible debenture and once refunded by the government of Mexico will be available solely for further expenditures at Salamandra. Should MAG earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of the Company's subsidiary, CRD Minerals Corp. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

During the current period, the Company experienced cash administrative expenses of approximately \$90,000 and cash exploration and evaluation expenses of approximately \$312,000, approximately \$134,000 of which relate to Salamandra; the majority of costs relating to Salamandra are currently being funded by MAG. The Company has an option agreement on the Salamandra property that requires certain future cash payments to maintain its interest, however, these payments may be made at the discretion of the Company and are not firm commitments – these payments are currently being paid by MAG under their option agreement. Land holding costs are incurred at management's discretion. In May 2015, the Company received an option payment of \$200,000 from MAG; should MAG continue to keep the Salamandra agreement in good standing, the next scheduled payment of \$250,000 is due in May 2016. Management considers the Company's current working capital resources to be insufficient to meet its 2015 overhead and minimum exploration and land holding requirements. The Company currently relies on financial support from management to maintain operations. Accordingly, the Company will need to raise additional equity funding or realize sale or option proceeds from its portfolio of properties. The administrative budget and the 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. Given the current uncertainty in the capital markets, the extent of such programmes will be tailored to available cash resources.

Given the Company's large portfolio of prospective projects, management is focused on arranging further option and joint venture agreements to advance its exploration projects through the coming year in a non-dilutive manner as far as possible, or sales of certain assets to generate required funding. A successful outcome of such efforts is not assured.

### **Related Party Transactions and Key Management Compensation**

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

Accounts payable and accrued liabilities – related parties include \$nil (2014 – \$12,315) in legal fees due to a law firm in which an officer of the Company is a partner, \$nil (2014 - \$5,513) in geological consulting fees due to a company controlled by a director of the Company, and \$262,500 (2014 – \$52,500) in salaries and management fees due to the chief executive officer and the chief financial officer;

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2015

Due to related parties includes loan advances totaling \$295,000 (2014 – \$120,000) made to the Company by an officer and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment;

Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

	2015		2014	
Salaries and wages	\$	37,500	\$	37,500
Management fees		15,000		15,000
Legal fees		-		14,404
Share-based compensation (i)		-		9,295
	\$	52,500	\$	76,199

(i) Calculated using the Black-Scholes Option-Pricing Model using the assumptions detailed in Note 5 to the March 31, 2015 condensed interim consolidated financial statements.

The Company relies heavily on its directors and officers for many of its administrative and professional services.

#### **Changes in Accounting Policies**

There were no changes in accounting policies during the period ended March 31, 2015.

#### **New accounting pronouncements**

##### *IFRS 9 – Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 *Financial Instruments – Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not early-adopted this standard, and is currently assessing the impact of adopting IFRS 9 on our 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.

#### **Critical Accounting Estimates and Judgments**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets, the determination of assumptions used to estimate share-based compensation, and the determination of functional currency.

The Company has not recognized its deferred tax assets as management does not consider it probable that these assets will be recovered. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of highly subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate. The Company inputs such assumptions in a consistent manner following accepted industry practice. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are denominated in either the Mexican peso or the U.S. dollar, the subsidiaries have no revenues from operations and are entirely dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2015

**Financial Instruments**

The Company's financial instruments consist of the following:

	March 31, 2015	December 31, 2014
<b>Cash</b>		
Cash on deposit	\$ 64,206	\$ 114,884
Cash restricted (see "Liquidity and Capital Resources")	66,168	10,342
	<u>\$ 130,374</u>	<u>\$ 125,226</u>
<b>Receivables</b>		
Value-added taxes (see "Liquidity and Capital Resources")	\$ 380,460	\$ 458,048
Other	933	882
	<u>\$ 381,393</u>	<u>\$ 458,930</u>
<b>Reclamation bonds</b>	\$ 28,000	\$ 28,000
<b>Accounts payable and accrued liabilities</b>		
Accounts payable (see "Liquidity and Capital Resources")	\$ 124,029	\$ 80,046
Accrued audit, legal, exploration and other	37,500	30,000
	<u>\$ 161,529</u>	<u>\$ 110,046</u>
<b>Accounts payable and accrued liabilities – related parties</b>		
Accounts payable – legal fees	\$ -	\$ 864
Accrued salaries, wages, and management fees	262,500	210,000
	<u>\$ 262,500</u>	<u>\$ 210,864</u>
<b>Due to related parties</b>	\$ 295,000	\$ 185,000

The Company's financial instruments consist of cash, receivables, reclamation bonds, accounts payable, and due to related parties. Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are classified as loans and receivables and are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties are non-interest bearing and have no fixed terms of repayment. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through a major bank in Mexico and used to fund its foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk due to delays in receiving certain of its IVA refunds from the government of Mexico. The Company received IVA refunds totalling \$79,624 during the period. Management continues to use its best efforts to obtain such refunds

The cash balances, receivables, and payables that are denominated in pesos and U.S. dollars are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso/U.S. dollar. At March 31, 2015, the Company held the equivalent of \$106,364 in cash, \$378,481 in receivables, and \$82,752 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of \$15,117 in cash, and \$37,094 in accounts payable, which are denominated in U.S. dollars. Based on the Company's peso denominated monetary assets and liabilities as at March 31, 2015, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately \$4,021. Based on the Company's U.S. dollar denominated monetary assets and liabilities as at March 31, 2015, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately \$220. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration and evaluation expenditures. Accounts payable denominated in foreign currencies are settled in a timely manner.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate or market risks in respect of these financial instruments. The carrying value of the financial assets recorded in these financial statements represents the Company's maximum exposure to credit and market risk as at March 31, 2015. The Company is exposed to liquidity risk due to its limited cash resources. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.



### **Disclosure for Venture Issuers without Significant Revenue**

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's condensed interim consolidated financial statements for the period ended March 31, 2015 provide a breakdown of the general and administrative expenses for the period under review and an analysis of the exploration and evaluation expenses incurred on its mineral properties.

### **Outstanding Share Data**

#### **Shares**

The Company's authorized share capital consists of an unlimited number of common voting shares without par value. As at March 31, 2015 and the date hereof, the Company had 81,059,872 common shares issued and outstanding (diluted – 84,859,872) compared to 81,059,872 common shares issued and outstanding (diluted – 85,879,722) as at December 31, 2014.

During the period, 144,850 warrants and 875,000 stock options expired unexercised. Notes 4 and 5 to the Company's March 31, 2015 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the period.

#### **Options and Warrants**

As at March 31, 2015 and the date hereof, a total of 3,800,000 incentive stock options were outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
1,750,000	\$ 0.28	November 23, 2015
200,000	\$ 0.35	January 13, 2016
1,175,000	\$ 0.20	January 20, 2017
300,000	\$ 0.18	October 29, 2017
375,000	\$ 0.10	January 4, 2019
3,800,000		

As at March 31, 2015 and the date hereof, there were no share purchase warrants outstanding.

#### **Subsequent Event**

Subsequent to March 31, 2015, the Company received \$200,000 from MAG, representing the second anniversary option payment due under the Salamandra option agreement.

#### **Investor Relations**

The Company maintains a website, [www.canasil.com](http://www.canasil.com), with detailed corporate information and information covering its mineral exploration projects and operations.

### **General Conditions Affecting the Company's Operations**

#### **General Trends**

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

The volatility in the resources sector caused by the sharp decrease in metals and commodity prices following the global financial crisis of 2008, the subsequent increase to record levels by March 2011, and subsequent drops from 2011 to 2014 have resulted in a loss of confidence in the resources sector among investors. This resulted in a general decline in the share prices of resource companies, and in particular for junior explorers, and presented significant constraints on funding exploration companies and programs. Following a short period of improving conditions between mid-December 2013 to mid-March 2014, precious and base metal prices have suffered further significant drops. Lower share prices and interest in resource companies has continued due to uncertainty in the financial markets and generally lower global economic growth forecasts, particularly in Europe and Asia.

### ***Competitive Conditions***

The outlook for acquisition and development of mineral resource projects had deteriorated since early March 2011 due to lower metal prices and slowing growth rates, particularly in Europe and Asia. The general forecast is for these conditions and market instability to continue, although the longer term outlook is more positive with higher forecasted demand for resources and commodities driven by a growing middle class in the Asian economies.

### ***Environmental Protection***

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

### ***Number of Employees***

As of March 31, 2015, the Company had one employee. Significant administrative, management, and certain geological services are provided to the Company by directors, officers, and consultants, or companies controlled by related parties. The Company, through its wholly-owned Mexican subsidiary Minera Canasil SA de CV, maintains a full-time operating office with geological and support staff in Durango, Mexico.

### ***Acquisition and Disposition of Mineral Properties***

During the period ended March 31, 2015, the Company did not acquire or dispose of any mineral properties. Due to limited funding, the Company has allowed certain claim payments on non-core properties to fall into arrears and may allow certain claims to lapse. Should the Company's capital resources improve, such claims may or may not be re-instated depending on the circumstances.

### ***Risk Factors relating to the Company's Business***

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

#### ***Precious and Base Metal Price Fluctuations***

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

#### ***Operating Hazards and Risks***

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries limited liability insurance, and potential liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

#### ***Exploration and Development***

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

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

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

#### ***Calculation of Reserves and Mineralization and Precious and Base Metal Recovery***

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

#### ***Government Regulation***

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

#### ***Environmental Factors***

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

#### ***Title to Assets***

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

#### ***Foreign Operations***

The Company operates in Mexico and has acquired mineral properties through staking and option agreements to acquire interests in mineral claims. The Company is currently engaged in exploration activities on these properties.

#### ***Management and Directors***

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

#### ***Conflicts of Interest***

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

#### ***Limited Operating History - Losses***

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of March 31, 2015, the Company's accumulated deficit was \$22,452,473.

#### ***Price Fluctuations and Share Price Volatility***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During the period, and to the date of this report, the price of the Company's shares fluctuated from a low of \$0.035 to a high of \$0.06 per share. There can be no assurance that continued fluctuations in price will not occur.

***Shares Reserved for Future Issuance - Dilution***

As at the date of this report, a total of 81,059,872 common shares of the Company are issued and outstanding. There are 3,800,000 stock options outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders.

***Forward Looking Statements***

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

**Approval**

The Board of Directors of the Company has approved the disclosure contained in this interim 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](http://www.sedar.com), and on the Company's website at [www.canasil.com](http://www.canasil.com).