



Interim Management's Discussion and Analysis
Quarterly Highlights
For the Nine Months Ended September 30, 2019

INTRODUCTION

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

This Interim Management's Discussion and Analysis ("MD&A") is dated November 22, 2019, and provides information on the Company's activities for the six months ended September 30, 2019, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2019 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("

IFRS") as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

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

QUARTERLY HIGHLIGHTS

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

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

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

OUTLOOK

Corporate Outlook

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

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

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

Market Conditions

During the period to mid-June 2019, gold and silver prices remained stagnant, with gold trading between US\$1,275 per ounce and US\$1,350 per ounce, closing at US\$1,340 per ounce, and silver trading between US\$14 per ounce and US\$16 per ounce, closing at US\$15 per ounce. Since mid-June to the date of this report gold and silver prices have increased significantly, to a high of US\$1,552 per ounce and US\$19.57 per ounce respectively in early September 2019, based on the lower US interest rates and prospects for a lower US dollar, as well as renewed interest following the forecasted recovery in precious metal prices. There has been a correction since that date, with gold trading at US\$1,463 per ounce and silver at US\$17.05 per ounce at the time of this report, with continued economic uncertainties resulting from trade disputes and tariffs imposed by the US. The gold silver price ratio is lower at 86 close to the recent all-time high of 89. Copper and zinc prices have continued to decline, primarily due to economic uncertainties and lower industrial growth forecasts, and as at the date of this report, copper was trading at US\$2.65 per pound, and zinc at US\$1.06 per pound, down from US\$3.20 per pound and US\$1.60 per pound respectively in January 2018.

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

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FINANCIAL CONDITION

As at September 30, 2019, the Company had working capital of \$1,128,881, compared to working capital of \$117,166 at December 31, 2018. The increase in working capital is due primarily to the closing of the sale of the Sandra-Escobar project in June 2019. The Company's working capital position consisted of the following:

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 1,196,096	\$ 118,314
Marketable securities (i)	-	56,000
Receivables	26,127	57,282
Prepaid expenses	14,456	12,618
Accounts payable and accrued liabilities	(69,289)	(127,048)
Current portion of lease liability	(38,509)	-
Working capital position	\$ 1,128,881	\$ 117,166

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

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

Liquidity and Financial Resources

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

During the current period, the Company incurred expenses, net of non-cash items, of \$923,028, which included administrative expenses of \$417,812 and exploration and evaluation expenses of \$505,216. The administrative budget and exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources. Given the current market conditions, the Company has endeavoured to keep operating and exploration expenditures to a minimum in order to conserve its working capital.

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

Commitments

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

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FINANCIAL PERFORMANCE

Income (Loss)

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

	2019	2018
General and administrative expenses	\$ 133,865	\$ 160,894
Exploration and evaluation expenditures	361,005	325,073
Total operating expenses	(494,870)	(485,967)
Deferred income tax expense	-	(2,863)
Loss for the quarter	\$ (494,870)	\$ (488,830)

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

	2019	2018
General and administrative expenses	\$ 449,579	\$ 475,450
Exploration and evaluation expenditures	505,216	703,385
Total operating expenses	(954,795)	(1,178,853)
Gain on sale of mineral property	2,000,000	-
Deferred income tax expense	-	(4,361)
Income (loss) for the period	\$ 1,045,205	\$ (1,183,196)

While there were some small fluctuations in various line items resulting in lower costs for the period, on the whole, total general and administrative expenses for 2019 remained relatively consistent with the comparative period.

The decrease in exploration and evaluation expenditures for the current nine-month period is due primarily to a delay in paying certain claim fees on the Company's Mexican properties. In addition, the Company received \$12,038 in expenditure recoveries during the current period compared to \$90,877 in expenditure recoveries received in the comparative period.

Comprehensive Income (Loss)

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

	2019	2018
Loss for the quarter	\$ (494,870)	\$ (488,830)
Other comprehensive loss	-	(19,157)
Comprehensive loss for the quarter	\$ (494,870)	\$ (507,987)

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

	2019	2018
Income (loss) for the period	\$ 1,045,205	\$ (1,183,196)
Other comprehensive loss	(628)	(29,179)
Comprehensive income (loss) for the period	\$ 1,044,577	\$ (1,212,375)

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

Cash Flows

Cash used in operating activities during the nine-month period, before changes in non-cash working capital items, was \$923,028 and compares to \$1,176,061 in cash used in the comparative period. The reduction in cash used in operations is primarily due to a reduction in exploration and evaluation expenditures as detailed above. Significant changes in non-cash working capital items for the current period include a decrease in receivables of \$31,155, due

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primarily the collection of GST in Canada and value-added tax in Mexico, and a decrease in accounts payable of \$57,759.

Cash provided by investing activities consisted of net proceeds of \$55,372 received from the sale of 700,000 Orex Minerals Inc. shares and proceeds of \$2,000,000 received from the sale of the Sandra-Escobar project. Under financing activities, the Company made principal payments of \$26,120 on its lease liability. During the comparative period, investing activities consisted of net proceeds of \$942,960 received from the sale of 1,400,000 Barsele Minerals Corp. shares and the payment of a reclamation bond of \$7,000; financing activities in the comparative period consisted of proceeds of \$369,480 received upon the exercise of warrants.

MAJOR OPERATING MILESTONES

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

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

	2019	2018
Salaries – chief executive officer	\$ 168,750	\$ 168,750
Management fees – chief financial officer	112,500	112,500
Director fees	27,000	33,000
Legal fees – law firm in which an officer was a partner	-	6,498
	<u>\$ 308,250</u>	<u>\$ 320,748</u>

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

CHANGES IN ACCOUNTING POLICIES

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

PROPOSED TRANSACTIONS

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

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

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OUTSTANDING SHARE DATA

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

	November 22, 2019	September 30, 2019	December 31, 2018
Shares issued and outstanding	104,206,622	104,206,622	104,206,622
Outstanding stock options	7,240,000	7,240,000	7,565,000
Outstanding warrants	2,309,250	2,309,250	2,309,250
Diluted shares outstanding	113,755,872	113,755,872	114,080,872

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

MINERAL PROPERTY SUMMARY

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

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

The La Esperanza silver-zinc-lead project claims cover 14,916 hectares and are located spanning the border of Durango and Zacatecas States, 100 kilometres south-southeast of the City of Durango. The project is located in a prolific mining district on the important Fresnillo silver trend, 80 kilometres northwest of the Fresnillo mine, and approximately 35 kilometres from Pan American Silver's La Colorada mine, and First Majestic Silver's La Parrilla and Del Toro mines. Systematic and comprehensive exploration programs have been conducted on the project, including satellite imaging and high-resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and 7,728 metres of drilling in 32 diamond drill holes. Prior drilling has returned wide high-grade silver-lead-zinc intercepts from the La Esperanza vein, located in the SE of the project area that is open in all directions (announced in news releases dated September 21, 2006, and February 22, 2012). Additional occurrences of silver-lead-zinc vein mineralization have also been identified in the northwest of the project area. Two of these have been tested with initial drill programs, which indicated potential for significant silver-lead-zinc mineralization.

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

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

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

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

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

Sandra-Escobar

The Sandra-Escobar property is located 200 kilometers northwest of the city of Durango, Mexico. The property covers over 6,970 hectares of mineral concessions hosting multiple mineralized structures with zones of disseminated silver mineralization as well as quartz veins and breccia structures.

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

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

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

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

Salamandra

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

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

MAG reported completion of \$5.8 million in cumulative qualifying expenditures to December 31, 2015. The exploration programs included surface sampling and data review in 2013, followed by three diamond drill programs for a total of 14,382 metres in 23 drill holes completed between 2013 and 2015. The surface sampling and data review identified indications of large replacement deposits at Salamandra. The drill programs reported encouraging high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and finally, an interesting interval of gold-

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tungsten mineralization. Selected mineralized drill intervals reported in the Company's prior news releases are listed in the table below

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

Selected drill intercepts from the Salamandra project include:

Salamandra Project, Durango, Mexico – Selected Drill Intercepts						
Drill Hole	Intercept From – To: m	Width m	Silver g/t	Zinc %	Copper %	Lead %
SA-07-02	7.40 – 17.25	9.85	102	0.55	0.02	0.03
SA-07-02	27.65 – 35.10	7.45	50	12.00	0.22	0.06
SA-07-03	195.00 – 205.00	10.00	71	3.48	0.06	1.26
SA-07-06	3.40 – 15.00	11.60	13	4.05	0.20	0.03
SA-07-08	261.00 – 271.00	10.00	29	3.51	0.04	0.42
SA-07-10	230.00 – 234.35	4.35	5	5.51	0.02	0.05
SA-13-13	20.65 – 830.81	810.16	2	0.6	0	0
SA-13-13	637.50 - 669.72	31.72	1	3.6	0.1	0
SA 14-14	165.99 – 182.88	16.89	29	1.8	0	0.2
SA 14-14	182.40 – 182.88	0.48	197	1.1	0.4	0.6
SA 14-14	186.38 – 186.80	0.42	108	0.6	0.5	1.4
SA 14-15	605.74 - 613.13	7.89	166	1.2	1.2	0.6
SA 14-15	607.50 – 609.80	2.30	393	2.8	3.6	0.4
SA 14-19	128.87 – 130.22	1.35	59	0.9	0	1.1
SA 14-19	349.87 – 388.36	37.99	1	1.6	0.02	0
SA 14-25	113.00 – 143.51	30.51	25	0.8	0.02	0.4
SA 14-25	121.36 – 126.73	5.37	41	1.7	0.02	0.7
SA 14-25	138.58 – 143.51	4.93	77	1.9	0.03	1.3
SA 14-27	358.40 – 366.00	7.60	2	2.2	0.03	0.2
SA 14-27	358.40 – 360.68	2.28	5	3.5	0.04	0.2
SA 14-27	364.12 – 366.00	1.88	2	4.4	0.05	0.4
SA 14-28	19.90 – 193.36	173.46	4	1.0	0.01	0.1
<i>Announced in news releases dated 18.07.2007, 17.03.2014, and 21.07.2014</i>						

Nora

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

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

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In August 2019 a surface sampling program was carried out to further evaluate the Candy and Nora vein outcrops – 21 samples were collected from outcrops of the Candy vein, 31 samples from adjacent country rocks, and 12 samples from waste piles (“dumps”), over a distance of 918 metres. The objective of this work was to confirm the high-grade mineralization in the Candy vein and to identify possible locations for subsequent drilling. Ten samples from the Nora vein collected along a distance of 160 metres returned anomalous silver values and contained trace sulphides and a geochemical signature typical of the higher levels of an epithermal vein system.

The high gold, silver, copper, lead and zinc grades from the Candy vein over a significant strike length, and from mineralized dumps, are very encouraging. The average grade of 21 samples from the Candy vein is 1.69 g/t Au, 140 g/t Ag, 0.40% Cu, 1.59% Pb, and 0.57% Zn over 0.68 metres. The highest silver grade was in sample #14278 with 3.72 g/t Au, 605 g/t Ag, 0.97% Cu, 1.17% Pb and 0.40% Zn over 1.0 metre. The highest gold value was in sample #14311 with 12.55 g/t Au, 12.2 g/t Ag, 1.02% Cu, 2.67% Pb and 0.68% Zn over 0.40 metres (announced in news release dated September 26, 2019). The average grade of the 12 dump samples is 1.40 g/t Au, 86 g/t Ag, 1.06% Cu, 3.37% Pb, and 1.64% Zn. Details of the results from selected higher-grade samples, some of which include partially oxidized material, are included in the table below for reference.

Nora Project, Durango State, Mexico – Candy Vein Surface Samples, August 2019										
Sample Number	Eastings	Northing	Elevation	Width	Sample Type	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
14278	451609	2822331	2017.12	1	Vein	3.72	605	0.97	1.17	0.40
14280	451615	2822338	2018.52	1.4	Rock	0.892	392	0.06	0.19	0.05
14281	451614	2822339	2018.70	1	Vein	2.98	540	0.85	4.00	3.55
14286	451621	2822385	2014.26	0.3	Vein	1.35	28.5	0.07	0.45	0.19
14287	451623	2822395	1972.83	0.6	Vein	2.18	316	0.57	2.44	0.17
14288	451629	2822403	1984.14	0.8	Vein	3.03	585	2.80	5.24	1.83
14290	451639	2822398	1997.50	D	Dump	2.42	203	0.87	8.05	2.10
14291	451636	2822404	1998.69	D	Dump	2.23	158	0.66	3.15	0.58
14292	451635	2822413	1997.18	D	Dump	1.50	84.5	0.41	3.32	0.63
14293	451631	2822419	1998.43	D	Dump	1.72	215	0.38	2.94	0.71
14294	451624	2822428	1999.51	D	Dump	1.90	40.6	0.26	2.98	0.88
14296	451645	2822420	2013.84	D	Dump	2.47	80.7	0.58	5.22	0.81
14297	451634	2822444	2009.87	D	Dump	2.89	193	2.64	7.19	9.76
14299	451626	2822578	2006.46	0.6	Vein	6.55	10.4	0.06	0.28	0.05
14311	451608	2822812	2009.71	0.4	Vein	12.55	12.2	1.02	2.67	0.68

Brenda

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, 20 kilometres northwest of the past producing Kemess South Mine. Comprehensive exploration programs carried out to date include satellite surveys, airborne and ground geophysics, extensive geological mapping and sampling and 11,000 metres of diamond drilling in 64 drill holes. These programs highlighted the possibility of a deep-seated porphyry gold-copper system at the Brenda project, possibly similar to Centerra Gold Inc.’s nearby Kemess Underground and Kemess East deposits, located approximately 15 kilometres southeast of the Brenda property.

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

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

Vega

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

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

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

In September 2019 a geological mapping and surface sampling program was completed to investigate prospective targets zones on the Vega project. The field work encompassed a detailed "base-of-slope" sampling programme on 100-metre spacings within a core area that is approximately 6.5 by 7.5 kilometres in size. The area selected is within the western half of the Vega Property and was intended to complete "first-pass" coverage of a prospective tract characterized by several copper, gold and silver showings and intense rock alteration that maybe related to magnetic anomalies and porphyritic intrusive rocks.

The results from over 300 soil samples collected along 30 line-kilometres of contour soil survey lines are particularly encouraging and identify anomalous and often high-contrast copper, gold and molybdenum assays that may be associated with strong magnetic anomalies. Three large cluster anomalies are evident, outlined in the figures below:

1. Anomaly 1 suggests that significant extensions to the Pluto showing may exist up to 2,000 metres north from the original showing. This extension has not been previously mapped or prospected.
2. Anomaly 2 is downslope from a new 2019 mapping/prospecting discovery of outcropping copper mineralization associated within an area of magnetite-epidote (propylitic) veining in quartz diorite intrusive. A grab sample from this area returned 2.26% Cu and 0.145 g/t Au.
3. Anomaly 3 occurs on both flanks of Thane Creek close to the possible contact of Hogem Batholith units with Triassic-aged volcanic rocks. This area is reported to have several (poorly located) RGS Minfile showings recording anomalous copper and gold values. Prospecting and mapping along Thane Creek identified abundant quartz-sericite-pyrite and potassic feldspar+biotite+hematite -altered quartz diorite float as well as localized fracture-controlled quartz+pyrite+mica veinlets with trace chalcopyrite.
4. Additional anomalies are present within the survey area.

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The 2019 field work has already added significantly to the understanding of the mineral potential within the Vega project area. Areas of silicification, sericite-pyrite and feldspar-hematite alteration were encountered that are very encouraging signs of a hydrothermal environment for hosting porphyry style copper-gold mineralization. The extensive soil sampling in areas identified by airborne magnetics signatures have identified excellent targets for further exploration and ultimately drill testing.

Exploration interest in the region of the Vega Project has increased significantly in 2019. Several property option agreements have been signed by other companies, staking has increased, and numerous exploration initiatives are underway in the area.

Technical

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

CAUTIONARY NOTE

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

Approval

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