2006

ANNUAL REPORT

P.O. Box No. 10351
Suite 888 – 700 West Georgia Street
Vancouver, B.C. V7Y 1G5
Tel: 604-708 3788, Fax: 704-708 3728
www.canasil.com

Directors' Letter to Shareholders

April 24, 2007

Dear Shareholders,

2006 was another very positive year for Canasil. Following the acquisition of several new projects in Mexico during 2005, the Company implemented a comprehensive exploration program, including geological mapping, surface sampling, geophysics and diamond drilling, to evaluate and advance these projects. We also continued to acquire new projects with high potential within our area of interest in central Mexico. In British Columbia, Canada, the Company also carried out an active field program on the Brenda gold-copper project to evaluate and prepare targets for diamond drilling. Total deferred exploration expenditures in 2006 were $847,816 compared to $176,439 in 2005. During 2006, the Company arranged two private placements for a total of $1,250,750 to fund the increased level of exploration and operational expenditures. The positive results from our exploration programs, together with a more active corporate communications program, resulted in a marked improvement in our share price and liquidity during 2006.

Our focus in Mexico in 2006 was to systematically explore, define drill targets and undertake drill testing of our portfolio of mineral exploration projects with potential for silver, gold, zinc, copper and lead. We now control multiple projects in the mineral-rich regions in Durango, Sinaloa and Zacatecas states in Mexico. These projects all present multiple targets with significant opportunities for discovery and creating value. Our exploration programs defined drill targets at the La Esperanza silver-zinc project in Zacatecas state, and at the Colibri silver-zinc-copper, Salamandra zinc-copper-silver and Sandra silver-gold projects in Durango state. Phase 1 diamond drilling at la Esperanza project discovered a strong high-grade mineralized vein structure, and at Colibri identified a high grade copper-silver vein with zones carrying gold and cobalt. A geophysical survey at the Salamandra zinc-copper-silver project returned significant anomalies indicating the potential for a large skarn/manto mineralized system for drill testing.

Mexico continued to develop as a destination of choice for mineral explorers and producers, due to continuing high prices of base and precious metals, and relative economic and political stability compared to uncertainties in other countries, providing an attractive operating environment. Our wholly owned operating subsidiary, Minera Canasil S.A. de C.V. in Durango, Mexico, was further strengthened with additional experienced local technical and administrative staff under the direction of Erme Enriquez. This allowed us to implement our exploration programs effectively and as planned, and also provided us with the capability to acquire new prospective projects of merit. We also initiated a program of preparing NI-43-101 technical qualifying reports for our projects in Mexico by Dr. Peter Christopher, P. Geo., which will allow preparation of updated independent technical reports as we progress with exploration work on the projects.

The extensive portfolio of exploration projects we have acquired in Mexico in 2005, 2006 and early 2007 now cover over 133,000 hectares. They provide excellent exploration potential for silver, gold, zinc, copper and lead. The majority of the projects have been acquired through direct staking of the claim areas. As a result we have 100% title at relatively low cost, and the majority of our future investments can be committed to exploration programs, maximizing the opportunities for adding value to our projects. All the projects have excellent road access and are in the proximity of infrastructure required for cost effective exploration, and provide us with the opportunity to create significant added value through our planned exploration programs in Mexico.

In British Columbia, Canada, we carried out an active field program at Brenda gold-copper project, including geological mapping, carried out by Dr. Andre Panteleyev, and detailed analysis of mineralogy of rock and drill core samples. This data confirmed indications of a large porphyry gold-copper mineralizing system and highlighted significant untested target zones for further drilling. We are planning a geophysical survey over the target areas, and diamond drilling to test these targets during the 2007 field season, depending on the availability of drill contractors. The potentially large gold-copper mineralizing system in the Brenda project area makes this a very attractive advanced exploration prospect with the potential for creating significant future value.

Directors' Letter to Shareholders April 24, 2007, (contd.)

During 2006 we were able to strengthen the Company's financial and operating structure through arranging two private placements for a total of 4,803,000 units at $0.25 per share for gross proceeds of $1,250,750. These placements covered funding for the 2006 exploration programs and operations. Since the year-end we have completed a further placement of 4,000,000 units at $0.40 per unit for gross proceeds of $1,600,000. Together with the proceeds from the exercise of warrants at $0.35 per share from the 2005 placements, the Company has raised over $2,000,000 during the first quarter of 2007. This will fund all the currently planned 2007 exploration programs, including over 8,000 metres of diamond drilling on five projects, as well as currently planned operating expenditures. We will continue to strengthen the Company's financial position and working capital through additional placements, particularly if our share price improves with positive exploration results, in order to maintain as low a level of shareholder dilution as possible while funding the Company's future programs and operations.

Our objectives in Mexico for 2007 are to complete the Phase 1 diamond drill programs at the Colibri, Salamandra and Sandra projects, as well as the Phase 2 diamond drill program at the La Esperanza project for a total of over 6,000 metres. We have already completed approximately 2,000 metres of drilling during the first quarter of 2007 on the Colibri and Salamandra zinc-copper-silver projects, and plan to complete the balance 4,000 metres by the end of June 2007. We also plan to continue the evaluation of our other projects in Mexico to assess their potential and define drill targets. In British Columbia we plan to undertake a 3-Dimensional Induced Polarisation geophysical survey at the Brenda gold-copper project in July 2007, followed by 2,000 – 2,500 metres of diamond drilling in August and September, depending on the availability of drill contractors. All these exploration programs are fully funded. We believe that the successful implementation of these programs will provide multiple opportunities for discovery and added value on our mineral exploration projects, which should also result in increased shareholder value.

During 2006 we have pursued an active investor relations program and exhibited and attended a number of industry conferences in Vancouver, Toronto, Calgary, and San Francisco. We also entered into an Investor Relations contract with Kerr Consulting Services in November 2006, and arranged a number of corporate presentations and video interviews. The positive exploration results from Mexico and BC, together with the Company's increased level of exploration activity and stronger financial position have generated a very positive response. We have experienced improving share prices and trading volumes during 2006 and through the first quarter of 2007. Our share price improved from $0.12 in January 2006 to $0.40 in December 2006, and has recently strengthened to $0.65 in April 2007, coupled with increasing trading volumes. This resulted in a significantly higher market capitalisation for the Company (from $2,500,000 in January 2006 to $20,000,000 in April 2007) and provides the opportunity to arrange additional funding for our future development with favourable terms and lower shareholder dilution, which continues to be one of our important priorities.

We are very pleased to welcome Mr. Arthur Freeze to the Board of Directors. He is a well recognized figure in the mineral exploration industry and will make a significant contribution to the Board. We look forward to the implementation of our 2007 exploration programs in Mexico and B.C., which will provide the Company with important opportunities for creating shareholder value during 2007. Your Company continues to offer significant exposure to exploration potential for gold, silver, copper, zinc and lead in Mexico and British Columbia, Canada, two politically and economically stable environments with proven mineral and mining potential. All these metals continue to trade at high historical price levels. We look forward to the results from our exploration programs during 2007 and their impact on our share price and trading volumes.

We thank all our shareholders for their continued support,

On behalf of the Board,

"Bahman Yamini"

Bahman Yamini, President, CEO & Director

CANASIL RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

AUDITORS' REPORT

To the Shareholders of
Canasil Resources Inc.

We have audited the consolidated balance sheets of Canasil Resources Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 4, 2007

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC, Canada, V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

CANASIL RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2006	2005
ASSETS		
Current		
Cash	$ 211,763	$ 204,920
Receivables	144,254	59,698
Prepaid expenses	13,592	4,347
	369,609	268,965
Equipment (Note 3)	34,283	6,692
Resource properties (Note 4)	2,674,816	1,827,000
Reclamation bond	20,000	13,000
Total assets	$ 3,098,708	$ 2,115,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 192,426	$ 44,917
Stockholders' equity		
Capital stock (Note 5)	6,572,265	5,762,048
Subscriptions received in advance (Note 5)	335,000	-
Contributed surplus (Note 5)	496,413	449,081
Deficit	(4,497,396)	(4,140,389)
	2,906,282	2,070,740
Total liabilities and stockholder' equity	$ 3,098,708	$ 2,115,657

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

"Alvin Jackson" Director *"Michael McInnis"* Director

The accompanying notes are an integral part of these consolidated financial statements.

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31

	2006	2005
EXPENSES		
Accounting and audit	$ 23,923	$ 13,052
Amortization	7,066	992
Directors fees	25,500	18,000
Foreign exchange loss	1,337	16,806
General exploration	24,004	121,139
Investor relations	47,953	26,604
Legal fees	11,587	7,806
Management fees	85,000	60,000
Office services and supplies	35,278	16,778
Registration, licence and filing	32,413	11,411
Stock-based compensation (Note 6)	47,332	34,678
Travel and conferences	22,849	2,577
Loss before other item	(364,242)	(329,843)
OTHER ITEM		
Interest income	7,235	9,984
Loss for the year	(357,007)	(319,859)
Deficit, beginning of year	(4,140,389)	(3,820,530)
Deficit, end of year	$ (4,497,396)	$ (4,140,389)
Basic and diluted loss per share	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding	20,242,205	18,432,342

The accompanying notes are an integral part of these consolidated financial statements.

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (357,007)	$ (319,859)
Items not affecting cash:		
Amortization	7,066	992
Stock-based compensation	47,332	34,678
Changes in non-cash working capital items:		
Increase in receivables	(84,556)	(29,640)
Increase in prepaid expenses	(9,245)	(4,156)
Increase in accounts payable and accrued liabilities	58,847	3,648
Cash used in operating activities	(337,563)	(314,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Resource properties	(759,154)	(157,117)
Reclamation deposits	(7,000)	-
Equipment purchased	(34,657)	(5,444)
Cash used in investing activities	(800,811)	(162,561)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	825,750	-
Share issuance costs	(15,533)	-
Subscriptions received in advance	335,000	-
Cash provided by financing activities	1,145,217	-
Change in cash during the year	6,843	(476,898)
Cash, beginning of year	204,920	681,818
Cash, end of year	$ 211,763	$ 204,920

Supplemental disclosure with respect to cash flows (Note 8)

The accompanying notes are an integral part of these consolidated financial statements.

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 necessary financing to successfully complete its exploration and development and upon future profitable production.

These financial statements have been prepared 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. The 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.

	2006	2005
Deficit	$ (4,497,396)	$ (4,140,389)
Working capital	177,183	224,048

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 intercompany transactions and balances have been eliminated.

Use of 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 amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Equipment and amortization

Equipment includes automotive and other equipment related to mineral properties and furniture and equipment related to corporate offices. These assets are recorded at cost and amortized over their estimated useful life using the declining balance method at rates ranging from 20% to 100% per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Resource properties

All costs related to the acquisition, exploration and development of resource properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value. A resource property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. The Company has determined that it has no asset retirement obligations as at December 31, 2006.

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. 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. Income and expense items are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting periods for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to contributed surplus.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automobile	$ 27,730	$ 4,159	$ 23,571	$ 14,971	$ 8,279	$ 6,692
Computer	5,583	1,255	4,328	-	-	-
Furniture and equipment	15,871	9,709	6,162	-	-	-
Software	444	222	222	-	-	-
	$ 49,628	$ 15,345	$ 34,283	$ 14,971	$ 8,279	$ 6,692

4. RESOURCE PROPERTIES

Title to resource 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 resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties is in good standing.

Tres Marias and Cebollas properties, Mexico

During 2003, the Company entered into an option agreement with a subsidiary of Goldcorp Inc. to earn a 51% interest in the Tres Marias and Cebollas gold-silver properties located in Durango State, Mexico.

4. RESOURCE PROPERTIES (cont'd…)

Tres Marias and Cebollas properties, Mexico (cont'd…)

In accordance with the terms of the agreement, the Company issued 50,000 common shares at a value of $8,000 and must also incur exploration expenditures of US$1,000,000 over five years. The Company's interest may be increased to 75% in the sixth year by incurring an additional US$700,000 in exploration expenditures. Goldcorp Inc. may buy back a 35% interest in the properties for US$1,700,000 after the Company has acquired a 75% interest. The property is subject to a 3% net smelter returns royalty ("NSR").

Sandra and Nora project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico.

Los Azules project, Mexico

During 2005, the Company staked claims in Sinaloa State, Mexico.

San Francisco project, Mexico

During 2005, the Company staked claims in Durango State, Mexico.

La Esperanza project, Mexico

During 2005, the Company entered into an option agreement to purchase a 100% interest in the La Esperanza project, subject to a NSR of up to 1.5%. The claims are located in Zacatecas State, Mexico. Under the terms of the agreement, the Company has the right to acquire these claims by making option payments over a period of three years totaling US$150,000.

4. RESOURCE PROPERTIES (cont'd…)

Colibri project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico.

Salamandra project, Mexico

During 2006, the Company entered into an option to purchase a 100% interest in the Salamandra project, subject to a NSR of 2%. In accordance with the terms of the agreement, the Company has the right to acquire these claims, by making option payments over a period of three years totalling US$500,000.

The Salamandra project is located in Durango State, Mexico. The Company has staked additional claims in the area.

Other projects, Mexico

During 2006, the Company staked additional claims located in Durango State, Mexico surrounding the Salamandra and Colibri project areas.

Brenda Claims, Canada

The Company owns mineral claims in the Omineca Mining division of British Columbia.

Lil, Granite and Vega Claims, Canada

The Company owns mineral claims in the Omineca Mining division of British Columbia.

4. RESOURCE PROPERTIES (cont'd…)

	Brenda Claims, Canada	Lil Claim, Canada	Vega Claims, Canada	Tres Marias & Cebollas, Mexico	Los Azules, Mexico	Sandra and Nora, Mexico	San Francisco, Mexico	La Esperanza, Mexico	Colibri, Mexico	Salamandra Mexico	Other Mexico	Total
Total December 31, 2004	$1,296,652	$ -	$ -	$ 353,909	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,650,561
Administration	25	-	-	544	-	126	126	-	-	-	-	821
Assays	-	-	-	1,852	207	3,929	-	2,120	-	-	-	8,108
Geological and field costs	4,196	-	-	37,893	6,484	28,971	697	13,036	11,134	-	-	102,411
Land holding costs	-	441	1,441	-	11,365	3,193	1,308	6,696	4,747	-	-	29,191
Mapping and surveying	12,832	-	-	4,857	22	-	-	-	-	-	-	17,711
Transportation and rentals	-	-	-	11,422	-	2,777	366	3,172	460	-		18,197
Total expenditures	17,053	441	1,441	56,568	18,078	38,996	2,497	25,024	16,341	-	-	176,439
Total December 31, 2005	1,313,705	441	1,441	410,477	18,078	38,996	2,497	25,024	16,341	-	-	1,827,000
Administration	-	-	-	-	832	2,395	-	7,473	2,259	1,874	2,369	17,202
Assays	441	-	-	35	2,731	12,922	-	11,568	13,293	6,293	301	47,584
Drilling	-	-	-	-	-	-	-	184,353	41,246	-	-	225,599
Geological and field costs	96,463	348	-	315	25,350	43,027	223	120,254	68,155	75,303	7,872	437,310
Land holding costs	-	-	9,242	-	12,271	3,022	994	2,802	4,794	6,184	9,209	48,518
Mapping and surveying	7,898	-	4,980	-	-	-	-	-	-	-	-	12,878
Road building	12,080	-	-	-	-	-	-	8,236	-	-	-	20,316
Storage	-	-	-	-	-	573	-	2,450	573	156	-	3,752
Transportation and rentals	-	-	-	-	3,656	5,511	-	13,388	4,854	7,248	-	34,657
Total expenditures	116,882	348	14,222	350	44,840	67,450	1,217	350,524	135,174	97,058	19,751	847,816
Total December 31, 2006	$1,430,587	$ 789	$ 15,663	$ 410,827	$ 62,918	$ 106,446	$ 3,714	$ 375,548	$ 151,515	$ 97,058	$ 19,751	$2,674,816

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
As at December 31, 2004	18,432,342	$ 5,762,048	$ 414,403
Stock-based compensation	-	-	34,678
As at December 31, 2005	18,432,342	5,762,048	449,081
Private placement	3,303,000	825,750	-
Share issuance costs	-	(15,533)	-
Stock-based compensation	-	-	47,332
Balance, December 31, 2006	21,735,342	$ 6,572,265	$ 496,413

Private placement

In June 2006, the Company issued 3,303,000 units at a price of $0.25 per unit for gross proceeds of $825,750. Each unit consisted of one common share and one share purchase warrant exercisable at $0.35 per share until June 21, 2007.

Subscriptions received in advance

During 2006, the Company received subscription proceeds of $335,000 pursuant to a private placement completed subsequent to December 31, 2006 (Note 12).

6. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth for such plans by the TSX Venture Exchange ("TSX-V") 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 will vest in equal quarterly tranches over a period of not less than 18 months.

6. STOCK OPTIONS AND WARRANTS (cont'd…)

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, 2004	2,250,000	$	0.35	1,050,000	$	0.27
Cancelled/expired	(2,250,000)		0.35	(300,000)		0.32
Granted	-		-	150,000		0.10
Outstanding, December 31, 2005	-			900,000		0.23
Granted	3,303,000		0.35	1,025,000		0.20
Outstanding, December 31, 2006	3,303,000	$	0.35	1,925,000	$	0.21
Number currently exercisable	3,303,000	$	0.35	1,318,750	$	0.22

At December 31, 2006, the Company had outstanding stock options and warrants, enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	100,000	$ 0.23	April 17, 2007
	650,000	0.26	November 6, 2008(i)
	150,000	0.10	August 31, 2010
	800,000	0.20	March 6, 2011
	150,000	0.20	October 27, 2011
	75,000	0.20	November 21, 2011
Warrants	3,303,000	$ 0.35	June 21, 2007

(i) A total of 100,000 of these options now expire on September 30, 2007 due to the resignation of an officer in fiscal 2006.

6. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock-based compensation

During fiscal 2006, the Company granted 1,025,000 (2005 – 150,000) options to directors, officers and consultants at a weighted average fair value of $0.09 (2005 - $0.03) per share. The fair value of compensatory options granted is estimated on grant date using the Black-Scholes Option-Pricing Model and recorded over the vesting period. The Company recognized stock-based compensation expenses of $47,332 (2005 - $34,678) as a result of stock options granted and vested.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2006	2005
Risk-free interest rate	4.01%	3.3%
Expected life of options	2 years	2 years
Annualized volatility	95%	60%
Dividend rate	0.00%	0.00%

7. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties as follows:

a) Paid or accrued $73,000 (2005 - $48,000) for management fees to a company controlled by a director.

b) Paid or accrued $25,790 (2005 - $7,804) 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 $25,500 (2005 - $18,000) for directors' fees to a director and to two companies each controlled by a director.

d) Paid or accrued $12,000 (2005 - $14,638) for management fees to an officer and a company controlled by an officer of the Company.

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.

Included in accounts payable at December 31, 2006 is $54,975 (2005 - $2,334) due to directors or to companies controlled by directors and to a law firm in which an officer of the Company is a partner.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2006		2005
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

The significant non-cash transaction during the year ended December 31, 2006 was the Company accruing mineral property expenditures of $107,984 (2005 - $19,322).

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, reclamation bonds and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. The Company is subject to financial risk arising from fluctuations in foreign currency exchange rates. The Company does not use derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2006		2005
Loss for the year	$	(357,007)	$	(319,859)
Expected income tax recovery	$	(121,740)	$	(105,805)
Non-deductible expenses		18,263		47,616
Unrecognized benefit of non-capital losses		103,477		58,189
Total income tax recovery	$	-	$	-

10. INCOME TAXES (cont'd…)

The significant components of the Company's future income tax assets are as follows:

	2006	2005
Future income tax assets:		
Non-capital loss carryforwards	$ 263,586	$ 203,501
Resource properties	566,886	752,080
Financing costs	19,545	11,310
Equipment	10,510	10,818
	860,527	977,709
Valuation allowance	(860,527)	(977,709)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $850,000. These losses, if not utilized, will expire through 2026. Subject to certain restrictions, the Company also has resource expenditures available of approximately $3,550,000 to reduce taxable income in future years in Canada. Future tax benefits which may arise as a result of these non-capital losses, resource deductions and other tax assets have been offset by a valuation allowance and have not been recognized in these financial statements.

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of resource properties.

The Company's capital assets are located in the following geographic locations:

	2006	2005
Canada	$ 1,425,886	$ 1,322,279
Mexico	1,253,213	511,413
	$ 2,709,099	$ 1,833,692

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the Company:

a) Issued 1,500,000 units at $0.25 per unit for total proceeds of $375,000 of which $335,000 were received during fiscal 2006. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at $0.35 for one year.

b) Issued 4,000,000 units at $0.40 per unit for total proceeds of $1,600,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at $0.55 for one year.

c) Issued 890,917 common shares for proceeds of $311,821 pursuant to the exercise of warrants.

d) Granted 865,000 stock options to directors, officers and consultants of the Company at an exercise price of $0.50, expiring March 20, 2012.

e) Acquired a 100% interest in several claims from Oremex Resources Inc. ("Oremex"), located in Durango State, Mexico in consideration for the issuance of 650,000 common shares of the Company and 75,000 share purchase warrants. Each warrant entitles Oremex to acquire one additional common share of the Company at a price of $0.50 for a period of one year. A former officer of the Company is also a director of Oremex.

This Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("the Company") is dated April 24, 2007 and provides information on the Company's activities for the year ended December 31, 2006 and from the end of the 2006 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 audited financial statements and related notes for the year ended December 31, 2006.

Business of the Company

The Company was incorporated in 1984 and is engaged in the exploration and development of mineral properties hosting copper-gold, gold, silver, copper, zinc and lead prospects located in Durango, Sinaloa and Zacatecas States, Mexico, and in British Columbia, Canada. During 2006, the company actively advanced exploration programs, including geological mapping, surface sampling, geophysics and diamond drilling on its mineral projects in Mexico, and continued to evaluate and acquire new prospective projects. The Company also undertook an active field program including geological mapping and evaluation of potential drill targets on the Brenda gold-copper project in B.C., Canada. One private placement for total proceeds of $825,750 was completed during the year and two additional private placements for total proceeds of $1,975,000 were completed shortly after the year-end. The Company also exhibited at a number of industry conferences during the year. In 2006 the successful implementation of the planned exploration programs, stronger financial position and more active corporate communications resulted in higher share prices, share trading volumes and market capitalisation.

Overall Performance

The Company's focus in Mexico was to actively advance its portfolio of exploration projects with potential for hosting silver, gold, zinc and copper deposits, as well as evaluating and acquiring new projects with exceptional potential. Our wholly-owned operating subsidiary, Minera Canasil S.A. de C.V. in Durango, Mexico, was strengthened with experienced local technical and administrative staff, providing the capability to identify and evaluate project opportunities, as well as to implement a very active exploration program. The Company now controls a number of large, well-located, exploration projects in Mexico within the prolific mining districts in Durango, Sinaloa and Zacatecas States, all relatively close to our operating base in Durango.

The extensive portfolio of exploration projects in Mexico now covers over 133,100 hectares. They provide excellent exploration potential for discovery of silver, gold, zinc, copper and lead deposits. The majority of the projects have been acquired through direct staking of the claim areas. As a result we have 100% title without the high property acquisition payments common in agreements for acquisition of projects from third parties in Mexico. The majority of expenditures are committed to exploration programs, maximizing the opportunities for adding value to our projects. All the projects have excellent road access and are in the proximity of infrastructure required for cost effective exploration, and if warranted later, development of mining operations. These projects continue to present multiple opportunities to create significant added value through the planned exploration programs in Mexico.

During 2006, the Company completed the Phase 1 diamond drill program at the La Esperanza project in Zacatecas, and started the Phase 1 diamond drill program at the Colibri project in Durango. The Company also completed a 3-Dimensional Induced Polarisation geophysical survey at the Salamandra project in Durango, and a prospecting and surface sampling program at the Los Azules project in Sinaloa. These programs consistently returned encouraging results with significant high-grade drill intercepts at La Esperanza and Colibri, geophysical anomalies outlining drill targets at Salamandra, and the identification of several mineralized vein structures at Los Azules. There was a marked increase in deferred exploration expenditures on the projects in Mexico during 2006, which amounted to $716,364 (2005 - $157,504).

In British Columbia, Canada, the Company undertook a field program at the Brenda gold-copper project from July to September 2006. The program included geological mapping by Dr. Andre Panteleyev, as well as systematic photographing and re-organisation of the drill core from past drilling, significant upgrades to the exploration camp and building of drill access roads. This program identified further indications of the potential for a porphyry gold-copper mineralized system and drill targets for further investigation. The Company had obtained permits and made the necessary preparations for a diamond drill program to test this target, however it was not possible to implement the drill program due to delays with the availability of drill rigs before the onset of winter conditions. Total 2006 expenditures on the Brenda project were $116,882 (2005 – $17,053).

The Company exhibited at the Vancouver Resource Investment Conference and Mineral Exploration Roundup in January 2006, at the Prospectors and Developers Association Conference in Toronto in March 2006, the Calgary, Vancouver and Toronto Resource Investment Conferences in April, June and September 2006, the Chinese Global Investment Conference in Toronto in September 2006, and attended the San Francisco Gold Show in November 2006. The Company entered into an investor relations contract with Kerr Consulting in November 2006 with a term of six months at $1,000 per month and 75,000 options at $0.20. Investor relations and travel and conferences expenditures in 2006 were $70,802 (2005 – $29,181).

In June 2006, the Company closed a non-brokered private placement of 3,303,000 units at $0.25 per unit for gross proceeds of $825,750, and in December 2006, the Company received $335,000 in subscriptions towards a private placement of 1,500,000 units at $0.25 per unit to fund its continued exploration activities and for working capital.

Financial Condition, Results of Operations and Cash Flows

The Company's working capital as at December 31, 2006, was $177,183 (2005 - $224,048). The Company completed a private placement of $1,600,000 in March 2007 to fund planned expenditures for exploration and maintenance of its mineral property interests through 2007. Operating expenditures in 2006 were $364,242 (2005 - $329,843) and the Company earned interest income of $7,235 (2005 - $9,984). The operating expenditures for 2006 include general exploration expenses of $24,004 (2005 - $121,139), reflecting the shift from project acquisition expenditures to exploration programs on the projects. Operating expenditures also included non-cash stock-based compensation of $47,332 (2005 - $34,678) for 531,250 (2005 - 200,000) stock options that vested during the year. Net cash used for operating activities was to $337,563 (2005 - $314,337). The significantly lower general exploration expenditures of $24,004 (2005 - $121,139) were offset by higher spending on Investor Relations, Travel and Conferences of $70,802 (2005 - $29,181), Office Services and Supplies of $35,278 (2005 - $16,778) and Registration Licence and Filing fees of $32,413 (2005 - $11,411). Cash used for deferred exploration expenditures and acquisition costs on resource properties during the year increased significantly to $759,154 (2005 – $157,117). These expenditures were incurred primarily for exploration programs at the La Esperanza project of $350,524 (2005 - $25,024), the Colibri project of $135,174 (2005 - $16,341), the Salamandra project of $97,058 (2005 - $Nil) and the Brenda project of $116,882 (2005 - $17,053). Cash flow from financing activities in 2006 was $1,145,217 (2005 - $Nil) reflecting proceeds of the private placement of 3,303,000 units at $0.25 per share in June 2006 and subscriptions received of $335,000 from a placement of 1,500,000 units at $0.25 in December 2006.

Mineral Properties

The Company acquired the following mineral exploration projects in Mexico during 2005 and 2006 and to the date of this report:

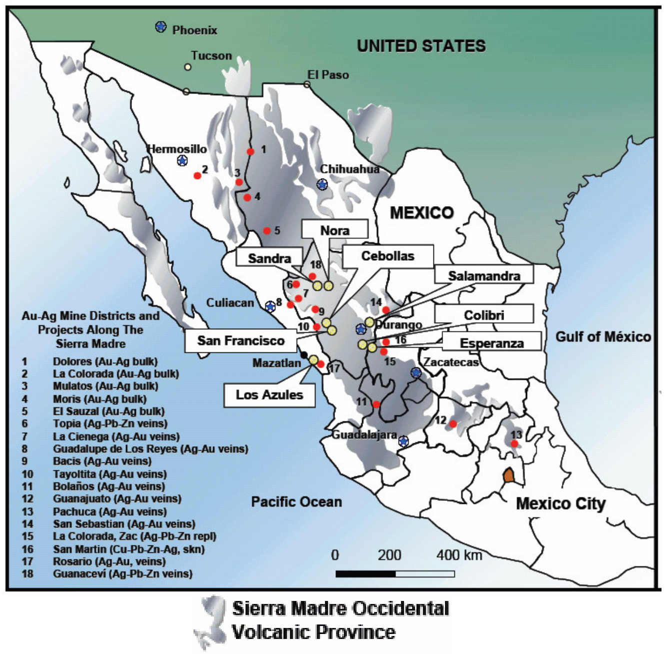
- La Esperanza silver zinc lead project – option to earn 100%
- Colibri silver zinc lead copper project – 100%
- Salamandra zinc silver project (March 2006) – option to earn 100%
- Sandra and Nora gold silver project – 100%
- Los Azules copper gold project – 100%
- San Francisco gold silver project – 100%
- Victoria zinc silver project (March 2007) – 100%

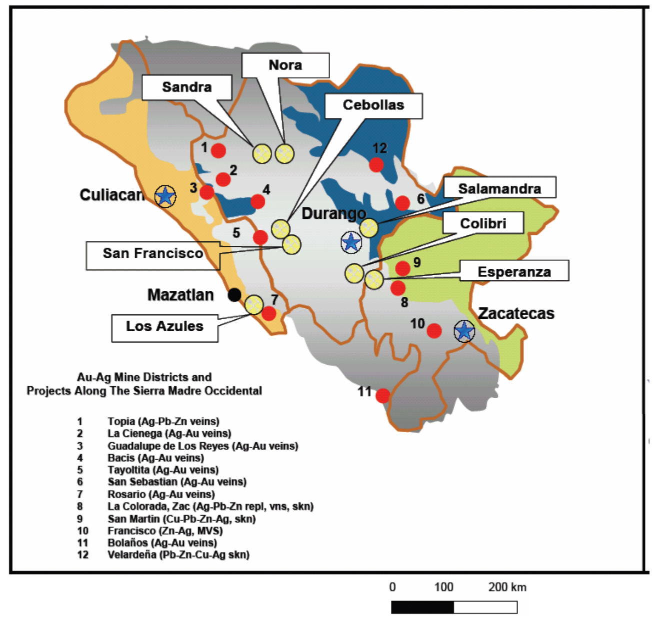
Under option and joint venture agreements signed in 2003 with Goldcorp and Luismin, the Company holds an option to earn up to a 75% interest in the Tres Marias and Cebollas silver-gold properties in the San Dimas District, Durango State, Mexico.

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 La Esperanza project, subject to a Net Smelter Return royalty of up to 1.5%. Under the terms of the agreement, the Company has the right to acquire these claims by making option payments over a period of three years totalling $174,000 (US$150,000). The La Esperanza project, covering 435 hectares, is located in the state of Zacatecas, 100 km south-southeast of the city of Durango. The project area is easily accessible from the Company's operating base in Durango and is well served with power lines, water access and services for supporting exploration and mining operations.

Results from a geological mapping and surface sampling program carried out in 2005 and first quarter of 2006 defined drill targets. A Phase 1 diamond drill program consisting of 8 drill holes for a total of 1,182 metres was completed between August and October 2006. Expenditures on the La Esperanza project during 2006 were $350,524 (2005 - $25,024).

The Phase 1 diamond drill program has outlined a mineralized panel with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with vein widths of up to 10.30 metres carrying high-grade silver mineralization. Seven drill holes intersected the main La Esperanza vein (LE) and a hanging wall vein (HW) over significant widths The weighted average grade of mineralization intersected in the La Esperanza vein is 330 g/t (9.62 oz/ton) silver, 0.93% (18.60 lbs/ton) zinc and 1.57% (31.40 lbs/ton) lead over an average width of 4.21 metres. This vein includes several intercepts with very high silver grades of up to 2,144 g/t (62.53 oz/ton) silver over 0.75 metres. A Phase 2 diamond drill program of 2,500 metres is planned for 2007 to test for extensions of the La Esperanza vein system along strike and at depth.

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

The Company acquired the Colibri claims, covering a total of 6,413 hectares, through direct staking of the claim blocks, giving the Company 100% title. There are a number of mineralized structures in the project area carrying silver, zinc and lead as well as gold and copper. The project site is located 70 km southeast of the city of Durango with a travel time of approximately 1.5 hours. The infrastructure at the property is excellent with access to power, water and all required services. In June 2006 the Company signed a letter of intent with Oremex Resources Inc. to acquire three additional claims covering 161 hectares within in the Colibri claim area.

The Company started a geological mapping and surface sampling program in March 2006, and continued through the second quarter with an active channel sampling program. This program outlined a broad, banded, mineralized structure with a strike length of 1,300 metres and widths up to 30 – 50 metres. Specific zones within this structure returned high silver, zinc, copper, and lead values. The sampling program defined drill targets for further exploration and a Phase 1 diamond drill program of 12 drill holes for a total of 1,200 metres was carried out in late 2006 and early 2007. Expenditures on the Colibri claims in 2006 were $135,174 (2005 – $16,341).

The Phase 1 diamond drill program returned a high-grade mineralized intercept from the Linda vein containing copper, silver and zinc, and a second intercept containing gold, silver and cobalt. Drill hole CO-07-09 cut the vein with a width of 6.50 metres (true width 4.97 metres) with an average grade of 2.04% copper, 65 g/t silver and 1.40% zinc. The intercept included 3.70 metres (true width 2.83 metres) with an average grade of 3.49% copper, 98 g/t silver and 1.96% zinc. A higher-grade segment of the vein returned 7.46% copper, 177 g/t silver and 0.30% zinc over 1.00 metre (true width 0.76 metres). Drill hole CO-07-08 intercepted the Linda vein 100 metres to the southeast along strike from CO-07-09 at approximately 50 metres higher elevation, and returned 1.24 g/t gold, 46 g/t silver and 0.077% cobalt over 4.35 metres (true width 3.33 metres), including 1.50 metres (true width 1.15 metres) carrying 1.53 g/t gold, 79 g/t silver and 0.083% cobalt.

Further geological mapping and surface sampling carried out in March and April 2007 has outlined significant extensions of existing veins and identified a number of new veins with combined surface strike length of over 12 kilometres. Assay results from 50 surface samples with over 150 g/t silver returned silver grades from 151 g/t to 867 g/t, gold grades from 0.01 g/t to 3.07 g/t, copper grades from 0.02% to 13.02%, zinc grades from 0.01% to 10.4%, and lead grades form 0.05% to 25.3%. A majority of the samples collected returned consistently high silver grades with varying levels of the other metals. These programs have outlined multiple targets for further drill testing at the Colibri project. The Company plans to continue diamond drilling to test the Linda vein along strike and at depth.

Salamandra zinc-silver project, Durango State, Mexico

In March 2006, the Company signed a letter of intent to enter into an option agreement to purchase a 100% interest in the Salamandra project, subject to a Net Smelter Return royalty of 2%. Under the terms of the proposed agreement, the Company has the right to acquire these claims by making option payments over a period of three years totaling US$500,000. The Salamandra silver-zinc project, covering 900 hectares in Durango State, is located 35 km northeast of the city of Durango, with good access via paved and gravel roads. The Company acquired a further 2,000 hectares by staking ground surrounding the original claims, making the total claim area covered by the project 2,900 hectares. The access, infrastructure, climate, and topography at Salamandra provide favourable conditions for exploration and development. A 3-Dimensional Induced Polarization geophysical survey, as well as a geological mapping and surface sampling program were completed from September to November 2006 to investigate potential mineralized structures. The surveys defined prominent drill targets for investigation. A Phase 1 drill program of 1,500 metres is currently underway at the Salamandra project. Expenditures on the Salamandra project during 2006 were $97,058 (2005 – $ Nil).

Sandra and Nora silver-gold project, Durango State, Mexico

The Sandra project covers 1,200 hectares, located 183 km north of the city of Durango in Durango State, Mexico, and benefits from excellent infrastructure and access. The Company has 100% title to the Sandra claims, which were acquired by staking and are located immediately south of a large claim group controlled by Pan American Silver Corp. The initial surface sampling and geological mapping program during the third quarter of 2005 identified a number of mineralized veins over an area of approximately 2,000 x 750 metres in the central area of the Sandra claims. Rock and chip samples from these veins returned encouraging grades of up to 9.74 g/t gold, 635 g/t silver, 2.46% copper and 20.06% lead as announced on November 2, 2005.

Trench sampling during the first quarter of 2006 confirmed silver and gold mineralization observed in earlier surface samples from the Barite, Maria Fernanda and Encino veins. Assay results returned silver grades of up to 888 g/t (25.9 oz/t) silver over 0.7 metres at the Barite vein, and up to 9.95 g/t (0.29 oz/t) gold and 365 g/t (10.65 oz/t) silver over 0.5 metres at the Maria Fernanda vein, where trench samples indicate consistent silver/gold mineralization over a strike length of approximately 300 metres. A Phase 1 diamond drill program for a total of 1,000 metres in 10 – 12 drill holes is planned to test these vein systems. Expenditures on the Sandra and Nora project in 2006 were $67,450 (2005 - $38,996).

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

The Company acquired a 100% interest in the Los Azules claims in Sinaloa State, Mexico, covering 7,844 hectares, by direct staking between May and August 2005. The claims host prospects for epithermal low sulphidation vein type mineralization carrying gold, silver and copper. The Los Azules property is located 60 km southeast of the city of Mazatlan. The infrastructure at the property is excellent with the new Mazatlan-Escuinapa highway providing direct and easy access to the city and port facilities of Mazatlan. Power and water are available throughout the district. In July and August 2006 the Company completed a prospecting and sampling program at Los Azules to identify potential mineralized structures. The program identified and outlined several mineralized veins and structures for further sampling and investigation. Expenditures during 2006 at Los Azules were $44,840 (2005 - $18,078).

Tres Marias and Cebollas silver-gold properties, Durango State, Mexico

The Tres Marias and Cebollas properties, covering 3,163 hectares, are located 150 km west of the city of Durango and 14 km southeast of Luismin's San Dimas/Tayoltita mine. The Company has an option agreement with Goldcorp Inc. and Luismin to earn up to a 75% interest in these properties by issuing 50,000 shares and incurring US$1,700,000 in exploration expenditures over five years. Goldcorp/Luismin retain an option to buy back a 35% interest in the properties for US$1,700,000 after the Company has acquired a 75% interest. There was no additional exploration work on these projects during the quarter. The Company has fulfilled its obligations under the agreements to October 2006.

San Francisco gold-silver project, Durango, Mexico

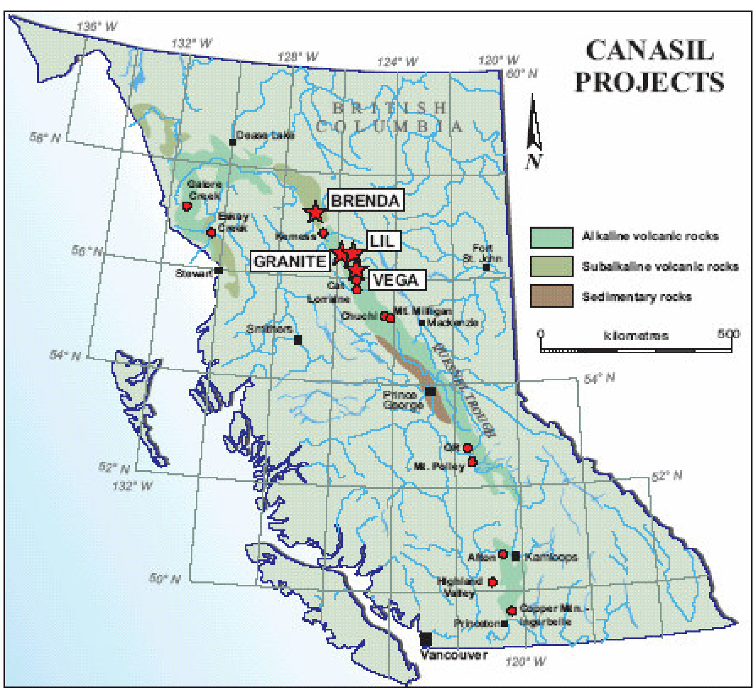
The San Francisco property, covering 500 hectares, is located approximately 104 km west of the city of Durango, and approximately 12 km south of the Company's Tres Marias and Cebollas silver-gold projects, located 14 km southeast of the Tayoltita mine in the San Dimas mining district of Durango. The 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.

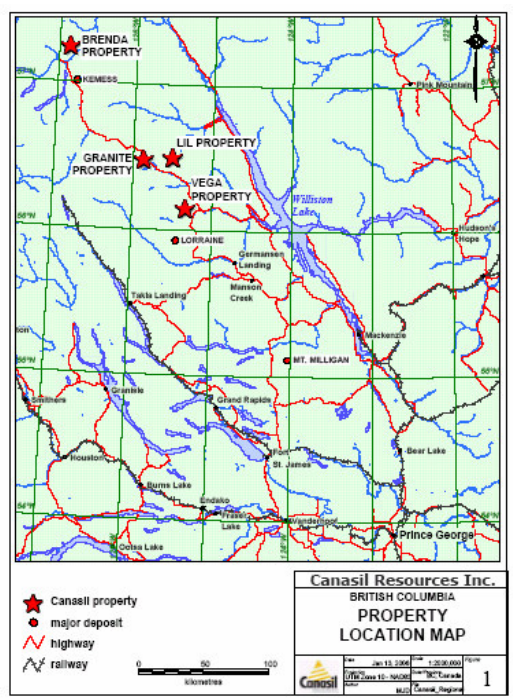
There was no exploration work on the San Francisco project during 2006, and expenditures during the year were $1,217 (2005 - $2,497).

Victoria zinc-silver claim area, Durango, Mexico

The Company has also evaluated the region surrounding the Salamandra project for other prospective areas. As a result a regional claim covering 100,000 hectares has been acquired in March 2007, named the Victoria claim. The Company plans a regional evaluation program to select potential target areas within the Victoria Claim region.

Exploration projects in British Columbia, Canada





Brenda gold-copper property, British Columbia, Canada

The Company holds 100% interest in the Brenda property which consists of 178 claim units, covering 4,450 hectares (44.5 square kilometres). The project is located in the core of the Kemess-Toodoggone porphyry copper-gold district in the Omineca Mining Division, approximately 450 km northwest of Prince George, B.C. All claims are currently in good standing to May 30, 2015.

The Brenda property is an advanced gold-copper exploration project located centrally in the highly prospective Kemess-Toodoggone district. There has been over $3,000,000 in cumulative exploration expenditures on the property, covering geologic mapping, geochemistry, ground and aerial geophysics, satellite imaging and over 8,000 metres of drilling in 58 drill holes. Compilation and review of the data has indicated several large untested target zones for further drilling.

During 2006, the Company continued the data compilation work to define drill targets, and applied for and received a work permit for the 2006 field season covering up to 3,000 metres of diamond drilling in 10 drill holes. In July and August 2006 the Company completed the planned geological mapping program at the Brenda project, undertaken by Dr. Andre Panteleyev. This program identified a 1,500 x 750 metre zone, located to the northeast of the previously drilled area, with intense high temperature argyllic alteration. This indicates the higher levels of a porphyry gold-copper mineralized system and presents further data to support plans for further drilling to investigate this target.

There were also significant upgrades to the camp facilities, photographing and re-stacking of all drill core from past drilling in new drill racks and preparation of drill access roads and pads for the drill program. The Company was not able to start the planned drill program (1,500 metres in 4 - 5 drill holes) due to delays in the availability of drill rigs and the onset of winter conditions. A 3-Dimensional Induced Polarisation geophysical survey is planned for July 2007 and the Company is also planning an expanded drill program of 2,000 to 2,500 metres of diamond drilling to start in August 2007, depending on drill availability. Total expenditures on the Brenda project during 2006 were $116,882 (2005 - $17,053).

Vega gold-copper property, 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 was increased by staking in July 2006 to cover 6,716 hectares. The Company carried out a data compilation program to determine further exploration work. Expenditures on the Vega project during 2006 were $14,222 (2005 - $1,441).

LIL property, British Columbia, Canada

The 100% owned LIL claims, covering 875 hectares, are located in the Omineca Mining Division, 350 km northwest of Prince George, British Columbia. Logging roads provide four-wheel drive access to within 2 km of the property. Mineralization on the property consists of narrow high-grade, silver bearing quartz veins and breccia zones, which have been identified over a distance of 300 metres, with grades ranging from 4.3 ounces/ton to 325.54 ounces/ton silver over 0.20 to 0.90 meters. Large silver bearing floats, found downstream in LIL Creek, indicate a possibility of wider mineralized veins on the property.

Tests carried out by BC Research Inc., Vancouver, in September 2001 on a sample of silver ore from the LIL property concluded that the composite sample contained a very high silver grade of over 100 oz/ton and that high rates of recovery (94% - 98%) were readily obtained through flotation using a very simple processing flow sheet. Potential contaminants such as mercury, cadmium and selenium were well below problem levels.

There was no active exploration work on the LIL project during 2006.

Granite property, British Columbia, Canada

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. The Omineca Resource Access Road and auxiliary roads provide four-wheel drive access to the property.

Historical exploration records reported encouraging gold assays from trenches and sampling in the old underground workings. Three mineralized shear zones with gold/silver mineralization have been identified to date on the property and outlined a broad 300 metres by 2.0 kilometres gold soil anomaly. Small diamond drill programs by Hemlo Gold Mines Inc. in 1995, and the Company in 1997, intersected several sections with anomalous gold and silver values, however failed to locate sections corresponding in grade to the many samples recovered from these zones. There was no active exploration on the Granite property during 2006. The project is being reviewed to determine future exploration potential.

A discussion of general conditions, trends, and competitive and environmental factors affecting the Company's business and operations is included following the financial and other information.

Selected Annual Information

The information in the following table provides selected audited financial information of the Company for 2006 and the two preceding financial years. This information is derived from the audited financial statements and should be read in conjunction with those statements and notes.

The loss for the year increased over the past three years reflecting the Company's increased level of exploration and operating activities in order to finance and advance exploration programs on its mineral exploration projects, which is also reflected in the increase in total assets.

Year Ended December 31	2006	2005	2004
Total Revenue	Nil	Nil	Nil
Loss for the year	$(357,007)	$ (319,859)	$ (222,378)
Loss per share – basic and diluted	$(0.018)	$ (0.017)	$ (0.012)
Total Assets	$3,098,708	$2,115,657	$ 2,377,868
Long Term Financial Liabilities	Nil	Nil	Nil
Cash Dividends per Share	Nil	Nil	Nil
Shareholders' Equity	$2,906,282	$2,070,740	$2,355,921
Working Capital	$177,183	$224,048	$690,120
Write-off of Mineral Property Costs	Nil	Nil	Nil

Selected Quarterly Information

The following tables provides selected financial information of the Company for each of the last eight quarters ending at the end of the most recently completed financial year:

Year	2006				2005			
Quarter ended:	Dec. 31	Sept . 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Loss	(90,252)	(91,865)	(76,439)	(98,451)	(53,223)	(40,624)	(121,181)	(104,831)
Loss per share: basic and diluted	(0.004)	(0.004)	(0.004)	(0.0053)	(0.0029)	(0.002)	(0.0065)	(0.0057)
Shares issued	21,735,342	21,735,342	21,735,342	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342

During 2006, the Company incurred operating expenditures of $364,242 (2005 - $329,843), and deferred exploration expenditures of $847,816 (2005 - $176,439). The higher operating losses in the first and second quarter of 2005 reflect the higher General Exploration expenditures for the property evaluation and acquisition program in Mexico during these quarters. The quarterly operating losses in 2006 were reasonably consistent, and reflect the generally higher level of operational expenditures, including Management fees, Accounting, Legal and Regulatory, Investor Relations and Travel and Conferences.

Liquidity and Capital Resources

In June 2006, the Company closed a non-brokered private placement of 3,303,000 units at a price of $0.25 per unit for gross proceeds of $825,750. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.35 until June 21, 2007.

Subsequent to the year-end, the Company closed a private placement of $375,000 (1,500,000 units at $0.25 per unit, each unit consisting of one common share of the Company and one share purchase warrant for purchase of an additional share for $0.35 until January 2008), for which subscriptions of $335,000 had already been received in December 2006. In March 2007, the Company negotiated and closed a private placement of $1,600,000 (4 million units at $0.40 per unit, each unit consisting of one common share and one-half of one share purchase warrant, with each warrant entitling the holder to purchase an additional share for $0.55 until March 2008). With completion of these private placements, the Company considers itself to have sufficient capital to fund currently planned exploration and operating activities in 2007.

The Company is dependent on raising funds by 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 working capital at December 31, 2006 of $177,183 (at Dec. 31, 2005 – $224,048). The Company had no material income from operations. As at December 31, 2006, the Company had no long-term debt.

During 2006 the Company experienced positive cash flow of $6,843 (2005 – negative $476,898) from operating, investing and financing activities. This included net cash used in operating activities of $337,563 (2005 - $314,337) and net cash used in investing activities of $800,811 (2005 - $162,561), and net cash provided by financing activities, consisting of private placements of $1,145,217 (2005 – Nil).

In March 2006, 800,000 incentive stock options were granted to directors, officers and consultants of the Company, enabling the holders to acquire 800,000 common shares of the Company at a price of $0.20 per share. In October 2006, 150,000 incentive stock options were granted to an officer and a consultant of the Company, enabling the holders to acquire 150,000 common shares of the Company at a price of $0.20 per share. In November 2006, 75,000 options were granted to an investor relations consultant, enabling the holder to acquire 75,000 shares at $0.20 per share. All options are subject to vesting requirements according to the Company's stock option plan.

Discussion of Fourth Quarter Results

The fourth quarter of 2006 saw the Company continue its exploration activities in Mexico and Canada incurring $353,492 in exploration expenditures compared to $360,177 in the third quarter of 2006.

General and administrative costs of $92,443 incurred in the fourth quarter were relatively consistent with costs of $97,219 incurred in the third quarter of 2006.

Other Information and Disclosures

Related Party Transactions

During 2006 the Company paid or accrued a total of $138,341 (2005 - $88,442) to related parties covering director and management fees and geological and legal services. The increase over the prior year is due to the increased activity of the Company as it acquires and develops additional properties in Mexico. The Company relies heavily on its directors and officers for many of its administrative and professional services.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future. There are no contingent liabilities.

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 consolidated audited 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.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

Stock-based Compensation

The fair value of stock options is determined by 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 year.

Changes in Accounting Policies

There were no changes in accounting policies or adoptions of new standards in the year under review. Effective January 1, 2007, the company adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the recognition and valuation of certain types of financial instruments. There is no effect on prior periods as a result of adopting these new standards.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or highly liquid nature.

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 December 31, 2006 audited financial statements provide a breakdown of the general and administrative expenses for the year 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 December 31, 2006, the Company had 21,735,342 common shares issued and outstanding (diluted – 26,963,342). As at the date hereof, the Company had 28,776,259 common shares issued and outstanding (diluted – 37,553,342). The increase for the intervening period is due to the issuance of 5,500,000 shares under two non-brokered private placements, 890,917 shares upon the exercise of warrants, and 650,000 shares to obtain the Mezquital Claims during the period. The increase in the number of diluted shares since December 31, 2006 also includes the issuance of 3,500,000 warrants under the two non-brokered private placements, 75,000 warrants to obtain the Mezquital Claims, and the granting of 865,000 options to directors, officers, employees and consultants during the period.

Options
As at December 31, 2006, a total of 1,925,000 incentive stock options were outstanding of which 1,318,750 were exercisable.

Number of Shares	Exercise Price	Expiry Date
100,000	$ 0.23	April 17, 2007
650,000	$ 0.26	November 6, 2008
150,000	$ 0.10	August 31, 2010
800,000	$ 0.20	March 15, 2011
150,000	$ 0.20	October 27, 2011
75,000	$ 0.20	November 21, 2011
1,925,000		

Subsequent to December 31, 2006, the Company granted an additional 865,000 five-year options with an exercise price of $0.50.

Warrants
As at December 31, 2006, a total of 3,303,000 share purchase warrants were outstanding, each warrant exercisable into one common share at a price of $0.35. Subsequent to December 31, 2006, 890,917 of these warrants were exercised.

Subsequent to December 31, 2006, the Company issued 1,500,000 warrants with an exercise price of $0.35 and 2,000,000 warrants with an exercise price of $0.55 pursuant to two private placements as well as 75,000 warrants with an exercise price of $0.50 pursuant to the Mezquital Claims agreement.

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 2006 the Company exhibited at the Vancouver Resource Investment Conference and Vancouver Mineral Exploration Roundup in January 2006, at the Prospectors and Developers Association Conference in Toronto in March 2006, the Calgary, Vancouver and Toronto Resource Investment Conferences in April, June and September 2006, the Chinese Global Investment Conference in Toronto in September 2006, and attended the San Francisco Gold Show in November 2006. The Company entered into an investor relations contract with Kerr Consulting in November 2006 with a term of six months at $1,000 per month and 75,000 options at $0.20. Investor relations and travel and conferences expenditures in 2006 were $70,802 (2005 – $29,181).

Recent developments

Subsequent to December 31, 2006, the Company continued with the Phase 1 diamond drill program and further geological mapping and surface sampling at the Colibri project, and has started the Phase 1 diamond drill program at the Salamandra project, both in Durango State, Mexico. The Company also acquired, through staking of claims in March 2006, the Victoria regional claim area covering 100,000 hectares in Durango State, Mexico.

In January 2007 the Company closed a private placement of $375,000 (1,500,000 units at $0.25 per unit) for which subscriptions of $335,000 had been received in December 2006. In March 2007, the Company closed a private placement of $1,600,000 (4,000,000 units at $0.40 per unit) to fund the 2007 exploration programs and operating expenditures. In addition, subsequent to December 31, 2006, the Company granted 865,000 five-year incentive stock options with an exercise price of $0.50, and issured 890,917 shares from treasury for cash proceeds of $311,821 upon the exercise of share purchase warrants.

The Company also acquired a 100% interest in several claims from Oremex Resources Inc. ("Oremex") and Minera Montana S. de R.L. de C.V. ("Minera Montana"), entitled the Mezquital Claims located in Durango State, Mexico in consideration for 650,000 common shares of the Company and 75,000 share purchase warrants. Each warrant will entitle Oremex to acquire one additional common share of the Company at a price of $0.50 for a period of one year. A former officer of the Company is also a director of Oremex.

In March 2007, Mr. Arthur Freeze agreed to join the Company's Board of Directors as a Director. Mr. Freeze is a well recognized figure in the mineral exploration industry and his contributions will have a significant impact on the Company's future exploration and development programs.

The company exhibited at the Vancouver Resource Investment Conference and Vancouver Exploration Roundup in January 2007, at the Prospectors and Developers Association of Canada convention in Toronto in March 2007, and at the Calgary Resource Investment Conference in April 2007. The Company continued to maintain a significantly more active Investor Relations program during the first quarter of 2007.

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.

There has been a trend towards improving base and precious metal prices over the past year, particularly for gold, silver and copper. This trend is forecasted to continue over the coming year. The mining and minerals industry is experiencing increased demand for minerals and metals, in particular from economic growth in Asia. This has resulted in greater interest from the financial community in financing mineral exploration and development projects.

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

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 December 31, 2006, 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 year ended December 31, 2006, the Company entered into option and joint venture agreements to acquire 100% interest in the Salamandra project in Durango, Mexico. The area covered by this project was increased to 2,900 hectares through staking of 2,000 hectares in surrounding claims.

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.

Management and Directors

The Company is dependent on a small number of directors and officers: Alvin Jackson, Michael McInnis, Gary Nordin, Arthur Freeze, Bahman Yamini, Kerry Spong and Graham Scott. 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 December 31, 2006, the Company's accumulated deficit was $4,497,396 (2005 - $4,140,389).

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 twelve months ended December 31, 2006, the price of the Company's shares fluctuated from a low of $0.115 to a high of $0.43 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance - Dilution

As at December 31, 2006, a total of 21,735,342 common shares of the Company were issued and outstanding. There were 1,925,000 stock options and 3,303,000 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. Subsequent to December 31, 2006, the Company issued share purchase warrants for the purchase of 3,500,000 additional shares related to private placements. The Company also issued warrants for the purchase of 75,000 additional shares at $0.50 related to a property purchase agreement, and 865,000 incentive stock options allowing the purchase of 865,000 shares at $0.50 per share. .

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.

Corporate Disclosures

The Board of Directors has responsibility for developing and implementing the Company's approach to governance issues. Committees of the Board presently consist of an Audit Committee and a Management Compensation Committee. The Audit Committee consists of two unrelated, outside directors and one related director. The role of the audit committee is to oversee the Company's financial reporting obligations, systems and disclosure and to act as a liaison between the Board and the Company's auditors. The Board has also appointed a Management Compensation Committee that consists of three unrelated outside directors. The role of the Management Compensation Committee is to determine the remuneration of executive officers and to administer the Company's Stock Option Plan.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of December 31, 2006, the disclosure controls and procedures were effective to provide reasonable assurance that material information is accumulated and communicated to management to allow timely decisions regarding disclosure required in the Company's annual filings and interim filings and other reports filed or submitted under Canadian securities laws and such material information is reported within the time periods specified by those laws.

Internal Controls and Procedures

Internal controls and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the Company's generally accepted accounting principles. As at the end of the period covered by this management's discussion and analysis, management had designed and implemented internal controls and procedures as required by Canadian securities laws.

The Company has evaluated the design of its internal controls and procedures over financial reporting for the fiscal year ended December 31, 2006. No material weakness in the design has been identified. Management continues to review and refine its internal controls and procedures.

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

P.O. Box #10351
Suite 888 – 700 West Georgia Street
Vancouver, BC
Canada V7Y 1G5

Tel: 604-708 3788
Fax: 604-708 3728
Email: info@canasil.com

Form 52-109F1 *Certification of Annual Filings*

I, Bahman Yamini, President and CEO of Canasil Resources Inc., certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of *Canasil Resources Inc.* (the issuer) for the period ending *December 31, 2006.*

2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;

3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

   (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;

   (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

   (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and

5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

"Bahman Yamini"

____

Bahman Yamini
President & CEO

Date: April 27, 2007

P.O. Box #10351
Suite 888 – 700 West Georgia Street
Vancouver, BC
Canada V7Y 1G5

Tel: 604-708 3788
Fax: 604-708 3728
Email: info@canasil.com

Form 52-109F1 *Certification of Annual Filings*

I, Kerry Spong, the Vice-President, Finance, and CFO of Canasil Resources Inc., certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of *Canasil Resources Inc.* (the issuer) for the period ending *December 31, 2006.*

2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;

3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

   (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;

   (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

   (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and

5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

"Kerry Spong"

____

Kerry Spong
Vice President, Finance, and CFO

Date: April 27, 2007