



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**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 financial statements by an entity's auditor.

*"Bahman Yamini"*

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**President and Chief Executive Officer**

*"Kerry Spong"*

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**Vice President, Finance & CFO**

*August 28, 2019*

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

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

Email: [admin@canasil.com](mailto:admin@canasil.com)

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

Expressed in Canadian Dollars

*Unaudited*

<b>ASSETS</b>	June 30, 2019	December 31, 2018
<b>Current</b>		
Cash	\$ 2,005,324	\$ 118,314
Marketable securities <i>(Note 3)</i>	-	56,000
Receivables	16,205	57,282
Prepaid expenses	8,227	12,618
	<u>2,029,756</u>	<u>244,214</u>
<b>Reclamation bonds</b>	47,000	47,000
<b>Right-of-use asset – office</b> <i>(Note 8)</i>	89,668	-
<b>Property and equipment</b>	39,366	40,618
	<u>\$ 2,205,790</u>	<u>\$ 331,832</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 49,516	\$ 127,048
Value-added tax payable <i>(Note 4)</i>	320,000	-
Current portion of lease liability	37,012	-
	<u>406,528</u>	<u>127,048</u>
<b>Lease liability</b> <i>(Note 8)</i>	55,031	-
	<u>461,559</u>	<u>127,048</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> <i>(Note 5)</i>	21,837,835	21,837,835
<b>Contributed surplus</b>	6,484,218	6,484,218
<b>Accumulated other comprehensive income</b>	624,830	625,458
<b>Deficit</b>	(27,202,652)	(28,742,727)
	<u>1,744,231</u>	<u>204,784</u>
	<u>\$ 2,205,790</u>	<u>\$ 331,832</u>

**Nature and continuance of operations** *(Note 1)*

**Commitments** *(Note 9)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", 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 (loss)	Deficit	Total
<b>Balance – December 31, 2017</b>	101,897,372	\$ 21,437,985	\$ 6,514,588	\$ 678,997	\$ (27,307,062)	\$ 1,324,508
Exercise of warrants	2,309,250	369,480	-	-	-	369,480
Fair value of warrants exercised	-	30,370	(30,370)	-	-	-
Comprehensive loss for the period	-	-	-	(10,022)	(694,366)	(704,388)
<b>Balance – June 30, 2018</b>	104,206,622	21,837,835	6,484,218	668,975	(28,001,428)	989,600
Comprehensive loss for the period	-	-	-	(43,517)	(741,299)	(784,816)
<b>Balance – December 31, 2018</b>	104,206,622	21,837,835	6,484,218	625,458	(28,742,727)	204,784
Comprehensive income (loss) for the period	-	-	-	(628)	1,540,075	1,539,447
<b>Balance – June 30, 2019</b>	104,206,622	\$ 21,837,835	\$ 6,484,218	\$ 624,830	\$ (27,202,652)	\$ 1,744,231

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

**CANASIL RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS  
OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars

Unaudited

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<b>Expenses</b>				
Accounting and audit	\$ 11,886	\$ 19,503	\$ 21,397	\$ 29,645
Depreciation - equipment	626	925	1,252	1,849
Depreciation – right-of-use asset – office (Note 8)	9,963	-	19,926	-
Director fees	9,000	12,000	18,000	24,000
Exploration and evaluation (Note 4)	84,493	202,930	144,211	378,312
Foreign exchange loss (gain)	4,318	1,128	3,191	(10,750)
Interest – lease liability (Note 8)	2,837	-	5,888	-
Interest income	(3,887)	(66)	(3,887)	(687)
Investor relations and promotions	-	932	-	1,324
Legal fees	22,033	3,855	28,392	4,770
Listing and filing fees	1,779	-	7,479	10,876
Management fees	37,500	37,500	75,000	75,000
Office rent, services and supplies	7,647	18,111	14,729	37,058
Salaries, wages and consulting	60,366	57,003	118,139	118,483
Shareholder communications	2,147	9,199	3,488	17,049
Transfer agent fees	1,435	1,868	2,720	3,285
Travel and accommodation	-	-	-	2,654
<b>Loss for the period before other item</b>	<b>(252,143)</b>	<b>(364,888)</b>	<b>(459,925)</b>	<b>(692,868)</b>
Gain on sale of mineral property (Note 4)	2,000,000	-	2,000,000	-
<b>Income (loss) for the period before taxes</b>	<b>1,747,857</b>	<b>(364,888)</b>	<b>1,540,075</b>	<b>(692,868)</b>
Deferred income tax expense (Note 3)	-	(1,365)	-	(1,498)
<b>Income (loss) for the period</b>	<b>1,747,857</b>	<b>(366,253)</b>	<b>1,540,075</b>	<b>(694,366)</b>
<b>Other comprehensive loss</b>				
Change in fair value of marketable securities, net of taxes (Note 3)	-	(9,135)	(628)	(10,022)
<b>Comprehensive income (loss) for the period</b>	<b>\$ 1,747,857</b>	<b>\$ (375,388)</b>	<b>\$ 1,539,447</b>	<b>\$ (704,388)</b>
<b>Income (loss) per share – basic and diluted</b>	<b>\$ 0.02</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Weighted-average shares outstanding</b>				
– basic	104,206,622	104,206,622	104,206,622	103,122,168
– diluted	104,587,391	104,206,622	104,397,007	103,122,168

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

**CANASIL RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars

*Unaudited*

<b>CASH RESOURCES PROVIDED BY (USED IN)</b>	2019	2018
<b>Operating activities</b>		
Income (loss) for the period	\$ 1,540,075	\$ (694,366)
Items not involving cash		
Depreciation – equipment	1,252	1,849
Depreciation – right-of-use asset - office	19,926	-
Gain on sale of mineral property	(2,000,000)	-
Deferred income tax expense	-	1,498
Changes in non-cash working capital		
Receivables	41,077	17,171
Prepaid expenses	4,391	(14,856)
Accounts payable and accrued liabilities	(77,532)	(46,360)
Value-added taxes payable	320,000	-
	<u>(150,811)</u>	<u>(735,064)</u>
<b>Investing activities</b>		
Proceeds on sale of mineral property	2,000,000	-
Proceeds on sale of marketable securities	55,372	488,980
	<u>2,055,372</u>	<u>488,980</u>
<b>Financing activities</b>		
Share capital issued for cash	-	369,480
Principal payments – lease liability	(17,551)	-
	<u>(17,551)</u>	<u>369,480</u>
<b>Change in cash for the period</b>	1,887,010	123,396
Cash position - beginning of period	118,314	202,029
<b>Cash position - end of period</b>	\$ 2,005,324	\$ 325,425
<b>Supplemental schedule of non-cash financing and investing transactions</b>		
Unrealized losses on marketable securities	\$ 628	\$ 11,520
Fair value of warrants exercised	\$ -	\$ 30,370
Right-of-use asset – office	\$ 109,594	\$ -
Lease liability	\$ 109,594	\$ -
<b>Supplemental cash flow information</b>		
Interest paid – lease liability	\$ 4,980	\$ -

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

## **CANASIL RESOURCES INC.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

Expressed in Canadian Dollars

Unaudited

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#### **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 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. As at June 30, 2019 the Company had working capital of \$1,623,228, which it considers to be adequate to fund its overhead and currently planned exploration activities for the ensuing twelve months. 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 June 30, 2019 had an accumulated deficit of \$27,202,652.

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.

#### **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.

Except for the adoption of IFRS 16 on January 1, 2019 as detailed below, 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, 2018. All financial information presented herein is unaudited. The Company’s board of directors approved these financial statements for issue on August 28, 2019.

**CANASIL RESOURCES INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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 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. ("CRD"), Minera Canasil S.A. de C.V. and Minera CRD S.A. de C.V. ("Minera CRD"). 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.

**Adoption of new accounting standard**

On January 1, 2019, the Company adopted IFRS 16 – *Leases*, according to which all leases are presented in the balance sheet of the lessee, except those that meet the limited exception criteria. The Company currently leases its office premises under a three-year lease agreement, which in previous years has been accounted for as an operating lease applying IAS 17. Under IFRS 16, the Company has presented a right-of-use asset representing its office premises, and an offsetting lease liability representing the future cash payments due under the lease agreement.

The Company elected to apply IFRS 16 retrospectively with the cumulative effect of initially applying the standard at the date of initial application such that there is no restatement of comparative information and no adjustment to opening deficit. Accordingly, on January 1, 2019, the date of initial application, the Company has recorded a lease liability measured at the present value of the remaining lease payments due under its lease agreement using the Company's estimated incremental borrowing rate. The right-of-use asset has been measured at an amount equal to the initial lease liability.

Payments made under the lease agreement, which were previously recorded as rent expense, are now recorded as principal and interest due under the lease liability. The right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease. Accordingly, in the statement of cash flows, interest expense has been included in operating activities and the principal reduction of the lease liability has been presented as a financing activity.

Subsequent to the date of initial application, the carrying amounts of the lease liability and right-of-use asset are subject to remeasurement to reflect any lease modifications or revised in-substance fixed lease payments.



**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019**

Expressed in Canadian Dollars

Unaudited

**3. MARKETABLE SECURITIES**

The Company acquired common shares of Orex Minerals Inc. ("Orex") and Barsele Minerals Corp. through a private placement with, and subsequent reorganization of, Orex and which were not designated as held for trading. At the time of the acquisition of these shares, the Company had an option agreement with Orex on the Sandra-Escobar project (*Note 4*) and the shares were considered a strategic investment in the project. Upon adopting IFRS 9 on January 1, 2018, the Company elected to measure these shares at FVTOCI.

Details as at June 30 are as follows:

	Shares 2019	Cost 2019	Fair Value 2019	Fair Value 2018
Orex Minerals Inc.	-	\$ -	\$ -	\$ 80,500
Barsele Minerals Corp.	-	-	-	490,000
		\$ -	\$ -	\$ 570,500

Sales and changes in the fair value of these securities for the periods ended June 30 are as follows:

	2019	2018
Fair value – beginning of period	\$ 56,000	\$ 1,060,500
Sold – 700,000 Barsele shares	(55,372)	-
Sold – 700,000 Barsele shares	-	(488,980)
Change in fair value	(628)	(1,020)
Fair value – end of period	\$ -	\$ 570,500

The carrying value of the Company's marketable securities is determined by using the quoted closing price of the security as at the balance sheet date. During the period, the Company sold 700,000 Orex shares for net cash proceeds of \$55,372 and a loss of \$14,584. In accordance with IFRS 9, gains realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss. The Company also recorded unrealized losses of \$628 (2018 - \$10,022), net of deferred income tax impact of \$nil (2018 - \$1,498), through accumulated other comprehensive income.

**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:

**Sandra-Escobar project, Mexico**

Between 2004 and 2006, the Company acquired, by staking, the Sandra claims located in Durango State, Mexico. In accordance with a 2009 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. 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.

## CANASIL RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Expressed in Canadian Dollars

Unaudited

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

##### **Sandra-Escobar project, Mexico** - *continued*

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period. Orex could earn an additional 10% interest by paying the Company \$500,000 in cash or shares and incurring an additional US\$2,000,000 in exploration expenditures within two years. In January 2017, Orex advised the Company that it had completed the required expenditures of US\$2,000,000 to earn a 55% interest in the project and declined the second option to earn an additional 10% interest.

In December 2017, the Company signed a non-binding letter of intent with Pan American and Orex, which provided the basis for entering into a definitive option agreement whereby the three companies would advance the Sandra-Escobar project jointly. In October 2018, prior to signing a definitive option agreement, the Company and Pan American signed a non-binding letter of intent providing Pan American with the right to purchase the Company's rights, title, and interest in the project. In June 2019, the Company signed a definitive purchase agreement with Pan American and transferred the Company's interest in the project for proceeds of \$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. Value-added tax of \$320,000 was payable in respect of the sale, which was remitted in July 2019.

In September 2017, Pan American filed a legal action against the Company in the Supreme Court of British Columbia claiming certain rights under the 2009 option agreement. The Company was never served in respect of this action and believes that the action was without merit. A condition of the definitive purchase agreement was the withdrawal of this action.

##### **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 and an option to purchase a 100% interest in certain claims comprising the central 900 hectares of the project area. During 2017, the Company renegotiated the terms of this option agreement such that it acquired a 100% interest in the 900 hectares by making a final payment of US\$25,000 bringing the total paid for these claims to US\$250,000. These claims are subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

##### **Other projects**

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects (*Note 10*). The Company holds a 100% interest in all of these projects.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019**

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**4. EXPLORATION AND EVALUATION - continued****Expenditures for the periods ending June 30, by activity, are as follows:**

	2019	2018
Administration and indirect	\$ 88,331	\$ 68,130
Assays	-	18,574
Drilling	-	46,093
Field costs	2,409	18,976
Geological	44,965	63,110
Land holding costs	5,632	214,977
Legal	-	3,298
Mapping and surveying	1,869	4,134
Road building	1,005	1,666
Transportation and rentals	-	2,462
Expenditure recoveries	-	(63,108)
	<u>\$ 144,211</u>	<u>\$ 378,312</u>

**Expenditures for the periods ended June 30 and cumulative expenditures to June 30, 2019 are as follows:**

	Expenditures 2019	Expenditures 2018	Cumulative 2019
Brenda, Canada	\$ -	\$ -	\$ 2,392,170
- Expenditure recoveries	-	-	(222,580)
Vega, Canada	5,569	561	290,687
- Expenditure recoveries	-	-	(37,016)
Other, Canada	-	-	141,767
- Expenditure recoveries	-	-	(22,776)
La Esperanza, Mexico	42,208	241,727	3,197,461
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Sandra-Escobar, Mexico	6,805	61,999	2,016,429
- Expenditure recoveries	-	(63,108)	(177,486)
- Option payments received	-	-	(500,000)
Salamandra, Mexico	41,301	75,651	6,251,278
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
Other, Mexico	48,328	61,482	3,576,096
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	<u>\$ 144,211</u>	<u>\$ 378,312</u>	<u>\$ 15,301,199</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.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019**

Expressed in Canadian Dollars

Unaudited

**5. SHARE CAPITAL**

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

There were no shares issued from treasury during the period ended June 30, 2019.

In March 2018, the Company granted the holders of 4,194,250 share purchase warrants, with an exercise price of \$0.50 per share, the right to exercise their warrants at a reduced price of \$0.16 on or before March 23, 2018. In March 2018, 2,309,250 warrants were exercised for cash proceeds of \$369,480. Holders exercising their warrants also received a replacement warrant with an exercise price of \$0.25 per share expiring on February 28, 2020, subject to an acceleration clause should the closing price of the Company's shares exceed \$0.33 per share for a period of ten consecutive trading days. The terms of the 1,885,000 unexercised warrants remained unchanged and these warrants expired unexercised in June 2018.

The related fair value of \$30,370, which was recognized in contributed surplus upon issuance of 134,250 of the exercised warrants, has been recorded as share capital.

**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, 2017	4,194,250	\$ 0.50	7,635,000	\$ 0.10
Exercised	(2,309,250)	\$ 0.16	-	\$ -
Issued	2,309,250	\$ 0.25	-	\$ -
Expired	<u>(1,885,000)</u>	\$ 0.50	<u>(70,000)</u>	\$ 0.13
Outstanding, December 31, 2018	2,309,250	\$ 0.25	7,565,000	\$ 0.10
Expired	<u>-</u>	\$ -	<u>(325,000)</u>	\$ 0.10
Outstanding, June 30, 2019	<u>2,309,250</u>	<u>\$ 0.25</u>	<u>7,240,000</u>	<u>\$ 0.10</u>
Exercisable, June 30, 2019	<u>2,309,250</u>	<u>\$ 0.25</u>	<u>7,240,000</u>	<u>\$ 0.10</u>

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019**

Expressed in Canadian Dollars

Unaudited

**6. STOCK OPTIONS AND WARRANTS - *continued***

At June 30, 2019, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	4,950,000	\$ 0.06	December 21, 2020
	400,000	\$ 0.21	March 1, 2021
	1,155,000	\$ 0.20	January 20, 2022
	<u>735,000</u>	\$ 0.20	January 25, 2022
	<u>7,240,000</u>		

	Number of Shares	Exercise Price	Expiry Date
Warrants	2,309,250	\$ 0.25	February 28, 2020

At June 30, 2019, the weighted-average remaining life for the outstanding stock options was 1.77 years and 0.67 years for the outstanding warrants.

**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 June 30 is as follows:

	2019	2018
Salaries	\$ 112,500	\$ 112,500
Management fees	75,000	75,000
Director fees	18,000	24,000
Legal fees	-	4,981
	<u>\$ 205,500</u>	<u>\$ 216,481</u>

Accounts payable and accrued liabilities includes \$nil (December 31, 2018 - \$9,000) in accrued director fees, and \$nil (December 31, 2018 - \$13,125) in management fees payable to the chief financial officer.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019**

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 \$3,755 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 of 12%. The right-of-use asset has been measured at an amount equal to the initial lease liability.

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

	<u>2019</u>
Balance – initial application	\$ 109,594
Depreciation for the period	(19,926)
Balance – end of period	<u>\$ 89,668</u>

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

	<u>2019</u>
Balance – initial application	\$ 109,594
Payments made during period	(22,531)
Interest portion of payments	4,980
	<u>92,043</u>
Less: current portion	(37,012)
Balance – end of period	<u>\$ 55,031</u>

Accrued interest payable on the lease liability to June 30, 2019 totalled \$908.

Total undiscounted payments due under the lease agreement are as follows:

	<u>Amount</u>
2019	\$ 22,851
2020	46,837
2021	35,986
	<u>\$ 105,674</u>

**9. COMMITMENTS**

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate monthly compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019**

Expressed in Canadian Dollars

Unaudited

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**10. PROPOSED SPIN-OFF TRANSACTION**

In July 2017, the Company announced its intention to undertake a spin-off transaction to segregate its British Columbia properties into a separate company, Canmine, a wholly-owned subsidiary of the Company. Upon completion, shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. The transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company approved the transaction at a special meeting held on December 12, 2017 and the Company received final court approval on December 20, 2017. Completion of the transaction is subject to the conditional listing of the shares of Canmine on the TSX Venture Exchange, which has been delayed due to market conditions.

**11. 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:

June 30, 2019	Canada		Mexico		Total
Property and equipment	\$	3,747	\$	35,619	\$ 39,366
Right-of-use asset – office	\$	89,668	\$	-	\$ 89,668

  

December 31, 2018	Canada		Mexico		Total
Property and equipment	\$	4,368	\$	36,250	\$ 40,618
Right-of-use asset – office	\$	-	\$	-	\$ -



## **Interim Management's Discussion and Analysis**

### **Quarterly Highlights**

**For the Six Months Ended June 30, 2019**

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#### **INTRODUCTION**

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

This Interim Management's Discussion and Analysis ("MD&A") is dated August 28, 2019, and provides information on the Company's activities for the six months ended June 30, 2019, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's June 30, 2019 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The Company has elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2018 MD&A and audited consolidated financial statements, available for viewing at [www.sedar.com](http://www.sedar.com).

#### **QUARTERLY HIGHLIGHTS**

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

- finalized the definitive agreement and closed the transaction with Pan American Silver Corp. ("Pan American") in respect of the sale of the Company's interest in the Sandra-Escobar project for \$2,000,000 and a 2% net smelter returns royalty interest, one-half of which can be purchased by Pan American for \$4,000,000;
- sold marketable securities for gross proceeds of \$56,000 in February 2019;
- analyzed the results of a LiDAR survey conducted in late 2018 on the Vega property;
- followed up on possibilities for cooperation agreements and funding opportunities to advance the Company's exploration projects in Mexico and Canada;
- conducted a reconnaissance and sampling program at the Nora project in Mexico;
- made preparations for a field program at the Vega project in British Columbia.

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



## **OUTLOOK**

### **Corporate Outlook**

On June 28, 2019, the Company finalized the definitive agreement with Pan American and closed the sale of its interest in the Sandra-Escobar project in Durango, Mexico, for \$2,000,000 and grant of a 2% net smelter returns royalty interest on Pan American's interest in the project ("NSR Royalty Interest"). Pan American retains the right to reduce the NSR Royalty Interest to 1% at any time by paying the Company \$4,000,000. The proceeds from this transaction provide significant non-dilutive funding to advance the Company's exploration projects. Past exploration programs have identified prospective targets for further exploration and drilling on the Company's project portfolio in Mexico and in British Columbia, Canada. They have also returned encouraging drill results, particularly from the La Esperanza high-grade silver, gold, zinc, lead project in Mexico, which warrants further drilling. Details are noted below under the mineral properties section.

The Company is reviewing plans for advancing its exploration projects, and has initiated a surface sampling program at the Nora project in Durango Mexico to define drill targets based on previously identified high-grade silver-gold-base metal epithermal vein outcrops. The Company has also initiated plans for a geological mapping and surface sampling program at the Vega copper-gold project in British Columbia to investigate a number of potential targets for porphyry style mineralization identified by prior field work and airborne magnetic and LiDAR surveys.

In September 2017, Pan American filed a legal action against the Company in the Supreme Court of British Columbia claiming certain rights under a 2009 option agreement on the Sandra-Escobar project. Pan American did not serve the Company in respect of this action and the Company believes that the action is without merit. A condition precedent to signing the definitive purchase agreement completed on June 28, 2019, was Pan American withdrawing its legal action. The Definitive Agreement supersedes all prior agreements and arrangements between Canasil and Pan American with respect to the Sandra-Escobar project.

### **Market Conditions**

During the period to mid-June 2019, gold and silver prices remained stagnant, with gold trading between US\$1,275 per ounce and US\$1,350 per ounce, closing at US\$1,340 per ounce, and silver trading between US\$14 per ounce and US\$16 per ounce, closing at US\$15 per ounce. Since mid-June to the date of this report gold and silver prices have increased significantly, to over US\$1,500 per ounce and US\$18 per ounce respectively, based on the lower US interest rates and prospects for a lower US dollar, as well as renewed interest following the forecasted recovery in precious metal prices. Gold was trading at US\$1,536 per ounce and silver at US\$18.44 per ounce at the time of this report, with continued economic uncertainties resulting from trade disputes and tariffs imposed by the US. The gold silver price ratio is lower at 83 from the recent all-time high of 89. Copper and zinc prices have continued to decline, primarily due to economic uncertainties and lower industrial growth forecasts, and as at the date of this report, copper was trading at US\$2.85 per pound, and zinc at US\$1.03 per pound, down from US\$3.20 per pound and US\$1.60 per pound respectively in January 2018.

The uncertain economic conditions and lower precious and base metal prices in 2018 and first half of 2019, and the difficult environment for the resource and exploration sectors focused on these metals, resulted in low share prices, particularly for earlier stage exploration companies. There were few financing opportunities during this period and less urgency among larger companies to conclude agreements with explorers for advancing earlier stage projects. As a result, the Company had to adopt a very conservative approach resulting in delays in implementation of its plans. However, the improvement in gold and silver prices since mid-June 2019 has provided some renewed optimism and better market conditions for the larger mining companies, which has started to improve conditions for the earlier stage exploration companies. This has provided better opportunities for funding and more activity in the precious metals exploration sector.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2019**

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**FINANCIAL CONDITION**

As at June 30, 2019, the Company had working capital of \$1,623,228, compared to working capital of \$117,166 at December 31, 2018. The increase in working capital is due primarily to the closing of the sale of the Sandra-Escobar project in June 2019. The Company's working capital position consists of the following:

	June 30, 2019	December 31, 2018
Cash	\$ 2,005,324	\$ 118,314
Marketable securities (i)	-	56,000
Receivables	16,205	57,282
Prepaid expenses	8,227	12,618
Accounts payable and accrued liabilities	(49,516)	(127,048)
Value-added tax payable	(320,000)	-
Current portion of lease liability	(37,012)	-
<b>Working capital position</b>	<b>\$ 1,623,228</b>	<b>\$ 117,166</b>

- (i) At December 31, 2018, the Company held 700,000 shares of Orex Minerals Inc., which were sold in February 2019 for net proceeds of \$55,372.

Upon adoption of IFRS 16 on January 1, 2019, the Company recorded a lease liability, with an opening balance of \$109,594, in respect of its leased office premises. This item represents the Company's only short- or long-term debt, details of which are provided in note 8 to its June 30, 2019 condensed interim consolidated financial statements.

**Liquidity and Financial Resources**

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

During the current period, the Company incurred expenses, net of non-cash items, of \$438,737, which included administrative expenses of \$294,536 and exploration and evaluation expenses of \$144,211. The administrative budget and exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources. Given the current market conditions, the Company has endeavoured to keep operating and exploration expenditures to a minimum in order to conserve its working capital.

Management of the Company considers its current working capital to be sufficient to meet its budgeted overhead and planned exploration and land holding requirements for the ensuing twelve months. In the long-term there can be no assurance that the Company will be successful in securing the financing required to continue operations and advance its mineral projects.

**Commitments**

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company. The Company has a lease agreement for its office premises that expires on September 30, 2021 and currently requires payments of \$3,755 per month.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2019**

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**FINANCIAL PERFORMANCE**

**Income (Loss)**

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

	2019	2018
General and administrative expenses	\$ 167,650	\$ 161,958
Exploration and evaluation expenditures	84,493	202,930
Total operating expenses	(252,143)	(364,888)
Gain on sale of mineral property	2,000,000	-
Deferred income tax expense	-	(1,365)
Income (loss) for the quarter	\$ 1,747,857	\$ (366,253)

The Company's income (loss) for the current and comparative six-month periods includes the following:

	2019	2018
General and administrative expenses	\$ 315,714	\$ 314,556
Exploration and evaluation expenditures	144,211	378,312
Total operating expenses	(459,925)	(692,868)
Gain on sale of mineral property	2,000,000	-
Deferred income tax expense	-	(1,498)
Income (loss) for the period	\$ 1,540,075	\$ (694,366)

Total general and administrative expenses for 2019 remained relatively consistent with the comparative period.

The decrease in exploration and evaluation expenditures for the current period is due primarily to reduced exploration activities in the field and a delay in paying claim fees on the Company's Mexican properties. In addition, the Company received \$63,108 in expenditure recoveries during the comparative period; there were no expenditure recoveries received in the current period.

**Comprehensive Income (Loss)**

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

	2019	2018
Income (loss) for the quarter	\$ 1,747,857	\$ (366,253)
Other comprehensive loss	-	(9,135)
Comprehensive income (loss) for the quarter	\$ 1,747,857	\$ (375,388)

The Company's comprehensive income (loss) for the current and comparative six-month periods includes the following:

	2019	2018
Income (loss) for the period	\$ 1,540,075	\$ (694,366)
Other comprehensive loss	(628)	(10,022)
Comprehensive income (loss) for the period	\$ 1,539,447	\$ (704,388)

Other comprehensive loss consists of unrealized losses on its marketable securities, net of deferred income tax effect. In February 2019, the Company sold 700,000 Orex Minerals Inc. shares for net cash proceeds of \$55,372 and a loss on sale of \$14,584. In accordance with IFRS 9 adopted on January 1, 2018, gains and losses realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss.

**Cash Flows**

Cash provided by operating activities during the six-month period, before changes in non-cash working capital items, was \$438,747 and compares to \$691,019 in cash used in operating activities for the comparative period. The increase in cash provided by operations is primarily due to the closing of the sale of the Sandra-Escobar project in June 2019. Significant changes in non-cash working capital items for the current quarter include a decrease in receivables of \$41,077, due primarily the collection of GST in Canada and value-added tax in Mexico, a decrease in

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2019**

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accounts payable of \$77,532, and an increase in value added tax payable of \$320,000 collected on the proceeds of the Sandra-Escobar sale; this amount was remitted in July 2019.

Cash provided by investing activities consisted of net proceeds of \$55,372 received from the sale of 700,000 Orex Minerals Inc. shares. Under financing activities, the Company made principal payments of \$17,551 on its lease liability. During the comparative period, investing activities consisted of net proceeds of \$488,980 received from the sale of 700,000 Barsele Minerals Corp. shares; financing activities in the comparative period consisted of proceeds of \$369,480 received upon the exercise of warrants.

**MAJOR OPERATING MILESTONES**

During the period under review, the Company sold marketable securities for gross proceeds of \$56,000. In addition, the Company analyzed the results of a LiDAR survey conducted on the Vega property in late 2018, closed the definitive agreement in respect of completing the sale of its interest in the Sandra-Escobar project to Pan American, and conducted a sampling program at the Nora project in Mexico.

**RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Company relies heavily on its directors and officers for many of its administrative and professional services. Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the quarters ended June 30 is as follows:

	2019	2018
Salaries – chief executive officer	\$ 112,500	\$ 112,500
Management fees – chief financial officer	75,000	75,000
Director fees	18,000	24,000
Legal fees – law firm in which an officer was a partner	-	4,919
	\$ 205,500	\$ 216,481

Accounts payable and accrued liabilities includes \$nil (December 31, 2018 - \$9,000) in accrued director fees and \$nil (December 31, 2018 - \$13,125) in management fees payable to the chief financial officer.

**CHANGES IN ACCOUNTING POLICIES**

On January 1, 2019, the Company adopted IFRS 16 – *Leases*, according to which all leases are presented in the balance sheet of the lessee, except those that meet the limited exception criteria. The Company currently leases its office premises under a three-year lease agreement, which in previous years has been accounted for as an operating lease applying IAS 17. Under IFRS 16, the Company has presented a right-of-use asset representing its office premises, and an offsetting lease liability representing the future cash payments due under the lease agreement. A detailed discussion of the adoption of IFRS 16 is provided in Note 2 to the June 30, 2019 unaudited condensed interim consolidated financial statements.

**PROPOSED TRANSACTIONS**

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

In July 2017, the Company announced its intention to undertake a spin-off transaction to segregate its BC properties into a separate company, Canmine Minerals Inc. (“Canmine”), a wholly-owned subsidiary of the Company. Upon completion, shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. The transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company approved the transaction at a special meeting held on December 12, 2017 and the Company received final court approval on December 20, 2017. Completion of the transaction is subject to the Company meeting the minimum listing requirements and obtaining a conditional listing of the shares of Canmine on the TSX Venture Exchange, which has been delayed due to market conditions. Additional information can be found contained in the Company’s information circular dated November 3, 2017 available for viewing at [www.sedar.com](http://www.sedar.com).

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2019**

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**OUTSTANDING SHARE DATA**

Details of the Company's outstanding shares, options, and warrants are as follows:

	August 28, 2019	June 30, 2019	December 31, 2018
Shares issued and outstanding	104,206,622	104,206,622	104,206,622
Outstanding stock options	7,240,000	7,240,000	7,565,000
Outstanding warrants	2,309,250	2,309,250	2,309,250
Diluted shares outstanding	113,755,872	113,755,872	114,080,872

In January 2019, 325,000 incentive stock options expired unexercised. Notes 5 and 6 to the Company's June 30, 2019 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the quarter.

**MINERAL PROPERTY SUMMARY**

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

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

## **La Esperanza**

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

In November 2016, the Company received a drill permit covering up to 30 additional drill holes in the La Esperanza vein area. From December 2016 to April 2017, the Company undertook a drill program for a total of 2,452 metres in eight drill holes, testing the La Esperanza vein along strike and to depth beyond previous drill intercepts. Results from this program were announced in news releases dated February 9, March 23, April 5, and May 2, 2017. All eight drill holes intercepted the La Esperanza vein and the results were particularly encouraging, extending the confirmed envelope of the La Esperanza vein to over 400 metres along strike to the southeast and to the northwest, and 425 metres to depth. Furthermore, drill hole ES-17-19 returned the highest gold values recorded to date from the La Esperanza vein together with high silver values. These results open the La Esperanza vein for further expansion by drilling in both directions along strike and to depth.

In late May 2018 a drill program was initiated to drill below and along strike from the previous high-grade intercepts on the southeastern and northwestern sides of the main La Esperanza vein. Drill hole ES-18-21 was completed to 347 metres targeted below ES-17-16, and intersected the La Esperanza vein at 315 metres downhole over a core length of 14.11 metres (true width 12.20 metres) with well-developed epithermal textures and disseminated sulphide minerals. The entire vein structure was mineralized with silver, gold, zinc, lead and copper, including bands of higher-grade mineralization as detailed in the table below.

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

Highlights of prior drill intercepts from the La Esperanza vein are included in the table below.

*Canasil Resources Inc. - Interim Management's Discussion and Analysis  
Quarterly Highlights for the Six Months Ended June 30, 2019*

La Esperanza Vein Selected Drill Intercepts										
	Interval - Metres		Width – Metres		Gold	Silver	Zinc	Lead	Copper	Silver Eq*
	From	To	Interval	True	Au g/t	Ag g/t	Zn %	Pb %	Cu %	Ag Eq g/t
<b>Hole ES-06-02</b>										
	100.22	107.74	<b>7.52</b>	<b>4.29</b>	0.03	<b>210</b>	1.25	1.03	0.03	<b>319</b>
Including	101.68	107.74	<b>6.06</b>	<b>3.46</b>	0.03	<b>249</b>	1.48	1.22	0.03	<b>381</b>
Including	101.68	104.17	<b>2.49</b>	<b>1.42</b>	0.04	<b>458</b>	<b>2.20</b>	<b>2.31</b>	0.06	<b>675</b>
And	102.60	103.75	1.15	0.66	0.01	<b>615</b>	<b>3.37</b>	<b>2.12</b>	0.05	<b>882</b>
<b>Hole-ES-06-04</b>										
HW Vein	88.45	90.80	<b>2.35</b>	<b>1.79</b>	0.09	142	<b>2.32</b>	1.07	0.07	<b>308</b>
La Esp Vn	116.83	127.25	<b>9.86</b>	<b>7.52</b>	0.22	<b>388</b>	1.36	1.35	0.09	<b>516</b>
Including	118.92	121.58	<b>2.66</b>	<b>2.03</b>	0.24	<b>634</b>	1.56	1.45	0.10	<b>801</b>
And	124.47	127.25	<b>2.78</b>	<b>2.12</b>	0.07	<b>593</b>	0.35	1.09	0.04	<b>664</b>
<b>Hole ES-06-05</b>										
HW Vein	118.46	119.88	<b>1.42</b>	<b>1.12</b>	0.03	<b>471</b>	<b>3.11</b>	<b>6.40</b>	0.22	<b>891</b>
Stockwork	119.88	147.82	<b>27.94</b>	<b>21.96</b>	0.06	17	0.25	0.67	0.01	<b>62</b>
La Esp Vn	147.82	160.92	<b>13.10</b>	<b>10.30</b>	0.04	<b>396</b>	0.71	1.96	0.04	<b>516</b>
Including	147.82	152.03	<b>4.21</b>	<b>3.31</b>	0.04	<b>746</b>	<b>0.57</b>	<b>2.20</b>	0.05	<b>872</b>
Including	148.22	150.15	<b>1.93</b>	<b>1.52</b>	0.06	<b>1,380</b>	0.38	<b>3.40</b>	0.05	<b>1,546</b>
including	148.22	149.17	0.95	0.75	0.01	<b>2,144</b>	<b>0.29</b>	<b>3.20</b>	0.06	<b>2,294</b>
And	154.35	159.10	<b>4.75</b>	<b>2.73</b>	0.02	<b>389</b>	<b>0.97</b>	<b>3.30</b>	0.03	<b>577</b>
<b>ES-12-03</b>										
La Esp Vn	266.66	276.94	<b>10.28</b>	<b>8.22</b>	0.19	97	<b>2.3</b>	1.1	0.32	<b>241</b>
Including	266.66	273.20	<b>6.54</b>	<b>5.23</b>	0.23	139	<b>3.3</b>	1.5	0.43	<b>432</b>
Including	266.66	270.67	<b>4.01</b>	<b>3.20</b>	0.14	<b>189</b>	<b>5.2</b>	<b>2.2</b>	0.33	<b>614</b>
Including	266.66	269.08	<b>2.42</b>	<b>1.94</b>	0.17	<b>278</b>	<b>5.8</b>	<b>2.8</b>	0.09	<b>715</b>
<b>Hole ES-17-16</b>										
	139.41	145.35	<b>5.94</b>	<b>4.92</b>	0.01	<b>257</b>	0.64	0.63	0.03	<b>321</b>
Including	143.00	145.35	<b>2.35</b>	<b>1.95</b>	0.03	<b>628</b>	0.90	1.52	0.08	<b>750</b>
Including	144.20	145.35	1.15	0.95	0.06	<b>1,133</b>	1.56	<b>2.98</b>	0.16	<b>1,362</b>
<b>Hole ES-17-17</b>										
HW 1 Vn	240.15	242.48	<b>2.33</b>	<b>2.02</b>	0.00	89	1.82	1.00	0.01	<b>228</b>
HW 2 Vn	248.33	248.60	0.27	0.23	0.04	<b>236</b>	0.28	<b>8.43</b>	0.06	<b>618</b>
HW 3 Vn	250.02	252.00	1.98	1.71	0.03	<b>225</b>	1.30	0.59	0.12	<b>332</b>
Including	250.02	251.21	1.19	1.03	0.03	<b>277</b>	<b>2.01</b>	0.81	0.19	<b>438</b>
Main Vn	258.70	265.41	<b>6.71</b>	<b>5.81</b>	0.10	<b>204</b>	1.83	1.46	0.07	<b>376</b>
Including	259.25	260.60	1.35	1.17	0.03	<b>233</b>	0.98	1.03	0.08	<b>338</b>
And	261.84	262.75	0.91	0.79	0.11	<b>347</b>	<b>2.98</b>	<b>2.20</b>	0.02	<b>606</b>
And	264.51	265.41	0.90	0.78	0.10	<b>244</b>	<b>3.00</b>	<b>2.04</b>	0.03	<b>498</b>
FW Vein	272.60	272.72	0.12	0.10	0.12	30	<b>3.61</b>	1.84	0.04	<b>310</b>
<b>Holes ES-17-18</b>										
	257.49	265.31	<b>7.82</b>	<b>6.77</b>	0.04	79	0.68	0.53	0.03	141
Including	257.49	259.65	<b>2.16</b>	<b>1.87</b>	0.03	<b>231</b>	1.19	1.38	0.03	<b>357</b>
Including	258.98	259.65	0.67	0.58	0.04	<b>358</b>	0.70	1.85	0.03	<b>479</b>
<b>Hole ES-17-19</b>										
	296.44	309.41	<b>12.97</b>	<b>11.23</b>	0.74	<b>219</b>	0.90	0.43	0.05	<b>382</b>
HW Vein	296.44	298.83	<b>2.39</b>	<b>2.07</b>	0.04	<b>261</b>	<b>2.09</b>	0.92	0.15	<b>406</b>
Main Vein	298.33	302.01	<b>3.18</b>	<b>2.75</b>	<b>2.76</b>	<b>552</b>	1.16	0.63	0.08	<b>850</b>
Including	300.73	302.01	1.28	1.11	<b>6.39</b>	<b>1,281</b>	<b>2.23</b>	1.25	0.18	<b>1,938</b>
FW Vein	306.88	308.62	1.74	1.51	0.39	<b>256</b>	1.68	0.74	0.02	<b>406</b>
<b>Hole ES-18-21</b>										
Entire Vein	314.99	329.10	<b>14.11</b>	<b>12.20</b>	0.11	68	1.02	0.17	0.07	<b>143</b>
HW Sect.	314.99	316.50	<b>1.51</b>	<b>1.31</b>	0.17	69	<b>2.89</b>	0.40	0.05	<b>253</b>
Including	314.99	315.54	0.55	0.48	0.22	136	<b>2.63</b>	0.60	0.05	<b>318</b>
FW Sect.	323.15	329.10	<b>5.95</b>	<b>5.15</b>	0.11	117	1.33	0.18	0.08	<b>209</b>
Including	325.33	327.55	<b>2.22</b>	<b>1.92</b>	0.13	<b>190</b>	1.35	0.22	0.06	<b>285</b>
Including	326.75	327.55	0.80	0.69	0.14	<b>248</b>	1.28	0.31	0.09	<b>346</b>
And Incl.	328.45	329.10	0.65	0.56	0.02	<b>255</b>	0.18	0.15	0.26	<b>273</b>
<p><i>*Silver equivalents calculated assuming 100% recoveries (for Ag Eq calculation only – may not reflect actual recoveries) and Ag US\$17/oz, Au US\$1,250/oz, Cu US\$2.50/lb, Zn US\$1.30/lb, and Pb US\$1.00/lb. The metal prices used are for reference, and at the time of this report may differ.</i></p>										

### **Sandra-Escobar**

The Sandra and Escobar Properties are located 200 kilometers northwest of the city of Durango, Mexico. The combined properties cover over 6,970 hectares of mineral concessions hosting multiple mineralized structures with zones of disseminated silver mineralization as well as quartz veins and breccia structures.

The Company's previous exploration programs included geological mapping and surface sampling, ASTER satellite imaging, 11.8 line-kilometre ground IP survey, 420 line-kilometer ZTEM airborne geophysical survey, petrographic analysis of surface samples, high resolution satellite imaging and topographic mapping surveys, and 1,848-metres of diamond drilling in eleven drill holes.

In September 2015, the Company signed an option agreement providing Orex Minerals Inc. ("Orex") with the right to earn up to a 65% interest in the project, including an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period (completed). The Company has a director in common with Orex. In January 2017, Orex advised the Company that it had completed the required expenditures to earn a 55% interest in the Sandra-Escobar project, reporting expenditures of approximately US\$2,100,000. Orex completed extensive surface sampling, geological mapping, and a helicopter borne radiometric survey within the project area, and four phases of core drilling for a total of 65 holes and 9,953 metres of drilling in the southeast part of the project area. These drill programs delineated an area with disseminated near-surface silver mineralization over a strike distance of approximately 750 metres and a width of approximately 250 metres in a tabular body with a thickness varying between 25 metres to 45 metres (the "Main Zone" or subsequently the "Boleras Deposit").

On October 31, 2016, Orex released the results of an initial resource estimate completed by Mining Plus Consultants focused on the Boleras Deposit for an Inferred Resource of 9.8 million tonnes grading 106 g/t Ag for a total of 33.3 million ounces Ag at a "Base Case" of 45 g/t Ag cut-off, as detailed in Canasil and Orex news releases dated October 31, 2016. On December 15, 2016, Orex announced that metallurgical testing using conventional methods returned very low recoveries from composite samples prepared to represent the average grades reported in the Boleras Deposit.

In December 2017, the Company, Pan American, and Orex entered into a non-binding letter of intent to enter into an option agreement whereby the three companies would advance the Sandra-Escobar project jointly. In October 2018, prior to finalizing the option agreement, the Company and Pan American signed a non-binding letter of intent providing Pan American with the right to purchase the Company's rights, title, and interest in the project. On June 28, 2019, the Company finalized a definitive agreement and closed the sale of its interest in the Sandra-Escobar project to Pan American for \$2,000,000 and grant of a 2% NSR Royalty Interest on Pan American's interest in the project. Pan American retains the right to reduce the NSR Royalty Interest to 1% at any time by paying the Company \$4,000,000. The Definitive Agreement supersedes all prior agreements and arrangements between Canasil and Pan American with respect to the Sandra-Escobar project.

### **Salamandra**

The Salamandra zinc-silver project is located in Durango State, 35 kilometres northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares and was acquired through staking of claims and an option agreement to purchase a 100% interest in the central 900 hectares of claims based on a schedule of payments and subject to a net smelter returns royalty ("NSR"). In April 2017, this agreement was renegotiated to provide for the Company to acquire a 100% interest in the 900 hectares within the project area by making a final payment of US\$25,000, for a total of US\$250,000, which has been paid. These claims will be subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

Past exploration by Canasil at Salamandra includes geological mapping and surface sampling, 3D-IP ground geophysics, ZTEM airborne geophysics and twelve diamond drill holes for a total of 3,595 metres. In May 2013, the Company signed an option agreement with MAG on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement without earning an interest in the project and as a result Canasil retains a 100% interest in Salamandra. The Company received cash payments totaling \$500,000 from MAG during the period of the agreement.

MAG reported completion of \$5.8 million in cumulative qualifying expenditures to December 31, 2015. The exploration programs included surface sampling and data review in 2013, followed by three diamond drill programs for a total of 14,382 metres in 23 drill holes completed between 2013 and 2015. The surface sampling and data review identified indications of large replacement deposits at Salamandra. The drill programs reported encouraging



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high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and finally, an interesting interval of gold-tungsten mineralization. Selected mineralized drill intervals reported in the Company's prior news releases are listed in the table below

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

Selected drill intercepts from the Salamandra project include:

<b>Salamandra Project, Durango, Mexico – Selected Drill Intercepts</b>						
<b>Drill Hole</b>	<b>Intercept From – To: m</b>	<b>Width m</b>	<b>Silver g/t</b>	<b>Zinc %</b>	<b>Copper %</b>	<b>Lead %</b>
SA-07-02	7.40 – 17.25	9.85	102	0.55	0.02	0.03
SA-07-02	27.65 – 35.10	7.45	50	12.00	0.22	0.06
SA-07-03	195.00 – 205.00	10.00	71	3.48	0.06	1.26
SA-07-06	3.40 – 15.00	11.60	13	4.05	0.20	0.03
SA-07-08	261.00 – 271.00	10.00	29	3.51	0.04	0.42
SA-07-10	230.00 – 234.35	4.35	5	5.51	0.02	0.05
SA-13-13	20.65 – 830.81	810.16	2	0.6	0	0
SA-13-13	637.50 - 669.72	31.72	1	3.6	0.1	0
SA 14-14	165.99 – 182.88	16.89	29	1.8	0	0.2
SA 14-14	182.40 – 182.88	0.48	197	1.1	0.4	0.6
SA 14-14	186.38 – 186.80	0.42	108	0.6	0.5	1.4
SA 14-15	605.74 - 613.13	7.89	166	1.2	1.2	0.6
SA 14-15	607.50 – 609.80	2.30	393	2.8	3.6	0.4
SA 14-19	128.87 – 130.22	1.35	59	0.9	0	1.1
SA 14-19	349.87 – 388.36	37.99	1	1.6	0.02	0
SA 14-25	113.00 – 143.51	30.51	25	0.8	0.02	0.4
SA 14-25	121.36 – 126.73	5.37	41	1.7	0.02	0.7
SA 14-25	138.58 – 143.51	4.93	77	1.9	0.03	1.3
SA 14-27	358.40 – 366.00	7.60	2	2.2	0.03	0.2
SA 14-27	358.40 – 360.68	2.28	5	3.5	0.04	0.2
SA 14-27	364.12 – 366.00	1.88	2	4.4	0.05	0.4
SA 14-28	19.90 – 193.36	173.46	4	1.0	0.01	0.1

## **Nora**

The Nora project is located approximately 200 kilometers north-west of the City of Durango, with good access and infrastructure. There are two principal epithermal vein outcrops at the Nora project, the Candy and Nora veins. There is evidence of historical mining activity on the Candy vein, which can be traced for approximately 750 metres on surface, with the structure visible with discontinuous outcrops for over three kilometers along strike. Samples of vein outcrop and mineral dumps from the Candy vein returned significant gold, silver, copper, zinc and lead values. The highest grade sample of outcropping vein returned 1.00 metre with 1.98 g/t gold, 514 g/t silver, 1.03% copper, 3.28% zinc and 4.45% lead, and the highest grab sample collected from "waste" piles returned 1.34 g/t gold, 293 g/t silver, 0.47% copper, 0.38% zinc and 9.27% lead. The second Nora vein is found 600 metres northeast of the Candy vein and can be traced for 230 metres along strike with widths of over 9.0 metres. Surface samples from this vein contained trace sulphides.

In a 2009 surface sampling program, soil samples were collected along a grid covering the area surrounding the Candy and Nora veins and projected extensions over an area of three kilometers by two kilometers. The results showed elevated silver, base metal (copper, lead and zinc) and pathfinder (molybdenum and arsenic) values over a large area. The combination of the vein outcrops with large areas of anomalous silver and base metal values in soil samples may indicate a larger buried mineral system at depth. Initial drilling should be focused on testing the veins below high-grade vein outcrops at a depth of 100 metres to 200 metres below surface.

## **Brenda**

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, 20 kilometres northwest of the past producing Kemess South Mine. Comprehensive exploration programs carried out 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 highlighted the possibility of a deep-seated porphyry gold-copper system at the Brenda project, possibly similar to Centerra Gold Inc.'s nearby Kemess Underground and Kemess East deposits, located approximately 15 kilometres southeast of the Brenda property.

In 2007, two deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of five intercepts above a depth of 450 metres returning 0.48 g/t gold and 0.079% copper over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t gold and 0.116% copper over a combined intercept length of 93 metres. Unmineralized dykes separate the mineralized intervals. The mineralized system averages 300 to 400 metres in width and has been traced along a strike length of 400 metres by drilling, with a potential strike length in excess of 1,000 metres when including the chargeability anomalies observed in a 3-Dimensional Induced Polarization geophysical survey. In August 2013, a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher-grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-07-04 from 504 metres to 572 metres, and the intercepts below 570 metres returned no significant gold-copper mineralization with only low copper and gold values over certain intervals. It appears that BR-13-01 entered a post-mineralization intrusive dyke at depth and remained within it to the end of the hole. Additional drilling will be required to test the true depth-extent of mineralization.

In late 2016 and early 2017, the Company undertook a comprehensive technical review of the Brenda project data. All historical data has been reviewed and checked prior to modelling and analysis using modelling software. Detailed analysis of the data has identified targets for further exploration including additional mapping and sampling, deeper sensing ground and airborne geophysics and drill testing. The Brenda project remains an attractive prospect based on the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid, year-round airfield, and mining facilities.

## **Vega**

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

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

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

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further surface sampling and geological mapping of these prospective zones to define drill targets. The Company has prepared plans for a surface sampling program to investigate the prospective targets zones on the Vega project.

**Technical**

Jerry Blackwell, P. Geo. British Columbia, and Advisor to the Board of Canasil, is the Company's designated Qualified Person in accordance with National Instrument 43-101 in relation to data provided with regard to exploration programs undertaken by the Company. On projects under option with MAG Silver Corp. and Orex, the Company also relied on the Qualified Persons at these companies who were responsible for the exploration programs under the terms of option agreements.

**CAUTIONARY NOTE**

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

**Approval**

The Board of Directors of the Company has approved the disclosure contained in this interim MD&A – Quarterly Highlights. A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.canasil.com](http://www.canasil.com).