



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

Unaudited

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

"Bahman Yamini"

President and CEO

"Kerry Spong"

Vice President, Finance & CFO

May 28, 2010

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CANASIL RESOURCES INC.
INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited

| ASSETS | March 31 2010 | December 31 2009 |
|--|--------------------------|-----------------------------|
| Current | | |
| Cash | \$ 29,744 | \$ 80,063 |
| Receivables | 42,562 | 50,294 |
| Prepaid expenses | 1,305 | 3,086 |
| | <u>73,611</u> | <u>133,443</u> |
| Reclamation bond | 20,000 | 20,000 |
| Resource properties (Note 4) | 5,259,437 | 5,165,739 |
| Property and equipment (Note 5) | 63,485 | 65,977 |
| | <u>\$ 5,416,533</u> | <u>\$ 5,385,159</u> |

LIABILITIES

| | | |
|--|----------------|----------------|
| Current | | |
| Accounts payable and accrued liabilities – trade | \$ 49,254 | \$ 49,979 |
| Accounts payable and accrued liabilities – related parties | 251,662 | 210,000 |
| Due to related party (Note 8) | 215,844 | 145,000 |
| | <u>516,760</u> | <u>404,979</u> |

SHAREHOLDERS' EQUITY

| | | |
|-------------------------------------|---------------------|---------------------|
| Share capital (Note 6) | 11,128,289 | 11,128,289 |
| Contributed surplus (Note 6) | 991,854 | 922,188 |
| Deficit | (7,220,370) | (7,070,297) |
| | <u>4,899,773</u> | <u>4,980,180</u> |
| | <u>\$ 5,416,533</u> | <u>\$ 5,385,159</u> |

Nature and continuance of operations (Note 1)
Subsequent event (Note 11)

ON BEHALF OF THE BOARD:

“Michael McInnis”
_____, Director

“Alvin Jackson”
_____, Director

CANASIL RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31

Unaudited

| | 2010 | 2009 |
|--|-----------------------|-----------------------|
| Expenses | | |
| Accounting and audit | \$ 8,125 | \$ 8,861 |
| Amortization | 2,492 | 3,645 |
| Conferences and conventions | 8,631 | 1,785 |
| Director fees | 10,000 | 10,000 |
| Foreign exchange loss | 71 | 12,264 |
| General exploration | 958 | 38,586 |
| Investor relations and promotions | 1,313 | 70 |
| Legal fees | 3,021 | 4,851 |
| Listing and filing fees | 750 | 5,750 |
| Management fees | 28,500 | 28,500 |
| Office services and supplies | 14,715 | 17,443 |
| Shareholder communications | 380 | 285 |
| Stock-based compensation <i>(Note 7)</i> | 69,666 | 4,320 |
| Transfer agent fees | 1,623 | 1,120 |
| Loss before other items | (150,245) | (137,480) |
| Interest income | 172 | 294 |
| Loss and comprehensive loss for the period | (150,073) | (137,186) |
| Deficit - beginning of period | (7,070,297) | (6,702,461) |
| Deficit - end of period | \$ (7,220,370) | \$ (6,839,647) |
| Loss per share – basic and diluted | \$ 0.00 | \$ 0.00 |
| Weighted-average number of shares outstanding | 41,502,592 | 34,955,370 |

- See Accompanying Notes -

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

Unaudited

| CASH RESOURCES PROVIDED BY (USED IN) | 2010 | 2009 |
|--|------------------|------------------|
| Operating activities | | |
| Loss for the period | \$ (150,073) | \$ (137,186) |
| Items not affecting cash | | |
| Amortization | 2,492 | 3,645 |
| Stock-based compensation | 69,666 | 4,320 |
| | <u>(77,915)</u> | <u>(129,221)</u> |
| Changes in non-cash working capital | | |
| Decrease in receivables | 7,732 | 230,479 |
| Decrease in prepaid expenses | 1,781 | 1,781 |
| Increase (decrease) in accounts payable and accrued liabilities | 36,510 | (19,562) |
| | <u>(31,892)</u> | <u>83,477</u> |
| Investing activities | | |
| Resource property expenditures | (89,271) | (78,105) |
| Resource property expenditure recoveries received | - | 41,300 |
| | <u>(89,271)</u> | <u>(36,805)</u> |
| Financing activities | | |
| Share capital issued | - | 12,500 |
| Increase in due from related party | 70,844 | - |
| | <u>70,844</u> | <u>12,500</u> |
| Increase (decrease) in cash | (50,319) | 59,172 |
| Cash position - beginning of period | 80,063 | 8,266 |
| Cash position - end of period | \$ 29,744 | \$ 67,438 |

**Supplemental schedule of non-cash investing
and financing transactions**

| | | |
|--|----------|------------|
| Increase (decrease) in accounts payable – resource property costs | \$ 4,427 | \$ (7,859) |
|--|----------|------------|

- See Accompanying Notes -

CANASIL RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

Unaudited

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is considered to be in the exploration stage with respect to its interest in resource properties. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The recovery of the amounts comprising resource properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to successfully complete its exploration and development, and the attainment of future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests.

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

| | March 31 2010 | December 31 2009 |
|----------------------------|------------------|---------------------|
| Deficit | \$ 7,220,370 | \$ 7,070,297 |
| Working capital deficiency | \$ (443,149) | \$ (271,536) |

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Canasil, S.A. de C.V., a company incorporated in Mexico. All significant inter-company transactions and balances have been eliminated.

Basis of Presentation

These unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. However, they do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

These 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 financial statements including the notes thereto for the year ended December 31, 2009. All financial information presented herein is unaudited.

CANASIL RESOURCES INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

Unaudited

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and due to related party. Cash is classified under Assets Held-For-Trading and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner. At March 31, 2010, the Company held the equivalent of \$5,516 in cash, \$41,320 in accounts receivable, and \$9,882 in accounts payable, all of which are denominated in pesos.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

4. RESOURCE PROPERTIES

Salamandra and Victoria projects, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the Salamandra project located in Durango State, Mexico, subject to a Net Smelter Returns royalty ("NSR") of 2%. The Company has the right to acquire these claims by making cash payments over a period of five years totalling US\$500,000. The Company has also staked additional claims, known as the Victoria claims, which are contiguous with the Salamandra claims.

During 2008, the Company granted an arm's length party the right to earn a 60% interest in the properties by incurring US\$7,000,000 in exploration expenditures and making US\$375,000 in cash or share payments to the Company over six years. In 2008, the Company received US\$75,000 in cash payments and \$91,230 in expenditure recoveries from the optionee, and completed a private placement of 500,000 shares with the optionee for proceeds of \$125,000. During 2009, the Company received \$41,300 in expenditure recoveries. The agreement was terminated on March 19, 2009.

Colibri project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico. During fiscal 2007, the Company acquired a 100% interest in several additional claims through the issuance of shares and warrants.

CANASIL RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

Unaudited

4. RESOURCE PROPERTIES - *continued*

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the La Esperanza project, subject to an NSR of up to 1%. The claims are located in Zacatecas State, Mexico. The Company has the right to acquire these claims by making option payments over a period of three years totalling US\$150,000. During 2009, the Company extended the agreement one additional year in exchange for an additional payment of US\$10,000, bringing the total payments due to the optionee to US\$160,000 over a four-year period.

Sandra project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In 2008, the Company entered into an agreement with Pan American Silver Corp. ("Pan American") providing an option for the Company to earn a 51% interest in Pan American's Escobar claims for US\$1 million in exploration expenditures over three years. Upon the Company earning in, Pan American will have the option to back-in to a 51% interest in the combined claims of Pan American's Escobar project and the Company's Sandra project by paying the Company three times its exploration expenditures on the combined claims, forming a 51% Pan American and 49% Canasil joint venture. If the Company elects not to contribute its share of joint venture expenditures, Pan American may earn an additional 14% interest by completing a feasibility study, thereby taking its interest to 65%.

At the Company's option, Pan American may earn a further 15% interest for a total 80% interest by financing the Company's share of capital costs required to take the project through to production. If Pan American decides not to exercise its back-in right, it may sell its 49% interest in the Escobar claims to the Company for US\$5 million in a combination of cash and shares paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims.

Other projects

The Company has staked other claims located in Durango and Sinaloa States, Mexico which include the Vizcaino, Carina, Nora, Los Azules, and the San Fransisco projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

CANASIL RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

Unaudited

4. RESOURCE PROPERTIES - continued

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

| 2010 | Acquisition | Exploration | Total Additions | Cumulative Expenditures |
|----------------------------|-------------|-------------|-----------------|-------------------------|
| Brenda, Canada | \$ - | \$ - | \$ - | \$ 2,011,967 |
| - Expenditure recoveries | - | - | - | (200,839) |
| Lil, Canada | - | - | - | 63 |
| Vega, Canada | - | - | - | 3,290 |
| Los Azules, Mexico | - | 5,390 | 5,390 | 14,706 |
| Sandra and Escobar, Mexico | - | 31,780 | 31,780 | 222,723 |
| San Francisco, Mexico | - | 641 | 641 | 1,971 |
| Esperanza, Mexico | - | 35,493 | 35,493 | 639,636 |
| Colibri, Mexico | - | 8,834 | 8,834 | 1,623,370 |
| Salamandra, Mexico | - | 3,629 | 3,629 | 902,501 |
| - Expenditure recoveries | - | - | - | (18,682) |
| - Option payments received | - | - | - | (53,989) |
| Victoria, Mexico | - | 17 | 17 | 157,273 |
| - Expenditure recoveries | - | - | - | (113,848) |
| - Option payments received | - | - | - | (21,596) |
| Other, Mexico | - | 7,914 | 7,914 | 90,891 |
| | \$ - | \$ 93,698 | \$ 93,698 | \$ 5,259,437 |

| 2009 | Acquisition | Exploration | Total Additions | Cumulative Expenditures |
|----------------------------|-------------|-------------|-----------------|-------------------------|
| Brenda, Canada | \$ - | \$ 74 | \$ 74 | \$ 2,010,567 |
| - Expenditure recoveries | - | - | - | (189,001) |
| Los Azules, Mexico | - | 5,554 | 5,554 | 5,554 |
| Sandra and Nora, Mexico | - | 4,056 | 4,056 | 137,537 |
| San Francisco, Mexico | - | 560 | 560 | 560 |
| Esperanza, Mexico | - | 7,243 | 7,243 | 507,853 |
| Colibri, Mexico | - | 7,719 | 7,719 | 1,610,186 |
| Salamandra, Mexico | - | 7,737 | 7,737 | 882,187 |
| - Expenditure recoveries | - | (12,286) | (12,286) | (18,682) |
| - Option payments received | - | - | - | (53,989) |
| Victoria, Mexico | - | 29,278 | 29,278 | 135,813 |
| - Expenditure recoveries | - | (29,014) | (29,014) | (113,848) |
| - Option payments received | - | - | - | (21,596) |
| Other, Mexico | - | 8,025 | 8,025 | 48,840 |
| | \$ - | \$ 28,946 | \$ 28,946 | \$ 4,941,981 |

CANASIL RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

Unaudited

5. PROPERTY AND EQUIPMENT

| | 2010 | | | 2009 | | |
|-------------------------|-------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Land | \$ 31,686 | \$ - | \$ 31,686 | \$ 31,686 | \$ - | \$ 31,686 |
| Automobile | 27,730 | 20,251 | 7,479 | 27,730 | 17,046 | 10,684 |
| Computer | 14,729 | 11,449 | 3,280 | 14,729 | 8,766 | 5,963 |
| Field equipment | 31,971 | 19,221 | 12,750 | 31,971 | 13,757 | 18,214 |
| Furniture and equipment | 25,545 | 17,255 | 8,290 | 25,545 | 15,182 | 10,363 |
| Software | 1,097 | 1,097 | - | 1,097 | 1,097 | - |
| | <u>\$ 132,758</u> | <u>\$ 69,273</u> | <u>\$ 63,485</u> | <u>\$ 132,758</u> | <u>\$ 55,848</u> | <u>\$ 76,910</u> |

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

| | Number of Shares | Share Capital | Contributed Surplus |
|---|------------------|---------------|---------------------|
| Authorized | | | |
| Unlimited common voting shares, without par value | | | |
| Issued and outstanding | | | |
| Balance, December 31, 2008 | 34,952,592 | \$ 10,804,539 | \$ 913,548 |
| Warrants exercised | 250,000 | 12,500 | - |
| Private placement | 6,300,000 | 311,250 | - |
| Stock-based compensation | - | - | 8,640 |
| Balance, December 31, 2009 | 41,502,592 | 11,128,289 | 922,188 |
| Stock-based compensation (Note 7) | - | - | 69,666 |
| Balance, March 31, 2010 | 41,502,592 | \$ 11,128,289 | \$ 991,854 |

Private placements

In October 2009, the Company issued 6,300,000 units at a price of \$0.05 per unit for gross proceeds of \$315,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at \$0.15 until October 13, 2010. The Company paid a finder's fee of \$3,750.

CANASIL RESOURCES INC.**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2010***Unaudited***7. STOCK OPTIONS AND WARRANTS**

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth by the TSX Venture Exchange in that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company and its subsidiary to purchase common shares of the Company. The stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding five years. Stock options granted under the Plan vest in equal quarterly tranches over a period of not less than 18 months.

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, 2008 | 2,400,000 | \$ 0.52 | 2,283,750 | \$ 0.40 |
| Granted | 3,150,000 | \$ 0.15 | - | \$ - |
| Exercised | (250,000) | \$ 0.05 | - | \$ - |
| Expired | <u>(2,150,000)</u> | \$ 0.11 | <u>(350,000)</u> | \$ 0.75 |
| Outstanding, December 31, 2009 | 3,150,000 | \$ 0.15 | 1,933,750 | \$ 0.34 |
| Granted | - | \$ - | 1,675,000 | \$ 0.10 |
| Expired | <u>-</u> | \$ - | <u>(135,000)</u> | \$ 0.39 |
| Outstanding, March 31, 2010 | 3,150,000 | \$ 0.15 | 3,473,750 | \$ 0.22 |
| Currently exercisable | 3,150,000 | \$ 0.15 | 2,352,500 | \$ 0.29 |

CANASIL RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

Unaudited

7. STOCK OPTIONS AND WARRANTS - *continued*

| | Number of Shares | Exercise Price | Expiry Date |
|-----------------|---------------------|-------------------|-------------------------|
| Options | 743,750 | \$ 0.20 | March 6, 2011 |
| | 100,000 | \$ 0.20 | October 27, 2011 |
| | 75,000 | \$ 0.20 | November 21, 2011 |
| | 780,000 | \$ 0.50 | March 20, 2012 |
| | 100,000 | \$ 0.25 | July 10, 2013 |
| | <u>1,675,000</u> | <u>\$ 0.10</u> | <u>February 2, 2015</u> |
| | <u>3,473,750</u> | | |
| Warrants | <u>3,150,000</u> | <u>\$ 0.15</u> | <u>October 13, 2010</u> |

Stock-based compensation

The company has recorded stock-based compensation for the options that vested during the period as follows:

| | 2010 | 2009 |
|------------------------------------|-----------|----------|
| Number of options vested in period | 418,750 | 25,000 |
| Compensation recognized in period | \$ 69,666 | \$ 4,320 |

8. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties as follows:

- a) Paid or accrued \$24,000 (2009 - \$24,000) for management fees to a company with a director in common;
- b) Paid or accrued \$3,021 (2009 - \$4,851) for legal services to a law firm in which an officer of the Company is a partner;
- c) Paid or accrued \$10,000 (2009 - \$10,000) in director fees to a director and to three companies, each controlled by a director;
- d) Paid or accrued \$4,500 (2009 - \$4,500) in management fees to an officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2010, a company with a director in common had advanced a total of \$215,844 (December 31, 2009 - \$145,000) to the Company. The advances are non-interest bearing, unsecured, due on demand, and have no fixed terms of repayment.

CANASIL RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

Unaudited

9. CAPITAL DISCLOSURES

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the period.

10. SEGMENTED INFORMATION

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

| 2010 | Canada | Mexico | Total |
|------------------------|--------------|--------------|--------------|
| Resource properties | \$ 1,814,481 | \$ 3,444,956 | \$ 5,259,437 |
| Property and equipment | \$ 16,447 | \$ 47,038 | \$ 63,485 |

| 2009 | Canada | Mexico | Total |
|------------------------|--------------|--------------|--------------|
| Resource properties | \$ 1,821,566 | \$ 3,120,415 | \$ 4,941,981 |
| Property and equipment | \$ 23,795 | \$ 53,115 | \$ 76,910 |

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2010, the Company completed a private placement of 3,620,000 units at a price of \$0.10 per unit for gross proceeds of \$362,000. Each unit consisted of one common share and one-half of one share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at a price of \$0.15 per share until May 20, 2011.

CANASIL RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter ended March 31, 2010

This Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("the Company") is dated May 28, 2010, and provides information on the Company's activities for the quarter ended March 31, 2010, and from the end of the 2009 fiscal year to the date of this report. The following discussion and analysis of the financial position of the Company should be read in conjunction with the un-audited interim financial statements for the quarter ended March 31, 2010, and the audited financial statements and related notes and the MD&A for the year ended December 31, 2009.

Overview

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

The generally more positive economic environment in 2010 and interest in the resource exploration sector resulted in a gradual return to a more active exploration program and operating activities for the Company. During the first quarter of 2010 and to the date of this report the company has continued with exploration work on the La Esperanza silver-zinc-lead and the Sandra-Escobar gold-silver projects in Mexico. The Company also continued with discussions and site visits by companies interested in option and joint venture cooperation on the projects in Mexico, with visits to the La Esperanza and Carina projects. Work at La Esperanza consisted of upgrading access roads to the newly acquired claim areas to allow further exploration, and at Sandra-Escobar the Company undertook a comprehensive mapping and surface sampling program to define drill targets. Deferred exploration and acquisition expenditures in Mexico during the quarter amounted to \$93,698 (Q1 2009 - \$28,946). All the mineral claims in Mexico were maintained in good standing. There was no activity and no recorded expenditures on the Company's projects in British Columbia during the quarter, and all the claims remained in good standing.

During the quarter the Company continued to receive payments for IVA tax claims receivable in Mexico, and in February 2010 received a \$8,004.52 GST refund to recover GST paid in 2009. In May 2010, subsequent to the end of the quarter, the Company completed a private placement of 3,620,000 units at \$0.10 for gross proceeds of \$362,000. In January 2010, the Company issued 1,675,000 options with an exercise price of \$0.10.

The Company exhibited at the Vancouver Mineral Exploration Roundup and the Vancouver Resource Investment Conference in January 2010, and attended the 2010 Prospectors and Developers Association Conference in Toronto in March 2010. Investor Relations expenditures during the quarter were \$1,313 (Q1 2009 - \$70) and travel and conferences expenditures were \$8,631 (2009 - \$1,785).

Mineral Properties

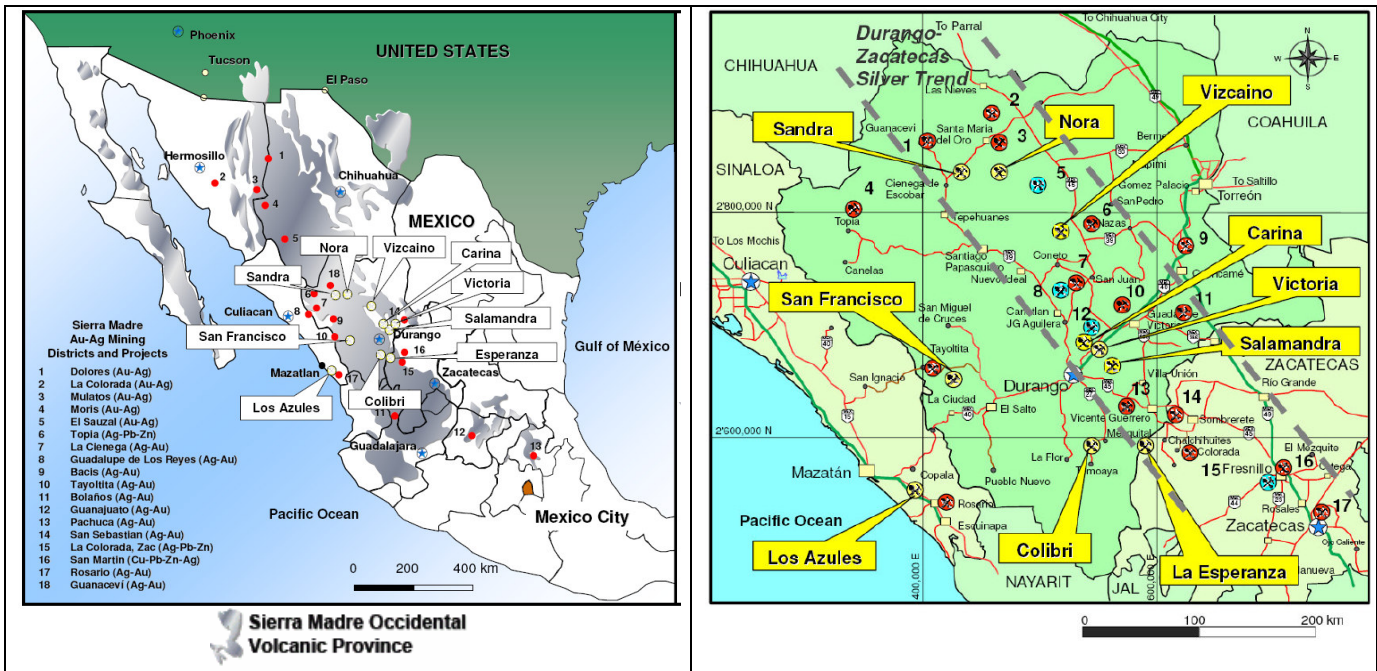
The Company has acquired the following mineral exploration projects in Mexico since 2005 and to the date of this report:

- La Esperanza silver zinc lead project – 100% interest and option to earn 100%
- Colibri silver zinc lead copper project – 100%
- Salamandra zinc silver project (March 2006) – 100% interest and option to earn 100%
- Sandra gold silver project – 100%
- Los Azules copper gold project – 100%
- San Francisco gold silver project – 100%
- Victoria zinc silver project – 100%
- Vizcaino silver gold project – 100%
- Carina silver project – 100%

The Company holds 100% interest in the following mineral properties located in the Omineca Mining District, in North-central British Columbia, Canada:

- Brenda, gold-copper property
- Vega, gold-copper property
- Granite, gold property
- LIL, silver property

Exploration projects in Mexico



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

The Company has an option agreement to purchase a 100% interest in the original La Esperanza claims covering 435 hectares, subject to a NSR royalty of up to 1.0%, by making option payments over a period of four years totalling US\$160,000. The claim area at the La Esperanza project has been increased through staking of claims to 16,910 hectares. The project is located on the border of Durango and Zacatecas States, 100 km south-southeast of the city of Durango. A Phase 1 diamond drill program consisting of 9 drill holes for a total of 1,432 metres was completed in 2006 and outlined a mineralized vein with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with a width of up to 10.30 metres carrying high-grade silver mineralization. During the quarter the Company upgraded access roads of over 24 km in the newly acquired claim areas to allow further exploration work. Expenditures on the La Esperanza project during the quarter were \$35,493 (Q1 2009 - \$7,243).

Colibri gold-silver-zinc-copper-lead project, Durango State, Mexico

The 100% owned Colibri claims cover 6,163 hectares, located 70 km southeast of the city of Durango. Geological mapping and surface sampling has identified a number of mineralized veins in the project area with a combined surface strike length of over 14 kilometres, indicating multiple targets for drill testing. The Company completed 34 diamond drill holes for a total of 4,169 metres at the Colibri project. in late 2006, 2007 and 2008. The drill program returned high-grade mineralized intercepts from the central zone of the Linda vein containing copper, silver and zinc. Expenditures on the Colibri project during the quarter were \$8,834 (Q1 2009 - \$7,719).

Salamanca zinc-silver project, Durango State, Mexico

The Company has an option agreement to purchase a 100% interest in the central 900 hectares claims of the Salamanca project, subject to a Net Smelter Return royalty of 2%, by making option payments over a period of five years totalling US\$500,000. The project area was expanded through staking of additional claims to a total of 2,778 hectares, and is located in Durango State, 35 km northeast of the city of Durango, with good access via paved and gravel roads. The Company has completed a 3-Dimensional Induced Polarization geophysical survey, geological mapping and surface sampling programs, and 12 diamond drill holes for a total of 3,595 metres. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones with higher grade silver and zinc intercepts of 2.40 metres to 11.60 metres with zinc grades between 0.55% and 12.00% and silver grades between 4 g/t and 102 g/t, within wider mineralized sections of 20 - 45 metres in width grading from 0.32% -1.08% zinc and 2 g/t – 45 g/t silver. The mineralized zones identified to date appear to be part of a potentially large mineralized system, which is open along strike and to depth, only a small part of which has been explored to date.

In March 2008, the Company entered into an Option and Joint Venture Agreement with Blackcomb Minerals Inc. providing for Blackcomb to earn a 60% interest in the Salamandra and Victoria projects against exploration expenditures of US\$7 million and cash payments of US\$375,000 over a period of 6 years. The agreement required a minimum expenditure of US\$1 million in the first year. Blackcomb Minerals did not fulfill the first year expenditure requirement, and the agreement was terminated in March 2009. Total expenditures on the Salamandra project during the quarter were \$3,629 (Q1 2009 – \$7,737 with \$12,286 in expenditure recoveries received from Blackcomb Minerals).

Victoria zinc-silver claim area, Durango, Mexico

The Victoria project claim area was reduced 45,000 hectares to 21,189 hectares in two blocks surrounding the Salamandra and Carina projects. In March 2008 the Victoria claims were optioned to Blackcomb Minerals Inc. as part of the Option and Joint Venture Agreement covering the Salamandra project, which was terminated in March 2009. There were no expenditures on the Victoria project during the quarter (Q1 2009 – \$29,278 and expenditure recoveries of \$29,014 received from Blackcomb Minerals).

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

The 100% owned Sandra project covers 7,512 hectares, located 183 km north of the city of Durango in Durango State, Mexico. The Company is advancing exploration on the Sandra project together with the adjoining 634 hectares Escobar claims of Pan American Silver following an agreement with Pan American Silver (described below). The Company has compiled a database of surface sampling and geological mapping data from the Company's past exploration program, data provided by Pan American Silver, and historical data from a number of companies which had been active in the project area in the past. Analysis of this data has outlined a high level Gold-Silver system on the Sandra claims and the adjoining Escobar claims of Pan American Silver. The mineralized system is centered on a large altered rhyolite dome complex, with surrounding argillic and potassic alteration zones with extensive evidence of gold, silver and base metal mineralization. These features are indicative of a disseminated gold-silver system, similar to other large bulk tonnage gold-silver-base metal deposits associated with altered intrusive complexes located in a well recognized trend in Durango State. In 2010 to date the Company completed a comprehensive surface mapping and sampling program to define drill targets in the project area. The results confirm a signature of a potentially large mineralized system. Expenditures on the Sandra-Escobar project during the quarter were \$31,780 (Q1 2009 - \$4,056).

The agreement with Pan American Silver Corp. provides for the Company to earn an initial 51% interest in Pan American's Escobar claims. Following the earn-in Pan American may back-in to a 51% interest in the combined Sandra and Escobar claims by paying three times exploration expenditures on the combined claims, forming a 51% Pan American 49% Canasil joint venture. If the Company elects not to contribute its share of joint venture expenditures, Pan American may earn an additional 14% interest by completing a feasibility study, thereby taking its interest to 65%. At the Company's option, Pan American may earn a further 15% interest for a total 80% interest by financing the Company's share of capital costs required to take the project through to production. If Pan American decides not to exercise its back-in right, it may sell its 49% interest in the Escobar claims to the Company for US\$5 million in a combination of cash and shares paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims.

Los Azules gold-silver-copper project, Sinaloa State, Mexico

The Company holds a 100% interest in the Los Azules claims in Sinaloa State, Mexico, covering 4,531 hectares. The claims host prospects for epithermal vein type mineralization carrying gold, silver and copper. The Los Azules property is located 60 km southeast of the city of Mazatlan. Between 2006 to 2008 the Company has completed a prospecting and sampling program followed by further mapping and evaluation at Los Azules to identify potential mineralized structures. Some of the vein structures have returned gold, silver and copper values, which require further sampling and investigation. Expenditures during the quarter at Los Azules were \$5,390 (Q1 2009 - \$5,554). Cumulative expenditures of \$91,602 were written off at year-end 2008.

San Francisco gold-silver project, Durango, Mexico

The San Francisco property, covering 500 hectares, is located approximately 104 km west of the city of Durango in the San Dimas mining district of Durango, 14 km southeast of the Goldcorp's Tayoltita mine. The claims are within view of the community of San Francisco. The access road cuts through the centre of the property, as does the main power line supplying the Tayoltita mine. Expenditures on the San Francisco project during the quarter were \$641 (Q1 2009 - \$560). Cumulative expenditures of \$5,634 were written off at year-end 2008.

Other Projects, Durango, Mexico

In June 2008 the Company acquired new projects in Mexico through the staking of claims. These were evaluated in 2008 and 2009 and two projects, Vizcaino and Carina retained for further exploration. Expenditures on these projects during the quarter were \$7,914 (Q1 2009 - \$8,025). Cumulative expenditures of \$65,763, related to the El Eden project, were written off at year-end 2008.

Vizcaino Project, Durango, Mexico

The Vizcaino project covers 3,600 hectares, located 127 kilometers north of the city of Durango, in Durango State. The project is located 38 kilometers southeast of Silver Standard Resources La Pitarrilla deposit and 42 kilometers north of the San Augustin deposit, both major recent discoveries. The Vizcaino project hosts a prominent quartz vein, which can be traced on the surface for over 2 kilometres with widths of over 1 metre and up to 12 metres. The exposed vein is composed of fine grained chalcedonic quartz with a classic banded structure indicative of the upper levels of a strong epithermal vein system.

A surface sampling and mapping program has been completed over the claim area with 99 samples covering the vein outcrops and surrounding area. Surface sampling returned anomalous gold values between 32 ppb and 141 ppb in 20 samples taken from vein outcrops at the higher elevations (2,300 m to 2,350m) on the flank of the hills on the SE end of the Pamplona vein over strike distance of 1,000 m. Sampling at the NW end, where the vein outcrops from the farmer's fields at a lower elevation (2,250 m), returned consistently higher anomalous gold values between 161 ppb to 667 ppb in 9 samples over a strike distance of approximately 400 m. This indicates increasing gold values with depth, consistent with the textures observed in the vein outcrops characteristic of the higher elevations of an epithermal system. Further exploration work consisting of trench sampling, fluid inclusion studies and possibly 3D-IP geophysics and Magnetic surveys would provide additional data to define drill targets for future exploration. A diamond drill program is warranted to test this mineralization at depth.

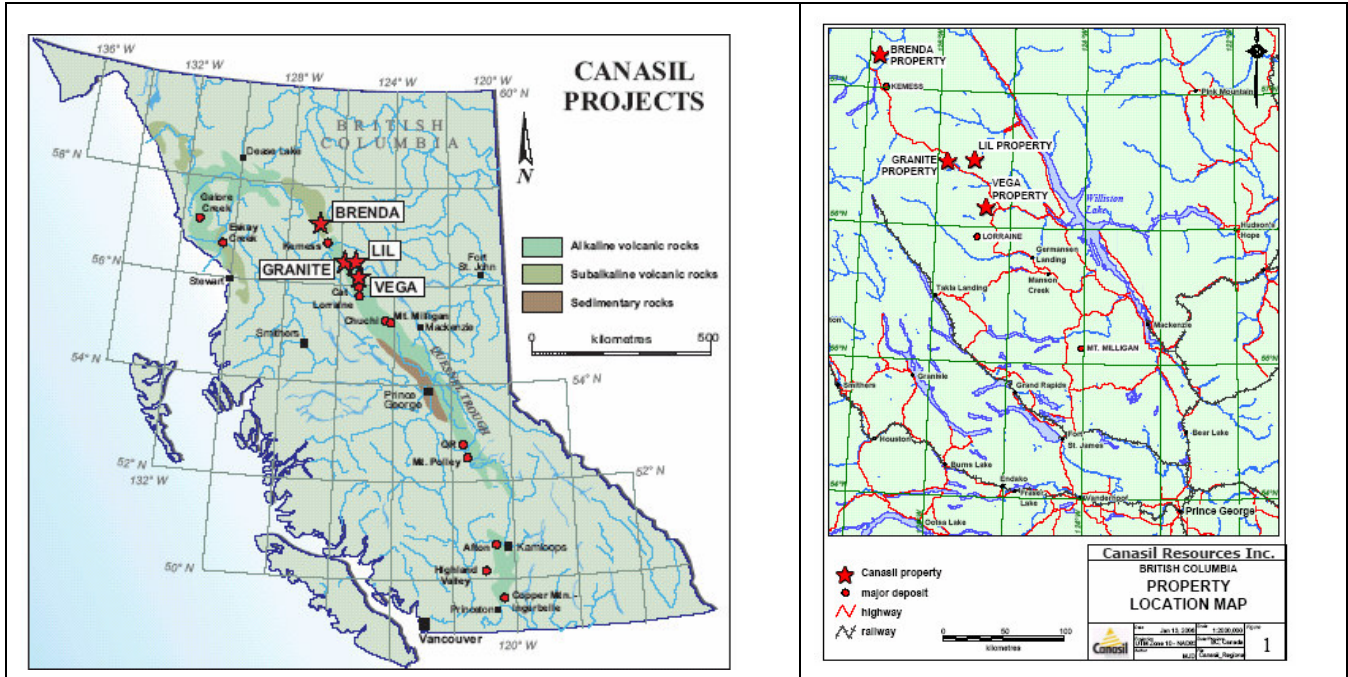
Carina Project, Durango, Mexico

The Carina project covers 2,939 hectares, located 45 kilometers northeast of the City of Durango, in Durango State. The project lies 6.5 kilometres southwest of the La Preciosa project of Orko Silver, another major recent discovery. The area has excellent road access and infrastructure.

A number of quartz veins, breccias and stockwork zones are observed in the project area, hosted by rhyolites, andesites and sediments. The main vein system strikes NW-SE and is composed of a series of parallel quartz and fluorite veins with bladed textures and widths of 1.5 metres to 2.5 metres. A broad area of quartz stockwork and breccia structures hosted by tuffaceous rhyolites is observed over an area of 100 metres by 300 metres.

A surface sampling and geological mapping program has been completed over an area of 500m by 800m covering the veins and stockwork zone with a total of 170 samples. The surface sampling program has shown consistently anomalous gold and silver values. The results are characteristic of a high level epithermal system with potential that extends beyond the outcropping mineralization. Further exploration work consisting of trench sampling, fluid inclusion studies and 3D-IP geophysics and Magnetic surveys would provide significant additional data regarding potential mineralization at depth and define drill targets for future exploration. The samples results indicate the high levels of an epithermal system, which should be tested with diamond drilling.

Exploration projects in British Columbia, Canada



Brenda gold-copper property, British Columbia, Canada

The Company's 100% owned Brenda property consists of 178 claim units, covering 4,450 hectares. The project is located in the Kemess-Toodoggone porphyry copper-gold district, approximately 450 km northwest of Prince George, B.C. The Brenda property is an advanced gold-copper exploration project with over \$3,500,000 in cumulative exploration expenditures covering geologic mapping, geochemistry, ground and airborne geophysics, satellite imaging and over 9,700 metres of drilling in 63 drill holes.

These programs have identified the potential for a deep porphyry gold-copper system at the Brenda project. The increasing gold and copper grades at depth observed in drilling to date, and the strength of the highly altered mineralized structure observed in the drill core, in conjunction with the strong anomalies observed in the geophysical survey, are highly encouraging and indicate the potential for a large deep-seated gold-copper porphyry system at the Brenda project. The mineralized system averages 300 to 400 metres in width, and has been traced along a strike length of 400 meters by drilling, with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in the 3-Dimensional Induced Polarization geophysical survey. A deeper sensing geophysical survey, which can penetrate to 1,000 metres depth, as well as deeper drilling to extend some of the existing drill holes may be used in a future program for further definition of the structure at depth. The Brenda mineral claims are valid to May 30, 2018, and there were no expenditures during the quarter (Q1 2009 - \$Nil).

Vega gold-copper, LIL silver and Granite gold properties, British Columbia, Canada

The 100% owned Vega claims are located in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George. Access to the property is via the Omineca Mines Access Road and logging roads. The claim area covers 6,716 hectares. There were no expenditures on the Vega project during the quarter (Q1 2009 - \$Nil). The Company wrote off \$59,855 in cumulative exploration expenditures on the Vega project at year-end 2008.

The 100% owned LIL claims, covering 875 hectares, are located in the Omineca Mining Division, 350 km northwest of Prince George, British Columbia. There were no expenditures on the Lil claims during the quarter (Q1 2009 - \$Nil). The Company wrote off \$8,809 in cumulative exploration expenditures on the Lil project at year-end 2008.

The 100% owned Granite gold-silver claim, covering 500 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, is located 360 km northwest of Prince George. There were no expenditures on the Granite property during the quarter (Q1 2009 - \$Nil).

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Results of Operations

Results of Operations for three-month period ended March 31, 2010 and 2009

Operating expenses during the first quarter of 2010 were \$150,245 (Q1 2009 - \$137,480) and the Company earned interest income of \$172 (Q1 2009 - \$294). The operating expenses for the quarter included non-cash Stock-Based Compensation of \$69,666 (Q1 2009 - \$4,320). Net operating expenditures excluding amortization and Stock-Based compensation were \$78,087 (Q1 2009 - \$129,515). During the quarter, Management and Directors fees were \$38,500 (Q1 2009 - \$38,500) and expenditures on Investor Relations and Conferences and Conventions increased to \$9,944 (Q1 2009 - \$1,855). Accounting and audit fees were \$8,125 (Q1 2009 - \$8,861), office services and supplies were \$14,715 (Q1 2009 - \$17,443), and General Exploration expenditures were reduced to \$958 (Q1 2009 - \$38,586). The Company recorded a foreign exchange loss of \$71 (Q1 2009 - \$12,264) resulting from exchange rate fluctuations between the Canadian Dollar, the U.S. Dollar, and the Mexican Peso.

Net cash used for operating activities during the quarter, before changes in non-cash working capital items, was \$77,915 (Q1 2009 - \$129,221). Accounts Receivable decreased by \$7,732 (Q1 2009 - decrease of \$230,479), Prepaid Expenses decreased by \$1,781 (Q1 2009 - \$1,781), Accounts Payable and Accrued Liabilities (Trade) decreased by \$725 (Q1 2009 - decrease of \$106,114) and amounts due to related parties increased by \$41,662 (Q1 2009 - increase of \$78,693). Cash used for investing activities was \$89,271 (Q1 2009 - \$78,105 with recoveries of \$41,300). Net cash flow from financing activities was \$70,844 from advances from related parties (Q1 2009 - \$12,500 from the exercise of warrants).

Summary of Quarterly Information

The following table provides selected financial information of the Company for each of the last eight quarters:

| Year | 2010 | 2009 | | | | 2008 | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Quarter ended: | March 31 | Dec. 31 | Sept. 30 | Jun. 30 | Mar. 31 | Dec. 31 | Sept. 30 | Jun. 30 |
| Loss before other items | (80,407) | (70,752) | (79,632) | (75,946) | (132,866) | (102,007) | (138,765) | (154,586) |
| Stock-based compensation | (69,666) | - | - | (4,320) | (4,320) | (33,567) | (58,155) | (35,231) |
| Write-off of resource properties | - | - | - | - | - | (249,908) | - | - |
| Loss for the quarter | (150,073) | (70,752) | (79,632) | (80,266) | (137,186) | (385,482) | (196,920) | (189,817) |
| Loss per share: basic and diluted | (0.003) | (0.002) | (0.002) | (0.002) | (0.004) | (0.011) | (0.006) | (0.006) |
| Weighted-average shares | 41,502,592 | 36,522,455 | 35,202,592 | 35,202,592 | 34,955,370 | 34,004,368 | 34,347,157 | 33,531,438 |

Discussion of Quarterly Information

Following a significantly lower level of exploration and operating activities in the second half of 2008 and 2009, the Company started to gradually increase its exploration programs and operating activities in 2010. However operating losses continued to be relatively low during the first quarter of 2010 due to lower amounts charged to General Exploration as opposed to allocated directly to projects, and significantly lower Foreign Exchange losses. The quarterly operating losses in 2009 were lower than in 2008 due to a generally lower level of operating expenditures, particularly on Investor Relations, Conferences and Travel, and Stock Based Compensation. There were also no property write-downs in 2009. During the fourth quarter of 2008 the Company recorded a loss of \$385,482 or \$0.011 per share resulting from the write-down of mineral properties of \$249,908 and Stock Based Compensation of \$33,567. Excluding these items, the loss was \$102,007 in the fourth quarter of 2008.

First Quarter 2010

During the first quarter of 2010 the Company recorded a loss of \$150,073 or \$0.003 per share. The loss before Stock Based Compensation continued to be relatively low at \$80,407 (Q1 2009 - \$132,866). In comparison with the first quarter 2009, a significantly lower amount of \$958 (Q1 2009 - \$38,586) was charged to General Exploration as opposed to allocated directly to projects. Foreign Exchange losses were also significantly lower at \$71 (Q1 2009 - \$12,264). Stock Based Compensation expense of \$69,666 (Q1 2009 - \$4,320) was recorded during the first quarter 2010 in connection with the issuance of 1,675,000 incentive stock options in January 2010.

Liquidity and Capital Resources

The Company is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in securing the required financing. The Company had a working capital deficiency at March 31, 2010 of \$443,149 (December 31, 2009 - \$271,536), which included \$467,506 in Accounts Payable and Amounts Due to Related Parties. Excluding amounts due to related parties the working capital was \$24,357. In May 2010, subsequent to the end of the quarter, the Company completed a private placement of \$362,000 through the issuance of 3,620,000 shares at \$0.10.

The Company had no material income from operations. As at March 31, 2010, the Company had no long-term debt. The Company has received total advances of \$215,844 from a related party without interest or specific terms of repayment, and recorded \$251,662 in accounts payable to related parties for management and directors' fees. During the quarter the Company experienced negative cash flow of \$50,319 (Q1 2009 – positive \$59,172) from operating, investing and financing activities. This included net cash used in operating activities of \$31,892 (Q1 2009 – cash generated of \$83,477), net cash used in investing activities of \$89,271 (Q1 2009 - \$36,805), and net cash provided by financing activities of \$70,844 (Q1 2009 – \$12,500).

The Company has option agreements that require certain future cash payments to maintain its interests in mineral properties, however, these payments can be made at the discretion of the Company and are not firm commitments. The Company will require additional funding for exploration and operating expenditures through 2010. Given the downturn in the financial and metals markets in 2008 and 2009, the Company has identified certain conditions that cast considerable doubt upon its ability to continue as a going concern (see note 1 to December 31, 2009 audited consolidated financial statements). However, management believes that the Company will be able to continue as a going concern through a combination of managing the rate of exploration activity, and by raising additional equity funds in light of improving market conditions and greater interest in funding mineral exploration activities in late 2009 and to date in 2010.

Other Information and Disclosures

Related Party Transactions

During the quarter the Company paid or accrued a total of \$41,521 (Q1 2009 - \$43,351) to related parties covering directors' and management fees and legal services as listed below. The Company relies heavily on its directors and officers for many of its administrative and professional services.

- a) Paid or accrued \$24,000 (Q1 2009 - \$24,000) for management fees to a company with a director in common;
- b) Paid or accrued \$3,021 (Q1 2009 - \$4,851) for legal services and share issue costs to a law firm in which an officer of the Company is a partner;
- c) Paid or accrued \$10,000 (Q1 2009 - \$10,000) in director fees to a director and to three companies, each controlled by a director;
- d) Paid or accrued \$4,500 (Q1 2009 - \$4,500) in management fees to an officer.

Included in accounts payable at December 31, 2009 is \$251,662 (December 31, 2009 - \$210,000) due to these related parties, and \$215,844 (Dec. 31, 2009 - \$145,000) in advances from related parties. The advance is unsecured, due on demand, and has no fixed terms of repayment.

Changes in Accounting Policies

There were no changes in accounting policies during the period.

Off-Balance Sheet Arrangements

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

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For the Year ended December 31, 2009

| Canasil Resources Inc. - Resource Properties Expenditures 03/31/2010 | | | | | | | | | | | | | |
|---|-----------|--------|--------|----------|------------|---------|-----------|-----------|-----------|------------|----------|--------|-----------|
| | Canada | | | | | | Mexico | | | | | | Total |
| | Brenda | Lil | Vega | Cebollas | Los Azules | Sandra | Francisco | Esperanza | Colibri | Salamandra | Victoria | Other | |
| Total as at Dec 31, 2008 | 1,821,492 | - | - | - | - | 133,481 | - | 500,610 | 1,602,467 | 814,065 | 105 | 40,816 | 4,913,035 |
| Acquisition/Option Pmnts. | - | - | - | - | - | - | - | 13,533 | - | - | - | - | - |
| Administration | - | - | - | - | 37 | 14,779 | - | 5,475 | 615 | 2,180 | 1,017 | 7,306 | 44,931 |
| Assays | - | - | - | - | - | 66 | - | 378 | - | 561 | - | - | 1,005 |
| Consulting | - | - | - | - | 976 | 5,713 | 300 | 1,482 | 2,826 | 3,338 | 4,172 | 9,411 | 28,218 |
| Drilling | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Field costs | - | - | - | - | 33 | 4,044 | - | 7,024 | 1,864 | 6,536 | 21 | 2,272 | 21,794 |
| Geology | 1,159 | - | - | - | 61 | 22,926 | 67 | 29,617 | 61 | 4,594 | 1,393 | 14,097 | 73,969 |
| Geophysical | - | - | - | - | - | - | - | - | - | - | - | 1,647 | 1,647 |
| Land holding costs | - | 1,130 | 5,750 | - | 7,878 | 5,926 | 963 | 42,649 | 6,288 | 3,568 | 43,570 | 6,381 | 124,103 |
| Legal | - | - | - | - | 331 | 1,257 | - | 415 | 415 | 587 | 547 | 254 | 3,806 |
| Mapping and surveying | 315 | - | - | - | - | - | - | - | - | 2,958 | - | - | 3,285 |
| Road building | - | - | - | - | - | - | - | - | - | - | - | 781 | 781 |
| Transportation / rentals | - | - | - | - | - | 2,531 | - | 2,789 | - | 100 | - | 13 | 5,433 |
| Travel / accommodation | - | - | - | - | - | 220 | - | 163 | - | - | - | - | 396 |
| Total expenditures - 2009 | 1,474 | 1,130 | 5,750 | - | 9,316 | 57,462 | 1,330 | 103,533 | 12,069 | 24,422 | 50,721 | 42,162 | 309,369 |
| Write-down | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Expenditure recoveries | -11,838 | -1,067 | -2,460 | - | - | - | - | - | - | -12,286 | -29,014 | - | -56,665 |
| Cash payments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total as at Dec 31, 2009 | 1,811,128 | 63 | 3,290 | - | 9,316 | 190,943 | 1,330 | 604,143 | 1,614,536 | 826,201 | 21,812 | 82,977 | 5,165,739 |
| Acquisition/Option Pmnts. | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Administration | - | - | - | - | - | 1,292 | - | 1,484 | 184 | 11 | - | 4 | 2,975 |
| Assays | - | - | - | - | - | 6,518 | - | - | - | - | - | - | 6,518 |
| Consulting | - | - | - | - | - | 140 | - | 2,015 | - | - | - | 2,073 | 4,228 |
| Drilling | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Field costs | - | - | - | - | - | 6,862 | - | 8,133 | 11 | - | - | 849 | 15,855 |
| Geology | - | - | - | - | - | 8,527 | - | 4,368 | - | 1,594 | - | 1,594 | 16,083 |
| Geophysical | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Land holding costs | - | - | - | - | 5,390 | 4,474 | 641 | 9,957 | 8,554 | 2,024 | 17 | 3,286 | 34,343 |
| Legal | - | - | - | - | - | - | - | 484 | - | - | - | - | 484 |
| Mapping and surveying | - | - | - | - | - | 2,690 | - | 61 | - | - | - | - | 2,751 |
| Road building | - | - | - | - | - | - | - | 7,800 | - | - | - | 106 | 7,906 |
| Transportation / rentals | - | - | - | - | - | 1,055 | - | 1,191 | 85 | - | - | - | 2,331 |
| Travel / accommodation | - | - | - | - | - | 221 | - | - | - | - | - | - | 221 |
| Adjusting/Rounding | - | - | - | - | - | - | - | - | - | - | - | 2 | 2 |
| Total exp. Q1 2010 | - | - | - | - | 5,390 | 31,780 | 641 | 35,493 | 8,834 | 3,629 | 17 | 7,914 | 93,968 |
| Write-downs | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Expenditure recoveries | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total as at Mar 31, 2010 | 1,811,128 | 63 | 3,290 | - | 14,706 | 222,723 | 1,971 | 639,636 | 1,623,370 | 829,830 | 21,829 | 90,891 | 5,259,437 |

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. The most significant accounting estimates for the Company relate to the carrying value of its mineral property assets and accounting for stock-based compensation. The Company's accounting policies are set out in full in note 2 to the December 31, 2009 audited consolidated financial statements.

Mineral Property Costs

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of mineral interests, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

The Company's Management regularly reviews the carrying value of each mineral property. Where information and conditions suggest that there has been impairment in their carrying value, management assesses the project for impairment and records a write-down to the estimated fair value in the statement of operations.

With the downturn in the financial and metals markets, and a decline in the Company's share price during 2008 and 2009, management considered whether these declines constituted triggering events that would require management to test its remaining mineral properties for impairment. Management considered it appropriate to review the Company's other properties for impairment by assessing whether fair value was less than carrying value. Since none of the Company's properties have identified reserves, management considered cost to be a reasonable approximation of fair value, as costs incurred were relatively current, work to date produced results that indicated further work on the property was warranted, and management planned to continue to explore the property on its own or through joint venture or farm-out agreements. Management is satisfied that all of these properties are of merit and warrant further exploration. Despite the difficulty that junior exploration companies have raising equity finances in the current market, the Company is optimistic that it will be able to raise sufficient funds to advance the properties in due course. Based on this assessment, management concluded that no impairment charge was required as at March 31, 2010.

Stock-based Compensation

The fair value of stock options is determined by the application of the Black-Scholes Option-Pricing Model, which requires the input of highly subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Financial Instruments

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and due to related party. Cash is classified under Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended December 31, 2008

minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner. At March 31, 2010, the Company held the equivalent of \$5,516 in cash, \$41,320 in accounts receivable, and \$9,882 in accounts payable, all of which are denominated in pesos.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-orientated enterprises for interim and annual financial statements effective January 1, 2011. Accordingly, the Company will prepare its financial statements for fiscal 2010 using Canadian GAAP. In 2011, the Company will present its fiscal 2011 financial statements, with comparatives for fiscal 2010, using IFRS.

The company is currently in the initial assessment and scoping phase of its IFRS change-over process. In this phase, the Company is identifying significant differences between existing Canadian GAAP and IFRS; identifying policy choices and changes required to the Company's current accounting policies; and assessing the impact of such choices and changes, including the impact of adopting IFRS 1 – *First Time Adoption of IFRS*. At the end of this phase, the Company will make specific accounting policy changes. Such choices will be made in consultation with the audit committee and will be based on improving the overall usefulness of our financial statements and comparability with our industry peers.

Upon completion of this phase, the Company will move into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. The Company will also design model IFRS financial statements. These tools and the model IFRS financial statements will be tested and run parallel during 2010 to ensure a smooth and accurate change-over in 2011.

The Company expects to complete the initial assessment and scoping phase during 2010. Although its impact assessment activities are underway, continued analysis and discussion is required before the Company can prudently disclose change-over accounting policy differences. Due to the small and simple organizational, administrative and accounting structure of the Company, management is confident that once the policy choices are finalized, the implementation phase could be completed by mid-2010.

To date, management has identified a number of differences between Canadian GAAP and IFRS, many of which are not expected to have a material impact on the reported results and financial position of the Company. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During 2010, management will meet with the Audit Committee and the Board of Directors to finalize key issues and transitional choices under IFRS 1 applicable to the Company. Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences. Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the straight line method; however it intends to apply the accelerated amortization method in fiscal 2010 and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is expecting to use an estimate of forfeitures when determining the number of equity instruments expected to vest during fiscal 2010. Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or disregard the IASB Framework and keep the existing Company policy, if relevant and reliable. Management has yet to decide on whether or not to fully adopt IFRS 6, "Exploration and Evaluation of Mineral Properties," and apply the IASB framework.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements. As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company has not yet assessed the impact of implementing IAS 12, Income Taxes, on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

General

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more detail than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

CANASIL RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended December 31, 2008

Disclosure for Venture Issuers without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's unaudited financial statements for the quarter ended March 31, 2010, provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

Outstanding Share Data

Shares

The Company's authorized share capital consists of an unlimited number of common shares. As at March 31, 2010 the Company had 41,502,592 common shares issued and outstanding (diluted – 48,126,342) compared to 41,502,592 common shares issued and outstanding (diluted – 46,586,342) as at December 31, 2009.

During the period, 135,000 stock options expired and the Company granted 1,675,000 options at \$0.10 to Directors, management and consultants.

Subsequent to March 31, 2010, the Company issued 3,620,000 shares and 1,810,000 warrants under a private placement, bringing the number of outstanding shares to 45,122,592 (diluted – 53,556,342) as of the date hereof.

Options

As at March 31, 2010, a total of 3,473,750 incentive stock options were outstanding.

| Number of Shares | Exercise Price | Expiry Date |
|------------------|----------------|-------------------|
| 743,750 | \$ 0.20 | March 6, 2011 |
| 100,000 | \$ 0.20 | October 27, 2011 |
| 75,000 | \$ 0.20 | November 21, 2011 |
| 780,000 | \$ 0.50 | March 20, 2012 |
| 100,000 | \$ 0.25 | July 10, 2013 |
| 1,675,000 | \$0.10 | February 2, 2015 |
| 3,473,750 | | |

Warrants

As at March 31, 2010, a total of 3,150,000 share purchase warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|----------------|------------------|
| 3,150,000 | \$ 0.15 | October 13, 2010 |
| 3,150,000 | | |

Escrow

There are no shares subject to escrow or pooling arrangements.

Investor Relations

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations. During the quarter the Company exhibited at the Vancouver Mineral Exploration Roundup and the Vancouver Resource Investment Conference in January 2010. The Company also attended the Prospectors and Developers Association Conference in Toronto in March 2010. Investor relations expenditures and participation in industry conferences were gradually increased in view of the better economic conditions and interest in the mineral exploration sector in 2010.

Recent developments

Subsequent to March 31, 2010, the Company closed a non-brokered private placement of 3,620,000 units at an exercise price of \$0.10 per unit for gross proceeds of \$362,000. Each unit consisted of one common share of the Company and one-half of one share purchase warrant; each full Warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 within one year of closing. If, beginning six months following the closing of the private placement, the closing price of the Company's shares equals or exceeds \$0.30 per share for a period of ten consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants by giving the Warrant-holders at least 30 days' written notice.

General Conditions Affecting the Company's Operations

General Trends

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

During the fourth quarter of 2008 there was a marked deterioration in global economic conditions due to the financial and banking crisis in the U.S. and its effects on the global economy. These conditions resulted in a sharp decrease in the price of commodities and precious and base metals as well as sharp drops in all stock markets and loss of confidence in the investment sector. For the mineral exploration industry, these conditions continued through to the third and fourth quarter of 2009, when gradually improving economic conditions resulted in increasing precious and base metal prices and a renewed interest in funding mineral exploration companies. There has been an overall improvement in the share prices of mining and mineral exploration companies, initially for larger companies and advanced explorers and later in the year for junior explorers.

Competitive Conditions

The outlook for acquisition and development of natural resource projects had deteriorated due to the global financial crisis in late 2008 and first half of 2009. However these conditions started showing some improvement in the second half of 2009 and appear to be continuing to improve. The lower level of exploration activity has resulted in greater availability and generally lower prices for mineral exploration services.

Environmental Protection

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

Number of Employees

As of March 31, 2010, the Company had no employees. All administrative and certain geological services are provided to the Company by consultants or companies controlled by related parties.

Acquisition and Disposition of Resource Properties

During the quarter the Victoria project claims were reduced to 21,000 hectares covering areas surrounding the Salamandra and Carina projects.

Risk Factors Relating to the Company's Business

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

Precious and Base Metal Price Fluctuations

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

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries no liability insurance, and any liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

Exploration and Development

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

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

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

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery

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

Government Regulation

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

Environmental Factors

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

Title to Assets

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

Foreign Operations

The Company operates in Mexico and has acquired four mineral properties, through staking, and has option agreements to acquire interests in three other mineral properties. The Company is currently engaged in exploration activities on these properties. Subsequent to the end of the fiscal year, the Company has acquired two additional claim areas surrounding the existing mineral properties.

CANASIL RESOURCES INC.
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Management and Directors

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

Conflicts of Interest

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

Limited Operating History - Losses

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of March 31, 2010, the Company's accumulated deficit was \$7,220,370.

Price Fluctuations and Share Price Volatility

In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During the quarter, and to the date of this report, the price of the Company's shares fluctuated from a low of \$0.06 to a high of \$0.115 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance - Dilution

As at March 31, 2010, a total of 41,502,592 common shares of the Company were issued and outstanding. There were 3,473,750 stock options and 3,150,000 share purchase warrants outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders.

Forward Looking Statements

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

Approval

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

A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at www.sedar.com, and on the Company's website at www.canasil.com