



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

"Bahman Yamini"

"Kerry Spong"

President and Chief Executive Officer

Vice President, Finance & CFO

May 17, 2021

1760-750 West Pender Street, Vancouver, B.C. V6C 2T8

Tel: (604) 708-3788 Fax: (604) 708-3728

Email: admin@canasil.com

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars

Unaudited

ASSETS	March 31, 2021	December 31, 2020
Current		
Cash and cash equivalents	\$ 279,458	\$ 926,340
Receivables	102,655	93,519
Prepaid expenses	13,470	24,502
	395,583	1,044,361
Reclamation bonds	47,000	47,000
Right-of-use asset – office <i>(Note 8)</i>	19,926	29,889
Property and equipment	73,485	75,065
	\$ 535,994	\$ 1,196,315
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 107,074	\$ 96,413
Current portion of lease liability <i>(Note 8)</i>	23,167	34,254
	130,241	130,667
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 5)</i>	23,797,739	23,797,739
Contributed surplus	6,776,809	6,774,331
Accumulated other comprehensive income	624,830	624,830
Deficit	(30,793,625)	(30,131,252)
	405,753	1,065,648
	\$ 535,994	\$ 1,196,315

Nature and continuance of operations *(Note 1)*

Subsequent event *(Note 10)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McLinnis", Director

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY**

Expressed in Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Notes 5,6)	Contributed Surplus (Note 6)	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2019	104,206,622	\$ 21,837,835	\$ 6,484,218	\$ 624,830	\$ (28,073,302)	\$ 873,581
Private placement - units	5,087,500	407,000	-	-	-	407,000
Share issuance costs	-	(9,694)	-	-	-	(9,694)
Comprehensive loss for the period	-	-	-	-	(393,194)	(393,194)
Balance – March 31, 2020	109,294,122	22,235,141	6,484,218	624,830	(28,466,496)	877,693
Private placement - units	7,827,500	1,565,500	-	-	-	1,565,500
Share issuance costs	-	(33,956)	-	-	-	(33,956)
Exercise of stock options	350,000	21,000	-	-	-	21,000
Fair value of stock options exercised	-	10,054	(10,054)	-	-	-
Share-based compensation	-	-	300,167	-	-	300,167
Comprehensive loss for the period	-	-	-	-	(1,664,756)	(1,664,756)
Balance – December 31, 2020	117,471,622	23,797,739	6,774,331	624,830	(30,131,252)	1,065,648
Share-based compensation	-	-	2,478	-	-	2,478
Comprehensive loss for the period	-	-	-	-	(662,373)	(662,373)
Balance – March 31, 2021	117,471,622	\$ 23,797,739	\$ 6,776,809	\$ 624,830	\$ (30,793,625)	\$ 405,753

- the accompanying notes are an integral part of these financial statements -

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

Expressed in Canadian Dollars

Unaudited

	2021	2020
Expenses		
Accounting and audit	\$ 8,968	\$ 8,205
Depreciation – equipment	3,356	433
Depreciation – right-of-use asset – office <i>(Note 8)</i>	9,963	9,964
Director fees	9,000	9,000
Exploration and evaluation <i>(Note 4)</i>	504,208	223,276
Foreign exchange loss	14,361	13,222
Interest – lease liability <i>(Note 8)</i>	796	2,034
Interest income	(448)	(2,876)
Investor relations and promotions	20,917	8,984
Legal fees	532	2,330
Listing and filing fees	6,050	5,500
Management fees	15,000	37,500
Office services and supplies	8,279	8,974
Salaries, wages and consulting	60,512	61,347
Share-based compensation <i>(Note 6)</i>	2,478	-
Shareholder communications	4,161	2,588
Transfer agent fees	1,223	1,900
Travel and accommodation	-	813
Loss for the period before other item	669,356	393,194
Gain on sale of equipment	(6,983)	-
Loss and comprehensive loss for the period	\$ 662,373	\$ 393,194
Loss per share – basic and diluted	\$ 0.01	\$ 0.00
Weighted-average number of shares outstanding – basic and diluted	117,471,622	105,660,880

- the accompanying notes are an integral part of these financial statements -

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

Expressed in Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2021	2020
Operating activities		
Loss for the period	\$ (662,373)	\$ (393,194)
Items not involving cash		
Depreciation – equipment	3,356	433
Depreciation – right-of-use asset - office	9,963	9,964
Gain on sale of equipment	(6,983)	-
Share-based compensation	2,478	-
Changes in non-cash working capital		
Receivables	(9,136)	16,807
Prepaid expenses	11,032	3,808
Accounts payable and accrued liabilities	10,661	(17,931)
	<u>(641,002)</u>	<u>(380,113)</u>
Investing activities		
Proceeds on sale of equipment	6,983	-
Accounts payable and accrued liabilities	(1,776)	-
	<u>5,207</u>	<u>-</u>
Financing activities		
Share capital issued for cash	-	407,000
Share issuance costs	-	(9,694)
Principal payments – lease liability	(11,087)	(9,498)
	<u>(11,087)</u>	<u>387,808</u>
Change in cash for the period	(646,882)	7,695
Cash position - beginning of period	<u>926,340</u>	<u>818,015</u>
Cash position - end of period	\$ 279,458	\$ 825,710

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

Expressed in Canadian Dollars

Unaudited

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (“Canasil” or the “Company”) is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests 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 ore reserves. The Company’s continuing operation is dependent upon the confirmation of 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 operations for the foreseeable future. As at March 31, 2021 the Company had working capital of \$265,342, which it considers to be insufficient to fund its overhead and planned exploration activities for the ensuing twelve months (*Note 10*). 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 material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. The Company has incurred operating losses since inception and as at March 31, 2021 had an accumulated deficit of \$30,793,625.

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. Additionally, the outbreak of the COVID-19 global pandemic has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, the Company’s operations have not been materially affected by the pandemic, however, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its future effects on the Company’s business or ability to raise funds.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

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, 2020. All financial information presented herein is unaudited. The Company’s board of directors approved these financial statements for issue on May 17, 2021.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

Expressed in Canadian Dollars

Unaudited

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION - *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 or fair value through other comprehensive income, 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 significant wholly-owned subsidiaries, CRD Minerals Corp., Canmine Minerals Inc., Minera Canasil S.A. de C.V., and Minera CRD S.A. de C.V. All significant inter-company transactions, balances, and unrealized foreign exchange 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.

4. EXPLORATION AND EVALUATION

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

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 area, subject to a net smelter returns royalty ("NSR") of up to 1%. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and purchased the NSR in 2016. From 2006 to 2010, the Company also added further claims, by direct staking, to increase the size of the project area.

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking as well as the purchase of a 100% interest in certain claims comprising the central area of the project, which are subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

Nora project, Mexico

The Company holds a 100% interest in the Nora project, located in Durango State, Mexico, which was acquired through staking.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2021**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION - *continued***Sandra-Escobar project, Mexico**

Between 2004 and 2006, the Company acquired, by staking, the Sandra claims located in Durango State, Mexico and in 2012 earned a 40% interest in the contiguous Escobar claims held by Pan American Silver Corp. ("Pan American"). In addition to these claims, the Company also acquired various other claims in the area from third parties, all of which formed the Sandra-Escobar project.

In January 2017, Orex Minerals Inc. ("Orex") earned a 45% interest in the project by paying the Company \$500,000 and incurring US\$2,000,000 in exploration expenditures.

In June 2019, the Company sold its interest in the project to Pan American for \$2,000,000 plus a 2% net smelter returns royalty interest ("NSR Royalty Interest") payable on Pan American's share of the project; the NSR Royalty Interest can be reduced to 1% upon payment of \$4,000,000 to the Company.

Other projects

Mexico

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, and Vizcaino projects. The Company holds a 100% interest in these projects.

Canada

The Company has staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in these projects.

Expenditures

Expenditures for the periods ended March 31 and cumulative expenditures to March 31, 2021 are as follows:

	Expenditures 2021	Expenditures 2020	Cumulative 2021
Brenda, Canada	\$ 3,741	\$ 11,800	\$ 2,425,512
- Expenditure recoveries	-	-	(225,773)
Vega, Canada	4,257	-	387,259
- Expenditure recoveries	-	-	(75,190)
Other, Canada	2,032	400	144,856
- Expenditure recoveries	-	-	(22,776)
La Esperanza, Mexico	400,102	76,535	4,312,808
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Salamandra, Mexico	31,009	33,782	6,407,888
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
Nora, Mexico	16,974	42,534	1,171,822
Sandra-Escobar, Mexico	-	-	2,020,973
- Expenditure recoveries	-	-	(177,486)
- Option payments received	-	-	(500,000)
Other, Mexico	46,093	58,225	3,240,750
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	<u>\$ 504,208</u>	<u>\$ 223,276</u>	<u>\$ 17,505,812</u>

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2021**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION - *continued***Expenditures** - *continued*

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

	2021	2020
Administration	\$ 30,777	\$ 33,753
Assays	8,046	-
Drilling	88,375	-
Environmental and permitting	6,231	-
Consulting	-	4,054
Field costs	35,697	1,540
Geological	58,229	25,296
Land holding costs	258,255	146,077
Mapping and surveying	2,718	2,303
Road building	14,315	-
Transportation and rentals	1,565	10,253
	<u>\$ 504,208</u>	<u>\$ 223,276</u>

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.

5. SHARE CAPITAL

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

In March 2020, the Company completed a non-brokered private placement by issuing 5,087,500 units at a price of \$0.08 per unit for gross proceeds of \$407,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.12 per share for a period of two years. The warrants are subject to an acceleration clause should the closing price of the Company's shares exceed \$0.25 per share for a period of 20 consecutive trading days. The Company paid finders' fees of \$3,720 on a portion of the placement as well as legal and filing fees of \$5,974.

In July 2020, the Company completed a non-brokered private placement by issuing 7,827,500 units at a price of \$0.20 per unit for gross proceeds of \$1,565,500. Each unit consisted of one common share and one-half of one two-year share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.25 per share in the first year or \$0.30 in the second year. The warrants are subject to an acceleration clause should the closing price of the Company's shares exceed \$0.50 per share for a period of 20 consecutive trading days. The Company paid finders' fees of \$21,900 on a portion of the placement as well as legal and filing fees of \$12,056.

In December 2020, the Company issued 350,000 shares upon the exercise of stock options for proceeds of \$21,000. The fair value of the options at the time of grant was estimated at \$10,054 and this amount was transferred from contributed surplus to share capital upon exercise of the options.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS

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, 2019	2,309,250	\$ 0.25	7,240,000	\$ 0.10
Expired/amended	(2,309,250)	\$ 0.25	(4,600,000)	\$ 0.06
Amended	-	\$ -	4,600,000	\$ 0.11
Exercised	-	\$ -	(350,000)	\$ 0.06
Issued/granted	5,087,500	\$ 0.12	1,750,000	\$ 0.08
Issued/granted	<u>3,913,750</u>	\$ 0.25	<u>250,000</u>	\$ 0.11
Outstanding, December 31, 2020	9,001,250	\$ 0.18	8,890,000	\$ 0.13
Expired	-	\$ -	(400,000)	\$ 0.21
Granted	-	\$ -	<u>200,000</u>	\$ 0.15
Outstanding, March 31, 2021	9,001,250	\$ 0.18	8,690,000	\$ 0.12
Exercisable, March 31, 2021	9,001,250	\$ 0.18	8,540,000	\$ 0.12

At March 31, 2021, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	1,155,000	\$ 0.20	January 20, 2022
	735,000	\$ 0.20	January 25, 2022
	1,750,000	\$ 0.08	May 22, 2025
	250,000	\$ 0.11	November 9, 2025
	4,600,000	\$ 0.11	December 21, 2025
	200,000	\$ 0.15	March 31, 2023
	<u>8,690,000</u>		
Warrants	4,250,000	\$ 0.12	March 5, 2022
	837,500	\$ 0.12	March 11, 2022
	3,913,750	\$ 0.25	July 31, 2022 (i)
	<u>9,001,250</u>		

(i) Exercise price increases to \$0.30 per share on July 31, 2021.

At March 31, 2021, the weighted-average remaining life for the outstanding stock options was 3.70 years and 1.11 years for the outstanding warrants.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2021**

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS - *continued***Share-based compensation**

The following table presents information relating to incentive stock options granted to directors, officers, employees, and consultants of the Company during the periods ended March 31. During 2021, the Company granted 200,000 options that vest in tranches of 25% over one year. Share-based compensation is recorded over the vesting period.

	2021	2020
Total options granted	200,000	-
Average exercise price	\$ 0.15	\$ -
Estimated fair value of options granted	\$ 8,754	\$ -
Estimated fair value per option	\$ 0.04	\$ -

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 for options granted and amended during the year:

	2021	2020
Risk-free interest rate	0.22%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	95%	-
Expected forfeiture rate	0.00%	-
Expected option life in years	2.00	-

The Company has recorded share-based compensation as follows:

	2021	2020
Number of options vested in period	50,000	-
Compensation recognized in period	\$ 2,478	\$ -

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes officers and non-executive directors. The compensation paid or payable to key management for the periods ended March 31 is as follows:

	2021	2020
Salaries	\$ 56,250	\$ 56,250
Management fees	15,000	37,500
Director fees	9,000	9,000
	\$ 80,250	\$ 102,750

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2021**

Expressed in Canadian Dollars

Unaudited

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its office premises that expires September 30, 2021 and contains no renewal clause. Current monthly payments are \$3,956 and include basic rent and a pro rata share of common operating costs.

On January 1, 2019, the date of initial application under IFRS 16, the Company recorded this agreement as a lease liability with an initial measurement equal to the present value of the remaining lease payments using the Company's estimated incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method and adjusted for interest and principal. The right-of-use asset has been measured at an amount equal to the initial lease liability and is subsequently depreciated on a straight-line basis over the remaining term of the lease.

Details of the right-of-use asset for the period are as follows:

	2021		2020	
Balance – beginning of period	\$	29,889	\$	69,742
Depreciation		(9,963)		(9,964)
Balance – end of period	\$	19,926	\$	59,778

Details of the lease liability for the period are as follows:

	2021		2020	
Balance – beginning of period	\$	34,254	\$	74,295
Lease payments		(11,995)		(11,629)
Interest portion		908		2,131
		23,167		64,797
Less: current portion		(23,167)		(41,630)
Balance – end of period	\$	-	\$	23,167

Accrued interest payable on the lease liability to March 31, 2021 totalled \$237 (2020 - \$660). Undiscounted payments remaining under the lease agreement total \$23,736.

9. SEGMENTED INFORMATION

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

March 31, 2021	Canada		Mexico		Total
Property and equipment	\$	3,294	\$	70,191	\$ 73,485
Right-of-use asset – office	\$	19,926	\$	-	\$ 19,926
December 31, 2020	Canada		Mexico		Total
Property and equipment	\$	3,584	\$	71,481	\$ 75,065
Right-of-use asset – office	\$	29,889	\$	-	\$ 29,889

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

Expressed in Canadian Dollars

Unaudited

10. SUBSEQUENT EVENT

Subsequent to March 31, 2021, the Company completed a non-brokered private placement of 7,900,000 units at a price of \$0.10 per unit for gross proceeds of \$790,000. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.15 during the first year or \$0.20 during the second year following the closing of the offering. If, commencing after the fourth month after closing, the closing price of the Company's shares exceeds \$0.25 per share for a period of 20 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants to 30 days after the issuance of a news release announcing such acceleration.