



## **Management's Discussion and Analysis For the Year Ended December 31, 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 Annual Management's Discussion and Analysis ("MD&A") is dated April 29, 2019, and provides information on the Company's activities for the year ended December 31, 2019, and subsequent activity to the date of this report. The following discussion and analysis of the financial position and performance of the Company should be read in conjunction with the audited annual consolidated financial statements and related notes for the years ended December 31, 2019 and 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the MD&A for the year ended December 31, 2018.

Discussion of the Company, its operations and associated risks is further described in the Company's filings available for viewing at [www.sedar.com](http://www.sedar.com).

### **HIGHLIGHTS**

Highlights of the Company's activities during the year 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 plus 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;
- commenced preparations for a drill program at the Nora project in Mexico;
- completed a non-brokered private placement for gross proceeds of \$407,000 in March 2020.

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. With the recent completion of a private placement in March 2020, the Company looks forward to commencing a drill program on its Nora project as soon as it is deemed safe to do so in light of the COVID-19 pandemic.

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 2019 to the date of this report gold and silver prices have increased significantly, to a high of US\$1,773 per ounce for gold in April 2020, and US\$19.57 per ounce for silver in early September 2019. Both gold and silver prices increased since June 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. As a result of the spreading COVID-19 pandemic and collapse of oil prices in early March 2020, both gold and silver prices initially dropped sharply trading down to US\$1,471 per ounce for gold and US\$11.94 per ounce for silver.

At the time of this report, following unprecedented economic stimulus measures in all major economies and an agreement among major oil producers to cut production in the face of collapsing demand, gold and silver have recovered to US\$1,713 and US\$15.30 per ounce respectively. The gold silver price ratio has risen dramatically to an all-time high of 112 reflecting gold's role as a safe haven in times of crisis. Copper and zinc prices have also collapsed due to the economic crisis and decline in industrial production, and as at the date of this report, copper was trading at US\$2.37 per pound, and zinc at US\$0.87 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 from mid-June 2019 provided some renewed optimism and better market conditions for the larger mining companies, which also started to improve conditions for the earlier stage exploration companies. This provided better opportunities for funding and more activity in the precious metals exploration sector. The Company was fortunate to take advantage of these developments in order to complete a

***Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019***

---

private placement of \$407,000 in late February and early March 2020, just before the economic collapse due to the COVID-19 outbreak.

**Impact of COVID-19 pandemic**

The COVID-19 pandemic is the most severe healthcare crisis experienced in the past 100 years. The high infection rate and dangerous consequences with high mortality among vulnerable groups has led to emergency measures and lockdowns to minimize the spread of infection and stress on healthcare systems. Travel ban and lockdown orders have resulted in a complete shutdown of movement in most countries, with economic activity limited to essential services. It is expected that the impact will continue for several months and presently it is not clear when the economy will return to normal operation.

The proceeds of the March 2020 private placement were intended to fund drilling on the Company's Mexican high-grade silver projects and preparations to mobilize a drill to the Nora project to start the program were completed by March 12, 2020. However, in response to the spread of the pandemic, and in order to ensure the safety of both the Company's and drill contractor's personnel, the mobilization was postponed awaiting better information on the COVID-19 status in Mexico. On March 31, 2020, the Mexican government issued an emergency order stopping all non-essential operations and services, including mining and exploration. All mining and exploration companies operating in Mexico have announced suspension of their operations. The Company, as well as its drill contractor, have also suspended the planned drill program until further notice, and the Company's personnel both in Vancouver and in Durango, Mexico, are respecting the lockdown orders and working from home as far as possible. None of the Company's personnel have been affected by the Coronavirus infection. All administrative and technical activities have continued, apart from field work. During this difficult time the Company has focused on the closing of the private placement, the preparation of the 2019 year-end audit and first quarter 2020 reports, and the detailed preparation of plans for the drill program on the Nora project in Mexico. All operational and administrative requirements are being attended to uninterrupted.

As at the date of this report there is no forecast for the resumption of field work in Mexico following the current government emergency order in effect to April 30, 2020. The emergency order has now been extended to May 30, 2020, with a possible exemption for re-start of certain operations located in municipalities exhibiting low, or no, cases of COVID-19 following May 18, 2020. The Company will follow updated government guidelines and is monitoring the situation on a regular basis. The situation in Mexico, particularly in Durango State, and in BC appears less severe than in other countries impacted by the pandemic. BC took early measures to limit the spread, and Durango State may be somewhat sheltered as it is away from major population centres and travel and tourism hubs. However, the Company's personnel have been encouraged not only to comply with the directives and emergency orders, but also to take maximum precautions for their own safety as well as to limit the spread of the infection.

**Canasil Resources Inc. - Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

---

**FINANCIAL CONDITION**

As at December 31, 2019, the Company had working capital of \$752,977, 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:

	2019		2018	
Cash and cash equivalents	\$	818,015	\$	118,314
Marketable securities (i)		-		56,000
Receivables		36,164		57,282
Prepaid expenses		12,751		12,618
Accounts payable and accrued liabilities		(73,911)		(127,048)
Current portion of lease liability		(40,042)		-
Working capital position	\$	752,977	\$	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 6 to its December 31, 2019 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 year, the Company incurred expenses, net of non-cash items, of \$1,288,220 which included administrative expenses of \$562,748 and exploration and evaluation expenses of \$725,472. 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. In March 2020, the Company completed a private placement of \$407,000 – see (*Outstanding Share Data*).

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.

The ongoing COVID-19 pandemic has affected the Company's ability to conduct its exploration activities and may affect its ability to raise additional funding in the future. Accordingly, the Company will continue to minimize expenses wherever possible in order to conserve its working capital through this unexpected economic downturn.

**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 \$3,879 per month.

**Canasil Resources Inc. - Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

**FINANCIAL PERFORMANCE**

**Income (Loss)**

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

	2019	2018
General and administrative expenses	\$ 155,524	\$ 146,810
Exploration and evaluation expenditures	220,256	102,019
Total operating expenses	(375,780)	(248,829)
Deferred income tax expense	-	(3,640)
Loss for the quarter	\$ (375,780)	\$ (252,469)

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

	2019	2018
General and administrative expenses	\$ 605,103	\$ 622,260
Exploration and evaluation expenditures	725,472	805,404
Total operating expenses	(1,330,575)	(1,427,664)
Gain on sale of mineral property	2,000,000	-
Deferred income tax expense	-	(8,001)
Income (loss) for the year	\$ 669,425	\$ (1,435,665)

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

The decrease in exploration and evaluation expenditures for the current year is due primarily to the timing of payment of certain claim fees on the Company's Mexican properties resulting from delays in obtaining claim titles in Mexico. Additionally, the Company received \$12,038 in expenditure recoveries during the current year compared to \$105,720 in expenditure recoveries received in the comparative year.

**Comprehensive Income (Loss)**

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

	2019	2018
Loss for the quarter	\$ (375,780)	\$ (252,469)
Other comprehensive loss	-	(24,360)
Comprehensive loss for the quarter	\$ (375,780)	\$ (276,829)

Other comprehensive loss consists of unrealized losses on marketable securities, net of deferred income tax effect. During the fourth quarter of 2018, the Company experienced unrealized losses on its marketable securities of \$28,000, less deferred income tax expense of \$3,640; the Company did not hold any marketable securities during the fourth quarter of 2019.

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

	2019	2018
Income (loss) for the year	\$ 669,425	\$ (1,435,665)
Other comprehensive loss	(628)	(53,539)
Comprehensive income (loss) for the year	\$ 668,797	\$ (1,489,204)

During 2019, the Company experienced unrealized losses of \$628, less deferred income tax expense of \$nil whereas in 2018, the Company experienced unrealized losses of \$61,540, less deferred income tax expense of \$8,001.

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. During 2018, the Company sold 1,400,000 Barsele shares for net proceeds of \$942,960 and a gain on sale of \$732,872. In accordance with IFRS 9, the net gains realized upon sale of these shares remain in accumulated other comprehensive income and are not recognized in profit or loss.

**Canasil Resources Inc. - Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

**Cash Flows**

Cash used for operating activities during the fourth quarter, before changes in non-cash working capital items, was \$365,192 and compares to \$247,905 used in the comparative quarter. The increase in cash used for operations is due primarily to an increase in exploration costs of \$118,237 for the current quarter as detailed above. Significant changes in non-cash working capital items for the current quarter include an increase in receivables of \$10,037.

Cash used for operating activities for the year, before changes in non-cash working capital items, was \$1,288,220 and compares to \$1,423,966 used in the comparative year. The decrease in cash used for operations is due to a decrease in cash general and administrative expenses of \$55,814 and cash exploration costs of \$79,932 as detailed in the discussion of Income (Loss).

Cash provided by investing activities for the year 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 \$35,299 on its lease liability. During the comparative year, 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 required on the BC projects; financing activities in the comparative year consisted of proceeds of \$369,480 received upon the exercise of warrants.

**SELECTED ANNUAL INFORMATION**

The information in the following table provides selected financial information of the Company for 2019 and the two preceding years. This information derives from the Company's annual consolidated financial statements and should be read in conjunction with those statements and related notes. The information is presented in accordance with IFRS.

<b>Year Ended December 31</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Revenue	\$nil	\$nil	\$nil
Share-Based Compensation Expense	\$nil	\$nil	\$256,829
Exploration and Evaluation Expense	\$725,472	\$805,404	\$1,235,421
Gain on Sale of Mineral Property	\$2,000,000	\$nil	\$nil
Income (Loss) for the Year	\$669,425	\$(1,435,665)	\$(2,332,203)
Comprehensive Income (Loss) for the Year	\$668,797	\$(1,489,204)	\$(2,852,898)
Income (Loss) per Share – Basic and Diluted	\$0.01	\$(0.01)	\$(0.02)
Total Assets	\$1,021,787	\$331,832	\$1,434,091
Working Capital	\$752,977	\$117,166	\$1,240,192
Long-Term Liabilities – Lease Liability	\$34,253	\$nil	\$nil
Dividends per Share	\$nil	\$nil	\$nil
Shareholders' Equity	\$873,581	\$204,784	\$1,324,508

In 2017, the Company completed a drill program and surface sampling program at La Esperanza, commenced a trenching and surface sampling program at Salamandra, and continued with a comprehensive review and update of the data bases on its BC projects, which included a short inspection program at the Brenda project in September 2017. During 2018, the Company completed the surface trenching and sampling program at Salamandra, completed a short drill program at La Esperanza before shutting down due to weather conditions, and conducted a LiDAR survey at Vega. In 2019, the Company sold its interest in the Sandra-Escobar project, analyzed the results of the LiDAR survey on the Vega project, conducted a reconnaissance and sampling program at the Nora project, and conducted a geological mapping, soil and rock sampling program at the Vega project.

The Company granted 735,000 stock options in 2017 and extended the expiry date of 1,175,000 options. There were no stock options granted during 2018 or 2019.

**Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

**SUMMARY OF QUARTERLY INFORMATION**

The following table provides selected financial information of the Company for each of the last eight quarters presented in accordance with IFRS:

Year	2019				2018			
Quarter ended:	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Revenue	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Exploration and evaluation expenses	\$220,256	\$361,005	\$84,493	\$59,718	\$102,019	\$325,073	\$202,930	\$175,382
General and administrative expenses	\$155,524	\$133,865	\$167,650	\$148,064	\$146,810	\$160,894	\$161,958	\$152,598
Gain on sale of mineral property	\$nil	\$nil	\$2,000,000	\$nil	\$nil	\$nil	\$nil	\$nil
Deferred income tax expense	\$nil	\$nil	\$nil	\$nil	\$3,640	\$2,863	\$1,365	\$133
Income (loss) for the period	\$(375,780)	\$(494,870)	\$1,747,857	\$(207,782)	\$(252,469)	\$(488,830)	\$(366,253)	\$(328,113)
Other comprehensive loss	\$nil	\$nil	\$nil	\$(628)	\$(24,360)	\$(19,157)	\$(9,135)	\$(887)
Comprehensive income (loss) for the period	\$(375,780)	\$(494,870)	\$1,747,857	\$(208,410)	\$(276,829)	\$(507,987)	\$(375,388)	\$(329,000)
Income (loss) per share: basic and diluted	\$(0.00)	\$(0.00)	\$0.02	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)

**DISCUSSION OF QUARTERLY INFORMATION**

During the first quarter of 2018, the Company completed a surface trenching and sampling program on the Salamandra project. During the second quarter of 2018, the Company continued drilling at the La Esperanza project, completing a 347-metre diamond drill hole before suspending the program due to weather conditions. In the third quarter of 2018, the Company conducted a LIDAR survey on the Vega property, which was completed in the fourth quarter.

During the first quarter of 2019, the Company analyzed the results of the LIDAR survey conducted in late 2018 on the Vega property. During the second quarter of 2019, the Company made preparations for a field program at the Vega project in British Columbia, and finalized the sale of the Company's interest in the Sandra-Escobar project. In the third quarter of 2019, the Company conducted a reconnaissance and sampling program at the Nora project in Mexico, and a geological mapping, soil and rock sampling program at the Vega project in British Columbia. During the fourth quarter of 2019, the Company made preparations for a drill program at the Nora project.

**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, conducted sampling programs at the Nora project in Mexico and Vega project in British Columbia and made preparations for a drill program at the Nora project.

**Canasil Resources Inc. - Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

**FINANCIAL INSTRUMENTS**

	2018		2017	
<b>Cash</b>				
Cash on deposit	\$	62,081	\$	118,314
Guaranteed investment certificate		755,934		-
		818,015		118,314
<b>Marketable securities</b>				
	\$	-	\$	56,000
<b>Receivables</b>				
Value-added taxes	\$	15,138	\$	36,299
Goods and services tax and other		21,026		20,983
	\$	36,164	\$	57,282
<b>Reclamation bonds</b>				
	\$	47,000	\$	47,000
<b>Accounts payable and accrued liabilities</b>				
Accounts payable	\$	43,154	\$	76,908
Accrued audit, legal, exploration and other		30,757		50,140
	\$	73,911	\$	127,048
<b>Lease liability</b>				
	\$	74,295	\$	-

Cash is classified as fair value through profit or loss and carried at fair value. Marketable securities are classified as fair value through other comprehensive income and carried at fair value. The Company's receivables, reclamation bonds, and accounts payable are carried at amortized cost – the carrying values approximate their fair values due to the short-term nature of these instruments. The lease liability is carried at amortized cost.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All of the Company's Canadian cash and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through major banks in Mexico and used to fund foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk in respect of value-added tax ("IVA") refunds receivable from the government of Mexico. The Company currently receives its IVA refunds without significant delays.

The Company is exposed to market risk, which is the risk that the fair values of financial instruments will fluctuate with changes in market prices. A significant market risk to which the Company is exposed is currency risk. The cash balances, receivables, and payables that are denominated in pesos and U.S. dollars are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso/U.S. dollar. At December 31, 2019, the Company held the equivalent of \$27,822 in cash, \$15,120 in receivables, and \$30,281 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of \$17,834 in cash denominated in U.S. dollars. Due to the amount and nature of these balances and the volatility of the exchange rates between the Canadian dollar, U.S. dollar, and Mexican peso, such currency risk could result in future gains or losses to the Company.

During the year ended December 31, 2019, the Mexican peso weakened against the Canadian dollar by approximately 1%; the U.S. dollar weakened against the Canadian dollar by approximately 5%. Based on the Company's peso and U.S. dollar denominated monetary assets and liabilities as at December 31, 2019, a 10% fluctuation in the exchange rates with the Canadian dollar would result in a gain or loss of approximately \$1,270 and \$1,780, respectively. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration activities. Accounts payable denominated in foreign currencies are settled in a timely manner.

The Company's marketable securities are subject to market downturns and changes in share prices and therefore the Company is exposed to market risk in respect of these financial instruments.

Cash and cash equivalents include guaranteed investment certificates, which earn interest at market rates and are exposed to interest rate risk given the volatility of interest rates over time. The Company's lease liability has a fixed term, is carried at a fixed interest rate, and is not subject to interest rate risk. Due to the value and nature of the



**Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

Company's other financial instruments, it is management's opinion that the Company is not exposed to significant interest rate risk in respect of these financial instruments.

The carrying value of the financial assets recorded in these financial statements, totalling \$901,179, represents the Company's maximum exposure to credit and market risk as at December 31, 2019. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

**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 years ended December 31 is as follows:

	2019	2018
Salaries – chief executive officer	\$ 225,000	\$ 225,000
Management fees – chief financial officer	150,000	150,000
Director fees	36,000	42,000
Legal fees – law firm in which an officer was a partner	-	2,953
	<u>\$ 411,000</u>	<u>\$ 419,953</u>

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

**OUTSTANDING SHARE DATA**

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

	April 29, 2020	December 31, 2019	December 31, 2018
Shares issued and outstanding	109,294,122	104,206,622	104,206,622
Outstanding stock options	7,240,000	7,240,000	7,565,000
Outstanding warrants	5,087,500	2,309,250	2,309,250
Diluted shares outstanding	<u>121,621,622</u>	<u>113,755,872</u>	<u>114,080,872</u>

In January 2019, 325,000 incentive stock options expired unexercised and in February 2020, 2,309,250 warrants expired unexercised. In March 2020, the Company completed a non-brokered private placement by issuing 5,087,500 units at a price of \$0.08 per unit for gross proceeds of \$407,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.12 per share for a period of two years. The warrants are subject to an acceleration clause should the closing price of the Company's shares exceed \$0.25 per share for a period of 20 consecutive trading days.

Notes 7 and 8 to the Company's December 31, 2019 consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the year.

**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 Company's December 31, 2019 audited consolidated financial statements.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

## **PROPOSED TRANSACTIONS**

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

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

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates.

The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets, the determination of assumptions used to estimate share-based compensation, and the determination of functional currency.

The Company has not recognized its deferred tax assets as management does not currently consider it probable that these assets will be recovered.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity and has no effect upon the Company's assets or liabilities.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are typically denominated in either the Mexican peso or the U.S. dollar, the subsidiaries have no revenues from operations and are entirely dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

## **DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The Company has no source of operating revenue. The Company's consolidated financial statements for the year ended December 31, 2019 provide a breakdown of the general and administrative expenses for the year under review and an analysis of the exploration and evaluation expenses incurred on its mineral properties.

## **NOVEL CORONAVIRUS (COVID-19)**

As at the date of this report, the Company's operations have not been materially affected by the Coronavirus. The Company operates with a small staff in British Columbia, Canada and Durango, Mexico. The Company has taken the steps of having staff work from home where possible in order to comply with directives from governments and local authorities to prevent spreading of the virus. To date, no staff member has reported having exhibited signs of the virus. The Company had planned a drill program in Mexico to begin in March of 2020, however, this program has been delayed for safety reasons. The financing prospects of the Company may be negatively affected should the COVID-19 pandemic persist for an extended period of time. While the future impact of this outbreak is difficult to predict, the Company will continue to monitor and assess the associated risks to the Company's staff and operations and remain prepared to respond appropriately.

**MINERAL PROPERTY SUMMARY**

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

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

**La Esperanza**

The La Esperanza silver-gold-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.

**Canasil Resources Inc. - Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

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

### **Sandra-Escobar**

The Sandra-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

**Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

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

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

Selected drill intercepts from the Salamandra project include:

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

*Announced in news releases dated 18.07.2007, 17.03.2014, and 21.07.2014*

**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.

**Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

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 Metres	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

A drill program is planned to test the Candy vein below sections hosting high grade surface samples.

**Brenda**

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

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

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

### **Vega**

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

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

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



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 regarding 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.

### **INVESTOR RELATIONS**

The Company maintains a website, [www.canasil.com](http://www.canasil.com), with detailed corporate information and information covering its mineral exploration projects and operations. The Company participated in the Sprott Vancouver Natural Resource Symposium in July 2019.

### **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 mineral resource properties in Canada and Mexico.

The volatility in the resources sector caused by the sharp decrease in metals and commodity prices from 2011 to 2015 resulted in a loss of confidence in the resources sector among investors. This resulted in a general decline in the share prices of resource companies, and in particular for junior explorers, and presented significant constraints on funding exploration companies and programs. During the first half of 2016 there was a gradual recovery, particularly in the prices for gold and silver with silver rising to over \$20 per ounce in June/July 2016, leading to greater optimism and activity in the resource sector. This resulted in both greater funding opportunities for exploration companies as well as possibilities for conclusion of cooperation agreements with third parties to advance exploration projects.

However, during the second half of 2016 through to the end of 2017, precious and base metal prices were volatile and generally trended lower. Silver prices fluctuated between US\$16 and US\$18 per ounce, and closed below US\$16 in late December 2017. This downward trend continued through 2018 and the first half of 2019 with gold and silver closing at US\$1,340 per ounce and US\$15 per ounce respectively in June 2019. Since then gold and silver have staged a recovery to a high of US\$1,773 per ounce for gold in April 2020, and US\$19.57 per ounce for silver in early September 2019. In early March 2020, as a result of the spreading COVID-19 pandemic and collapse of oil prices, both gold and silver prices initially dropped sharply trading down to US\$1,471 per ounce for gold and US\$11.94 per ounce for silver. At the time of this report, following unprecedented economic stimulus measures in all major economies gold and silver have recovered to US\$1,713 and US\$15.30 per ounce respectively. . Copper and zinc prices have also dropped markedly due to the economic effects of the COVID-19 pandemic with copper trading at US\$2.37 per pound and zinc at US\$0.87 per pound as at the date of this report.

The uncertain global economic conditions and lower precious and base metal prices from 2011 to 2015 and mid-2016 to mid-2019 dampened optimism for the resource and exploration sectors focused on these metals, resulting in generally lower share prices, particularly for earlier stage exploration companies. There were also significantly lower financing opportunities and less urgency among larger companies to conclude cooperation agreements with explorers for advancing earlier stage projects. However, the improvement in gold and silver prices in the first half of 2016 and since mid-June 2019 have provided some renewed optimism and better market conditions for the larger

***Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019***

---

mining companies, which also started to improve conditions for the earlier stage exploration companies. This provided better opportunities for funding and more activity in the precious metals exploration sector.

***Competitive Conditions***

The outlook for acquisition and development of mineral resource projects improved markedly in the first half of 2016, following a prolonged period of decline from early March 2011 to December 2015 due to lower metal prices and slowing global growth rates. The conditions in 2017, 2018 up to June 2019 were less favourable due to low metal prices, in spite of the overall need in the resource sector to replace reserves which have been depleted due to the extended downturn in the industry and cut-backs in exploration and replacement of reserves between 2011 and mid 2019. Following improvements in market conditions from mid-2019 to February 2020 and the signs of better prospects for the resource sector, the spread of the COVID-19 pandemic has put all economic activity on hold for the time being with forecasts of very difficult economic conditions for the near future.

***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, 2019, the Company had one employee in Canada and five employees in Mexico. Significant administrative, management, and certain geological services are provided to the Company by directors, officers, and consultants. The Company, through its wholly-owned Mexican subsidiary, Minera Canasil SA de CV., maintains a full-time operating office with geological and support staff in Durango, Mexico.

***Acquisition and Disposition of Mineral Properties***

During the year ended December 31, 2019, the Company disposed of its interest in the Sandra-Escobar project (see "*Mineral Property Summary*"). Due to limited funding in recent years, the Company has allowed certain claim payments on non-core properties to fall into arrears and has allowed certain claims to lapse. Such claims may or may not be re-instated depending on the circumstances.

***RISK FACTORS RELATING TO THE COMPANY'S BUSINESS***

The Company's ability to generate revenue and profit from its mineral 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 limited liability insurance, and potential 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 of

***Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019***

---

mineral properties 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 may 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 mineral properties through staking and option agreements to acquire interests in mineral claims. The Company is currently engaged in exploration activities on these properties.

***Management and Directors***

The Company is dependent on a small number of directors and officers and operating personnel in Mexico: Alvin Jackson, Michael McInnis, Arthur Freeze, Bahman Yamini, Kerry Spong, Graham Scott, and Erme Enriquez. The loss of any of these persons could have an adverse effect on the Company. Jerry Blackwell, Gary Nordin, and Iain MacPhail are members of the Company's advisory board. 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.

### ***Operating History - Losses***

The Company has experienced operating 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, 2019, the Company's accumulated deficit was \$28,073,302.

### ***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 year, and to the date of this report, the price of the Company's shares fluctuated from a low of \$0.05 to a high of \$0.09 per share. There can be no assurance that continued fluctuations in price will not occur.

### ***Shares Reserved for Future Issuance - Dilution***

As at the date of this report, a total of 109,294,122 common shares of the Company are issued and outstanding. There are 7,240,000 stock options and 5,087,500 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.

## ***MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING***

The Company's consolidated financial statements have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with IFRS and reflect management's best estimates and judgement based on information currently available. Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. The board of directors is responsible for ensuring that management fulfills its responsibilities. The audit committee reviews the results of the annual audit and the annual consolidated financial statements prior to their submission to the board of directors for approval. The consolidated financial statements have been audited by Davidson & Company LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

## ***CONTROLS AND PROCEDURES***

The chief executive officer and chief financial officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim condensed financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificate for non-venture issuers under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## ***DISCLOSURE CONTROLS AND PROCEDURES***

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the interim and annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the certifying officers do

**Canasil Resources Inc. - Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

---

not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**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 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](http://www.sedar.com), and on the Company's website at [www.canasil.com](http://www.canasil.com)