



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

### **For the Year Ended December 31, 2021**

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#### **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 26, 2022, and provides information on the Company's activities for the year ended December 31, 2021, 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, 2021 and 2020, prepared in accordance with International Financial Reporting Standards ("IFRS").

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 period under review are as follows:

- completed a three-hole 802-metre drill program at the La Esperanza project in Mexico in March 2021;
- completed and filed an updated technical report on the Brenda project in BC, Canada;
- completed a four-hole 932-metre Phase-2 drill program at the Nora project in Mexico in July 2021;
- initiated a comprehensive data review of the Vega project in BC, Canada;
- completed a non-brokered private placement for gross proceeds of \$790,000 in May 2021;
- issued 850,000 shares for proceeds of \$102,000 upon the exercise of warrants in October 2021;
- completed a non-brokered private placement for gross proceeds of \$708,750 in November 2021, which includes \$165,000 of flow-through financing;
- completed a limited induced polarization ("IP") survey at the Vega project;
- completed a three-hole 892-metre Phase-3 drill program at the Nora project in December 2021; and
- issued 125,000 shares for proceeds of \$15,000 upon the exercise of warrants in March 2022.

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

## **OUTLOOK**

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 and the Nora silver-gold-copper project in Durango and Zacatecas States, Mexico. In the second half of 2020 and in 2021 the Company completed three phases of drilling at the Nora project and a follow-up drill program at the La Esperanza project. All drill programs have returned encouraging results confirming the potential for further drill testing on the target zones at both projects, which are open for expansion, and details are noted below in the mineral property section. The Company also completed an updated Technical Report on the Brenda copper-gold project in BC, Canada, which indicated encouraging prospective drill targets, as well as a comprehensive data review of the Vega copper-gold project.

Significant exploration plans are contingent on adequate funding to carry out drilling and other programs and maintain sufficient operating working capital. In March and July 2020, the Company completed two private placements of \$407,000 and \$1,565,000 respectively to fund the drill programs on the Nora and La Esperanza silver-gold projects in Mexico. In spite of delays and operating challenges due to the COVID-19 outbreak in early 2020, the Company completed an initial drill program of 1,744 metres at the Nora project, and a follow-up drill program of 1,879 metres at the La Esperanza project during the second half of 2020 and first half of 2021 with encouraging results. A private placement of \$790,000 was completed in May 2021 and \$810,750 in additional funding completed in October and November 2021 through the exercise of warrants for \$102,000 and a private placement for \$708,750. Two follow-up drill programs were completed at the Nora project from July to December 2021 with a total of seven drill holes for a total of 1,824 metres. All drill holes returned excellent results with high-grade silver and gold intercepts, confirming the potential for the Nora project to host a significant silver-gold mineralized system.

### **Market Conditions**

From mid-June 2019 to early August 2020, gold and silver prices increased significantly; gold from US\$1,340 per ounce to a high of over US\$2,050 per ounce and silver from US\$15 per ounce to US\$29 per ounce. Resource markets and share prices of mining and exploration companies also reflected this increase. In early March 2020 both gold and silver prices initially dropped sharply due to the COVID-19 pandemic, trading down to US\$1,471 per ounce for gold and US\$11.94 per ounce for silver. They recovered to the high levels noted above by August 2020, closing 2020 at US\$1,885 per ounce for gold and US\$26.50 per ounce for silver. Since January 2021, in spite of significant economic stimulus measures, both gold and silver prices have been volatile, with gold trading between US\$1,690 and US\$1,950 per ounce, and silver between US\$21.50 and US\$28.50 per ounce. From June to late September 2021, gold and silver prices progressively dropped to a low of US\$1,725 US\$21.50 per ounce, respectively, recovering to US\$1,807 and US\$23.10 per ounce by year-end 2021. With rising inflation and political tensions in the eastern Europe leading to the Russian invasion of Ukraine in late February 2022, gold and silver prices have recently started to move higher with gold closing at US\$1,906 per ounce and silver US\$23.50 per ounce at the date of this report. The gold-silver price ratio has moved to 81 at the time of this report. Copper and zinc prices were also volatile during 2021 to date, increasing to US\$4.80 per pound and US\$1.38 per pound, respectively, and closing at US\$4.48 per pound and US\$1.95 per pound at the date of this report, both well over US\$3.20 per pound for copper and US\$1.60 per pound for zinc in January 2018.

The overall improvement in gold and silver prices since mid-June 2019 has provided better market conditions for both the larger mining companies as well as for the earlier stage exploration companies, leading to significant funding opportunities since early 2020. However, the volatility in gold and silver prices since August 2020 have resulted in generally lower share prices and market interest both for larger producers and smaller exploration companies resulting in a more challenging funding environment.

### **Impact of COVID-19 pandemic**

Following a halt in the Company's field activities from March to June 2020 due to the COVID outbreak, field operations resumed in early July 2020 in Mexico with the drill programs at the Nora and La Esperanza projects, although at a slower pace due to COVID constraints. In the second half of 2021 drilling operations continued returning to the normal pace. All administrative and technical activities have continued uninterrupted throughout the pandemic to date, primarily focused on funding and executing the drill programs at Nora and La Esperanza.

The Company's personnel continue to comply with the respective government directives and recommendations, and also to take maximum precautions for the safety of local communities, contractors and themselves and in order to prevent the spread of the COVID infection, particularly now with the increase in new more infectious variants such as Omicron in late 2021 and early 2022.

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**FINANCIAL CONDITION**

As at December 31, 2021, the Company had working capital (current assets less current liabilities) of \$401,795, which compares to working capital of \$913,694 as at December 31, 2020. The decrease in working capital is due to operating activities using more cash than was provided by investing and financing activities for the year. The Company's working capital position consisted of the following:

	2021	2020
Cash and cash equivalents	\$ 451,241	\$ 926,340
Receivables	18,667	93,519
Prepaid expenses	23,626	24,502
Accounts payable and accrued liabilities	(64,739)	(96,413)
Current portion of lease liability	-	(34,254)
Deferred flow-through premium liability	(27,000)	-
Working capital position	\$ 401,795	\$ 913,694

**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 \$2,019,436, which included administrative expenses of \$571,660 and exploration and evaluation expenses of \$1,447,776. 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.

During the year, the Company completed private placements for gross proceeds of \$1,498,750 and received \$102,000 from the exercise of warrants; these funds were used to fund drill programs at the Nora project and for general corporate purposes. 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.

While the Company has been successful in completing its recent exploration programs, the ongoing COVID-19 pandemic has had an effect on the Company's ability to conduct its exploration activities and may affect its ability to raise additional funding in the future.

**FINANCIAL PERFORMANCE**

**Loss**

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

	2021	2020
General and administrative expenses	\$ 143,854	\$ 351,342
Exploration and evaluation expenditures	453,536	336,415
Loss for the quarter	\$ 597,390	\$ 687,757

General and administrative expenses were significantly lower for the fourth quarter of 2021 as share-based compensation, a non-cash item, was lower by \$206,271 compared to the fourth quarter of 2020.

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

	2021	2020
General and administrative expenses	\$ 752,029	\$ 938,806
Exploration and evaluation expenditures	1,482,884	1,119,144
Total operating expenses	2,234,913	2,057,950
Gain on sale of equipment	(6,983)	-
Loss for the year	\$ 2,227,930	\$ 2,057,950

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General and administrative expenses were significantly lower for the year as share-based compensation was lower by \$163,151 compared to the prior year. Accordingly, general and administrative expenses, excluding share-based compensation, were \$615,013 in the current year and \$638,639 for the comparative year. Other fluctuations for 2021 were increases in legal fees and shareholder communications as well as decreases in investor relations and management fees.

The increase in exploration and evaluation expenditures for the current year is due primarily to the cost of an additional drill program completed at the Nora project and an IP survey completed at the Vega project in 2021, partially offset by lower land holding costs due to the timing of claim fees paid on the Company's properties in Mexico. In addition, due to uncertainty surrounding the timing and collection of value-added tax in Mexico, the Company wrote off its IVA balances and began expensing IVA as incurred. Future collections of IVA will be recorded as recoveries in the period received.

**Comprehensive Loss**

The Company had no other comprehensive income (loss) during the current and comparative years.

**Cash Flows**

The main components of the Company's cash flows for the current and comparative quarters include the following:

	2021	2020
General and administrative expenses	\$ (140,323)	\$ (127,940)
Exploration and evaluation expenses	(418,428)	(336,415)
Changes in non-cash working capital items	88,166	(74,615)
Purchase of equipment	-	(41,230)
Principal payments on lease liability	-	(10,711)
Share capital issued for cash	785,105	21,000
	<u>\$ 314,520</u>	<u>\$ (569,911)</u>

Cash used for operating activities during the quarter included relatively consistent general and administrative expenses and higher exploration and evaluation expenses. The Company purchased field equipment in 2020 and made principal payments on an office lease, which were not part of the 2021 operations. The Company received proceeds from the exercise of warrants and completed a private placement in the fourth quarter of 2021; proceeds from the exercise of options were received in the fourth quarter of 2020.

The main components of the Company's cash flows for the current and comparative years include the following:

	2021	2020
General and administrative expenses	\$ (571,660)	\$ (589,975)
Exploration and evaluation expenses	(1,447,776)	(1,119,144)
Changes in non-cash working capital items	8,946	(46,604)
Purchase of equipment	(2,043)	(45,761)
Proceeds on sale of equipment	6,983	-
Principal payments on lease liability	(34,254)	(40,041)
Share capital issued for cash	1,564,705	1,949,850
	<u>\$ (475,099)</u>	<u>\$ 108,325</u>

Cash used for operating activities during the year included relatively consistent general and administrative expenses and higher exploration and evaluation expenses due to the additional drill program and IP survey described above. The Company purchased significant field equipment in 2020 and sold a piece of equipment in 2021. The Company made principal payments on an office lease until September 30, 2021. Financing activities included the proceeds from the exercise of warrants and two private placements in 2021 and proceeds from the exercise of options and two private placements in 2020.

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**SELECTED ANNUAL INFORMATION**

The information in the following table provides selected financial information of the Company for 2021 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>2021</b>	<b>2020</b>	<b>2019</b>
Total Revenue	\$nil	\$nil	\$nil
Share-Based Compensation Expense	\$137,016	\$300,167	\$nil
Exploration and Evaluation Expense	\$1,482,884	\$1,119,144	\$725,472
Gain on Sale of Mineral Property	\$nil	\$nil	\$2,000,000
Income (Loss) for the Year	\$(2,227,930)	\$(2,057,950)	\$669,425
Comprehensive Income (Loss) for the Year	\$(2,227,930)	\$(2,057,950)	\$668,797
Income (Loss) per Share – Basic and Diluted	\$(0.02)	\$(0.02)	\$0.01
Total Assets	\$604,178	\$1,196,315	\$1,021,787
Working Capital	\$401,795	\$913,694	\$752,977
Long-Term Liabilities – Lease Liability	\$nil	\$nil	\$34,253
Shareholders' Equity	\$512,439	\$1,065,648	\$873,581

In 2019, the Company sold its interest in the Sandra-Escobar project, analyzed the results of a 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. During 2020, the Company completed a drill program at Nora and began another drill program at La Esperanza. During 2021, the Company completed the drill program at La Esperanza that commenced in 2020 and completed Phase 2 and Phase 3 drill programs at Nora. The Company also completed a limited IP survey at the Vega project.

The Company granted 2,100,000 stock options during 2021. During 2020, the Company granted 2,000,000 stock options and amended the terms of 4,600,000 existing options. There were no stock options granted during 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:

<b>Year</b>	<b>2021</b>				<b>2020</b>			
	<b>Dec. 31</b>	<b>Sep. 30</b>	<b>Jun. 30</b>	<b>Mar. 31</b>	<b>Dec. 31</b>	<b>Sept. 30</b>	<b>Jun. 30</b>	<b>Mar. 31</b>
Exploration and evaluation expenses	\$453,536	\$311,377	\$213,763	\$504,208	\$336,415	\$474,805	\$84,648	\$223,276
General and administrative expenses	\$143,854	\$149,809	\$293,218	\$165,148	\$351,342	\$178,775	\$238,771	\$169,918
Share-based compensation	\$165	\$1,683	\$132,690	\$2,478	\$206,436	\$nil	\$93,731	\$nil
Loss and comprehensive loss for the period	\$597,390	\$461,186	\$506,981	\$662,373	\$687,757	\$653,580	\$323,419	\$393,194
Loss per share: basic and diluted	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.00	\$0.00

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**DISCUSSION OF QUARTERLY INFORMATION**

During the first quarter of 2020, the Company prepared for a drill program at the Nora project before being delayed by COVID-19 restrictions in Mexico, which lasted through most of the second quarter of 2020. The Company granted 1,750,000 stock options in May 2020 and recognized \$93,731 in share-based compensation for the quarter. During the third quarter of 2020, the Company commenced the drill program at Nora, which was completed in the fourth quarter. During the fourth quarter of 2020, the Company commenced the drill program at the La Esperanza project, completing one hole prior to year-end. The Company also granted 250,000 stock options and amended the terms of 4,600,000 options and recognized \$206,436 in share-based compensation during the quarter.

During the first quarter of 2021, the Company completed the drill program that commenced at the La Esperanza project in late 2020. In March 2021, the Company granted 200,000 stock options, with vesting provisions, and recognized \$2,478 in share-based compensation for the quarter. In May 2021, the Company granted 1,900,000 stock options, which vested immediately, and recognized \$132,690 in share-based compensation for the quarter. During the third quarter of 2021, the Company completed a drill program at the Nora project and during the fourth quarter, the Company completed a second drill program at Nora and a limited IP survey at the Vega project.

**MAJOR OPERATING MILESTONES**

During the period under review, the Company completed two private placements for gross proceeds of \$1,498,750, which includes \$165,000 in flow-through shares, and received \$102,000 upon the exercise of warrants. The Company also completed a drill program at La Esperanza, two drill programs at the Nora project, filed an updated technical report on the Brenda project, and conducted a limited IP survey at the Vega project.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of the following:

	2021		2020	
<b>Cash and cash equivalents</b>				
Cash on deposit	\$	451,241	\$	125,651
Guaranteed investment certificate		-		800,689
	\$	451,241	\$	926,340
<b>Receivables</b>				
Value-added taxes	\$	-	\$	78,835
Goods and services tax and other		18,667		14,684
	\$	18,667	\$	93,519
<b>Reclamation bonds</b>	\$	47,000	\$	47,000
<b>Accounts payable</b>	\$	33,809	\$	64,809

The Company's cash is measured at FVTPL using a Level 1 fair value measurement. Receivables, reclamation bonds, and accounts payable are measured at amortized cost. The carrying values of these instruments approximate their fair values due to their short-term nature.

The Company is exposed to various financial risks in respect of its financial instruments as detailed below. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

**Credit Risk**

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. The Company's primary credit risk is associated with its cash and cash equivalents, receivables, and reclamation bonds.

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The Company's Canadian cash and cash equivalents are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks with high investment grade ratings. Reclamation bonds are held in short-term guaranteed investment certificates at major Canadian banks or by the government of British Columbia as non-interest-bearing security deposits. The Company also maintains cash balances denominated in pesos and U.S. dollars held through a major bank in Mexico, which also has a high investment grade rating. Management considers the credit risk associated with its cash balances to be low. Historically, the Company has been exposed to credit risk in respect of IVA refunds receivable from the government of Mexico. The Company has recently experienced significant delays in the receipt of its IVA refunds and, accordingly, in 2021 it wrote off its IVA balances and began expensing IVA in the period incurred. The carrying value of the Company's cash, receivables, and reclamation bonds totals \$648,706 and represents the Company's maximum exposure to credit risk as at December 31, 2021 (2020 - \$1,066,859).

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in exchange rates. The Company carries cash, receivables, and accounts payable balances denominated in Mexican pesos and U.S. dollars, which are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar.

Due to the volatility of the exchange rates between the Canadian dollar, the peso, and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary assets denominated in Mexican pesos and U.S. dollars as at December 31, 2021, a 10% fluctuation in the exchange rates of these currencies would result in a gain or loss of approximately \$1,329 (2020 - \$6,000). 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.

**Interest Rate Risk**

Interest rate risk relates to the effect on the Company's financial instruments due to changes in market rates of interest. The Company holds cash equivalents and reclamation bonds, which include guaranteed investment certificates that earn interest at market rates and are exposed to interest rate risk given the volatility of interest rates over time. Due to the value and nature of the 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.

**Liquidity Risk**

The Company is subject to liquidity risk such that it may not be able to meet its obligations under its financial instruments as they fall due. The Company manages this risk by maintaining cash balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business. To date, the Company's capital requirements have been met primarily by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

**CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies during the year ended December 31, 2021. The Company's significant accounting policies, and recent pronouncements, are provided in Note 2 to the December 31, 2021 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.

**NON-GAAP AND OTHER FINANCIAL MEASURES**

Other than working capital (defined herein as current assets less current liabilities), the Company does not currently present any non-GAAP or other financial measures in its financial disclosures.

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**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.

**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:

	2021	2020
Salaries – chief executive officer	\$ 225,000	\$ 225,000
Management fees – chief financial officer	60,000	87,500
Director fees	36,000	36,000
	<u>\$ 321,000</u>	<u>\$ 348,500</u>

In addition, the Company recorded share-based compensation of \$77,913 (2020 - \$214,218) relating to stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 8 to the Company's December 31, 2021 annual consolidated financial statements.

**OUTSTANDING SHARE DATA**

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

	April 26, 2022	December 31, 2021	December 31, 2020
Shares issued and outstanding	131,796,622	131,671,622	117,471,622
Outstanding stock options	8,700,000	10,590,000	8,890,000
Outstanding warrants	10,038,750	14,276,250	9,001,250
Diluted shares outstanding	<u>150,535,372</u>	<u>156,537,872</u>	<u>135,362,872</u>

During the year the Company granted 200,000 stock options that vest over a period of twelve months and 1,900,000 options that vested immediately; 400,000 options expired. In May 2021, the Company completed a non-brokered private placement of 7,900,000 units that included one common share of the Company and one-half of one share purchase warrant. In October 2021, the Company issued 850,000 shares upon the exercise of warrants. In November 2021, the Company completed a non-brokered private placement of 1,100,000 flow-through shares and 4,350,000 non-flow-through units that included one common share of the Company and one-half of one share purchase warrant.

Subsequent to December 31, 2021, 125,000 warrants were exercised; 1,890,000 stock options and 4,112,500 warrants expired.

Notes 7 and 8 to the Company's December 31, 2021 consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the year.



## MINERAL PROPERTY SUMMARY

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

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

### La Esperanza

The La Esperanza silver-gold-zinc-lead project covers 14,916 hectares 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 to date have included satellite imaging and high-resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and over 11,500 metres of drilling in 44 diamond drill holes. Drilling has returned wide high-grade silver-gold-lead-zinc intercepts from the La Esperanza vein, located in the southeast of the project area that is open in all directions (announced in past news releases). 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.

Results of drill programs on the La Esperanza vein confirmed a mineralized envelope of 525 metres ("m") along strike and 350 m to depth. Significant drill intercepts reported in past news releases include:

- ES-06-05 in the central section returned 13.10 m (true width ("TW") - 10.30 m) of 396 g/t silver ("Ag"), 0.71% zinc ("Zn") and 1.96% lead ("Pb"), including 1.93 m (TW 1.52 m) of 1,380 g/t Ag, 0.38% Zn and 3.40% Pb.
- ES-17-16 in the southeast extension returned 5.94 m (TW 4.92 m) of 257 g/t Ag, 0.64% Zn and 0.63% Pb, including 1.15 m (TW 0.95 m) 1,133 g/t Ag, 1.56% Zn and 2.98% Pb.
- ES-17-17 in the northwest extension returned three separate hanging wall vein intercepts followed by the main vein and a footwall vein. The main vein returned an intercept of 6.71 m (TW 5.81 m) of 204 g/t Ag, 1.83% Zn, and 1.46% Pb, including 0.91 m (TW 0.79 m) of 347 g/t Ag, 2.98% Zn and 2.20% Pb.
- ES-17-19, intercepted the vein below ES-17-17 with 12.97 m (TW 11.23 m) of 219 g/t Ag, 0.93% Zn and 0.43% Pb, including 1.28 m (TW 1.11 m) of 6.39 g/t gold ("Au"), 1,281 g/t Ag, 2.23% Zn and 1.25% Pb. This was the highest gold value 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 a well-developed epithermal environment. Continued drilling will be focused along strike and below drill holes ES-17-17 and ES-17-19 in the northwest, and along strike and below drill holes ES-17-16 and ES-18-21 in the southeast.

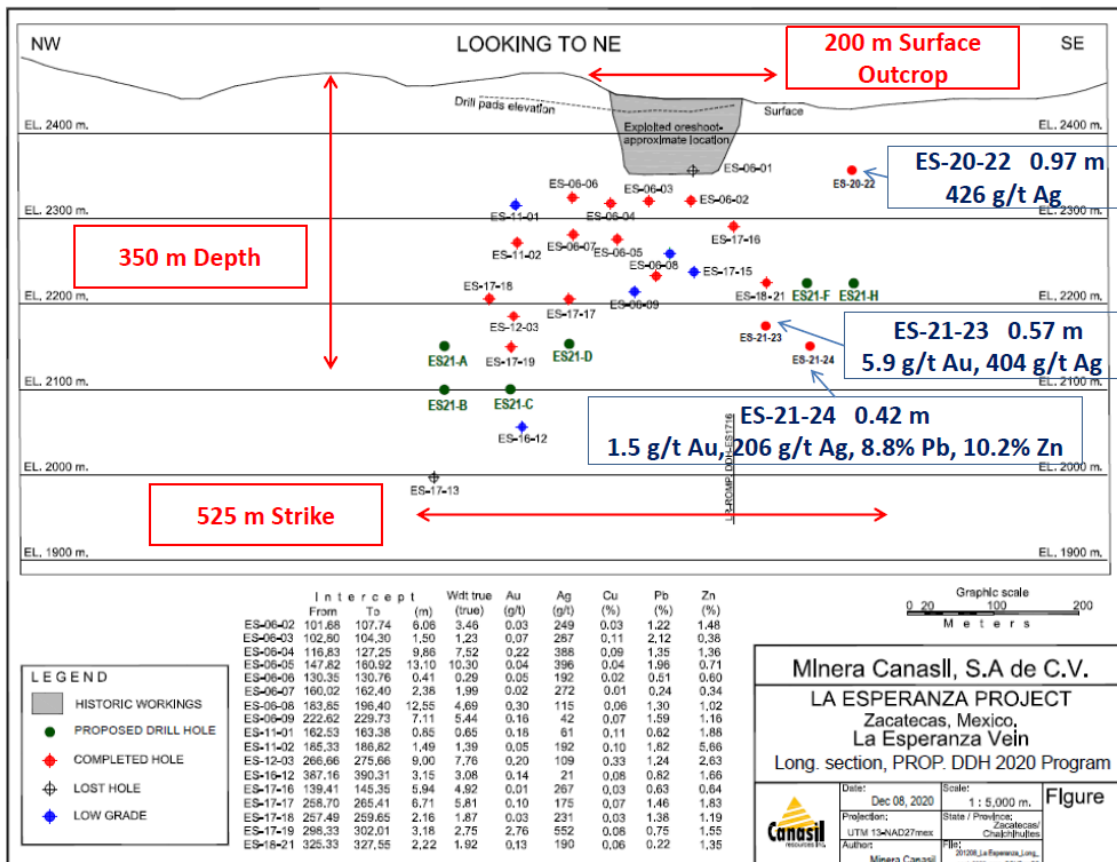
Six core drill holes were completed in late 2020 and early 2021 for a total of 1,879 metres targeting the southeast and northwest extensions of the La Esperanza vein. Three holes in the southeast extension returned wide altered and mineralized intercepts with narrow higher-grade bands, as shown in the table and long section below. Three drill holes targeted the northwest extension; two of the drill holes were lost short of the target zone in crossing fault zones due to difficulties resulting from drilling only one shift due to COVID-19 constraints. The third hole intersected a wide altered structure, interpreted as the upper levels of the vein structure. The multiple altered and mineralized intercepts confirm a strong mineralizing environment, and are encouraging indicators for continued drilling.

The La Esperanza vein is exposed on surface for 200 m, and has now been extended by drilling under volcanic cover for an additional 325 m for a total strike of 525 m, and is traceable by geophysics for over five kilometers along a NW-SE trend. Drilling to date has defined the La Esperanza vein to a depth of 350 m, in a region where epithermal vein mineralization at the neighbouring La Colorada mine is noted down to 1,000 m below surface underlain by skarn mineralization to a depth of over 1,800 m.

La Esperanza Silver-Gold Project, Durango & Zacatecas States, Mexico										
2020-21 Drill Results - ES20-22, ES-21-23, ES-21-24										
Vein/Structure	From	To	Width	TrueWidth	Gold	Silver	Copper	Lead	Zinc	Ag. Eq.*
	Metres	Metres	Metres	Metres	g/t	g/t	%	%	%	g/t
<b>ES-20-22</b>										
La Esperanza Vein	92.45	99.00	6.55	6.05	0.00	64	0.00	0.13	0.12	64
Includes	96.40	97.37	0.97	0.90	0.01	426	0.02	0.70	0.42	426
<b>ES-21-23</b>										
La Esperanza Vein	339.60	351.23	11.63	10.74	0.34	32	0.04	0.23	0.19	57
Includes	342.67	344.00	1.33	1.23	2.55	177	0.12	0.52	0.43	362
Includes	342.67	343.24	0.57	0.53	5.90	404	0.24	0.99	0.22	832
And	350.72	351.23	0.51	0.47	0.91	116	0.02	0.73	0.47	182
<b>ES-21-24</b>										
La Esperanza Vein	370.19	375.64	5.45	4.92	0.29	35	0.08	0.87	1.25	91
Includes	372.67	372.87	0.20	0.18	1.19	69	0.01	0.20	0.16	155
And	375.22	375.64	0.42	0.38	1.51	206	0.05	8.83	10.25	796

\*Silver Equivalent for reference, calculated based on metal prices below and assuming equivalent recoveries for all metals  
Au:Ag ratio 72.5, Cu US\$2.95/lb, Pb US\$ 0.86/lb, Zn US\$ 1.09/lb – Cu, Pb & Zn <1% Not Included

Fig. 1: La Esperanza Vein Long Section With 2020-21 Drill Hole Locations



## **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. The Candy vein has been traced for approximately 750 metres at surface through pits and trenches from historical mining activity, and discontinuous outcrops. Mineralization is found adjacent to a fault structure that has been traced over three kilometers along strike. Historical mining activity on the Candy vein included a 115-metre-long adit and a short cross-cut that exposed the vein approximately 50 metres below surface. 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 (“dumps”) 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.

Soil samples 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 return 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 mineralized system at depth. In 2019 the Candy and Nora vein outcrops were sampled to define drill targets over a strike distance of 918 metres on the Candy vein and 160 metres on the Nora vein. Samples from the Candy vein outcrops returned consistently high silver, gold, copper, zinc and lead values. The Nora vein samples returned anomalous silver values and contained trace sulphides and a geochemical signature typical of the higher levels of an epithermal vein system.

The 2020 Phase-1 drill program included six core drill holes along four sections of the Candy vein over a strike distance of 500 metres, and two drill holes to test the Nora vein, for a total of eight drill holes and 1,744 metres. Results from the Candy vein were very encouraging with all six drill holes consistently intersecting significant gold-silver mineralization, and high-grade intercepts from drill holes NRC-20-04 and NRC-20-06, reported on October 24 and December 9, 2020.

The 2021 Phase-2 drill program was completed in July 2021 and included four core drill holes for a total of 932 metres, targeting the area below and in between NRC-20-06 and NRC-20-04. All four drill holes intersected the Candy vein on target, confirming vein structures which are wider, higher grade, and with more mineralized intercepts with depth than the 2020 drill intercepts.

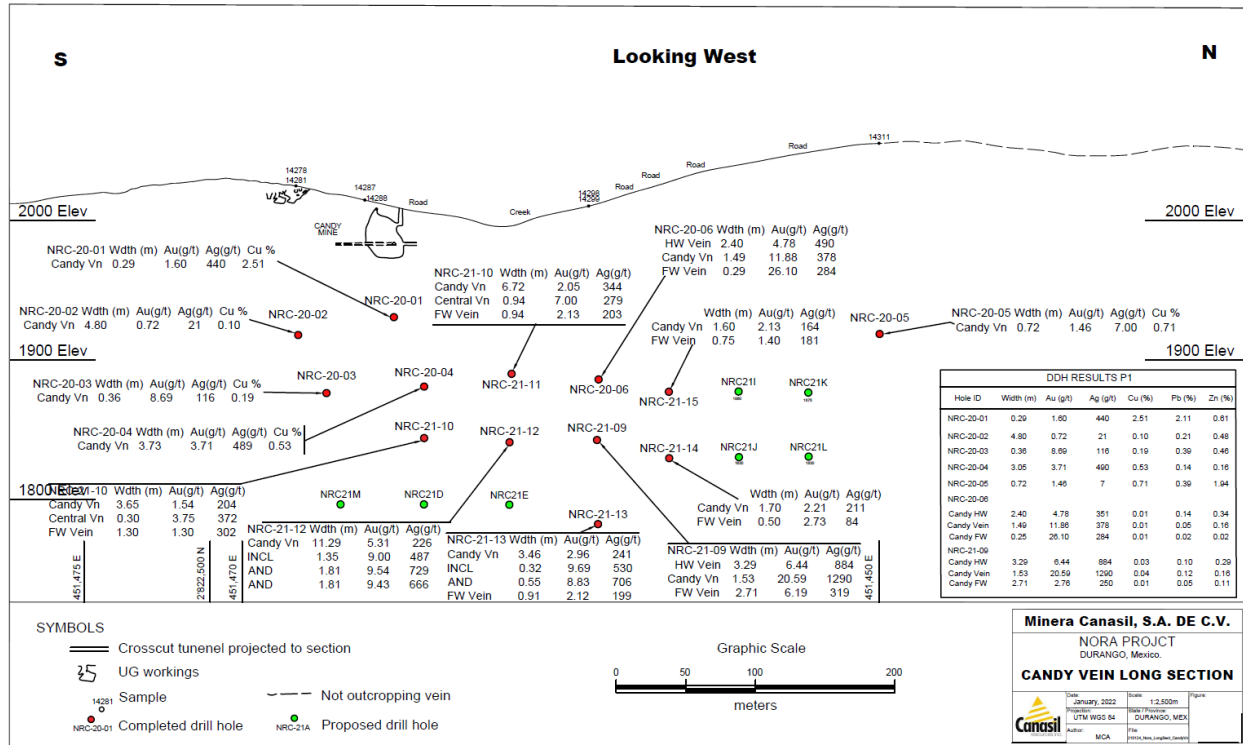
In November and December 2021 a Phase-3 drill program was completed for three core drill holes for a total of 892 metres. Core drill hole NRC-21-13 targeted the Candy vein structure approximately 60 metres (‘m’) down dip below NRC-21-09, and drill holes NRC-21-14 and NRC-21-15 tested a new step out section 60 m north along strike from drill holes NRC-21-06 and NRC-21-09. All three drill holes intersected wide altered zones hosting the main Candy vein structure and a separate footwall vein all returning gold and silver values consistent with previous drill holes, with drill hole NRC-21-13 returning particularly high gold and silver grades, which confirm the continuity of the high gold and silver grades to depth in the Candy vein structure. The intercepts in NRC-21-14 and NRC-21-15 confirm the strike extension of the vein structure to the north. The Candy vein structure remains open in both directions along strike and to depth for continued drill testing, and the low base metal values in these drill intercepts suggest drilling to date is still in the higher levels of the system.

The results from the 2021 Phase-2 and Phase-3 drill program are included in the table and the long section below for reference:

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<b>Nora Silver-Gold Project, Durango State, Mexico – 2021 Candy Vein Drill Results NRC-20-09 to NRC-20-15</b>										
<b>Vein/Structure</b>	<b>From</b>	<b>To</b>	<b>Width</b>	<b>TW</b>	<b>Gold</b>	<b>Silver</b>	<b>Copper</b>	<b>Lead</b>	<b>Zinc</b>	<b>Ag. Eq.*</b>
	<b>Metres</b>	<b>Metres</b>	<b>Metres</b>	<b>Metres</b>	<b>g/t</b>	<b>g/t</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>g/t</b>
<b>Core Drill Hole NRC-21-09</b>										
CANDY HW	180.97	184.60	3.63	3.29	6.44	884	0.03	0.10	0.22	1,383
INCLUDES	180.97	183.00	2.03	1.84	8.45	1,021	0.04	0.12	0.29	1,676
INCLUDES	182.00	183.00	1.00	0.90	9.36	1,100	0.02	0.13	0.24	1,825
CANDY CEN	190.00	191.00	1.00	0.90	1.65	431	0.00	0.03	0.14	559
CANDY CEN	194.90	196.60	1.70	1.53	20.59	1,290	0.04	0.12	0.29	2,886
INCLUDES	195.90	196.60	0.70	0.63	43.70	1,290	0.05	0.18	0.38	4,677
CANDY CEN	206.00	207.00	1.00	0.90	1.89	380	0.01	0.05	0.07	526
CANDY FW	210.00	213.00	3.00	2.71	2.76	250	0.01	0.05	0.11	464
INCLUDES	212.00	213.00	1.00	0.90	6.19	319	0.01	0.04	0.08	799
<b>Core Drill Hole NRC-21-10</b>										
CANDY HW	182.10	188.00	5.90	5.33	1.14	157	0.02	0.05	0.11	245
INCLUDES	183.02	185.00	1.98	1.85	2.45	284	0.03	0.03	0.13	474
AND	183.02	184.00	0.98	0.92	3.69	333	0.03	0.04	0.11	619
CANDY CEN	191.63	191.96	0.33	0.30	3.75	378	0.01	0.11	0.30	669
CANDY FW	209.55	211.00	1.45	1.36	1.30	302	0.01	0.07	0.13	403
INCLUDES	209.55	210.00	0.45	0.42	2.89	521	0.01	0.11	0.14	745
<b>Core Drill Hole NRC-21-11</b>										
CANDY HW	131.82	139.00	7.18	6.72	2.05	344	0.05	0.44	0.85	503
INCLUDES	132.45	134.00	1.55	1.45	2.41	430	0.03	0.53	0.73	617
AND	137.00	139.00	2.00	1.87	4.42	541	0.05	0.87	1.92	965
INCLUDES	137.00	138.00	1.00	0.94	2.92	766	0.06	0.96	2.13	1,083
AND	138.00	139.00	1.00	0.94	5.91	316	0.03	0.77	1.70	846
CANDY CEN	144.00	145.00	1.00	0.94	7.00	279	0.01	0.06	0.09	822
CANDY FW	169.00	170.00	1.00	0.94	2.13	203	0.01	0.05	0.06	381
<b>Core Drill Hole NRC-21-12</b>										
CANDY STRUCT.	209.50	222.00	12.50	11.29	5.31	336	0.02	0.06	0.17	748
CANDY HW	209.50	211.00	1.50	1.35	9.00	487	0.03	0.06	0.12	1,185
INCLUDES	210.00	211.00	1.00	0.90	11.20	396	0.02	0.04	0.11	1,264
CANDY CEN	212.00	214.00	2.00	1.81	9.54	729	0.04	0.13	0.36	1,468
INCLUDES	213.00	214.00	1.00	0.90	9.93	745	0.04	0.16	0.33	1,515
CANDY FW	220.00	222.00	2.00	1.81	9.43	666	0.04	0.07	0.11	1,397
INCLUDES	221.00	222.00	1.00	0.90	13.55	828	0.04	0.06	0.11	1,878
<b>Core Drill hole NRC-21-13</b>										
CANDY VEIN	295.20	299.00	3.80	3.46	2.96	241	0.15	0.02	0.21	489
INCLUDES	297.15	299.00	1.85	1.69	5.49	432	0.15	0.01	0.22	876
INCLUDES	297.15	297.50	0.35	0.32	9.69	530	0.33	0.02	0.25	1,323
AND	297.50	298.10	0.60	0.55	8.83	706	0.17	0.02	0.23	1,411
CANDY FW	303.00	304.00	1.00	0.91	2.12	199	0.00	0.01	0.01	363
<b>Core Drill Hole NRC-21-14</b>										
CANDY VEIN	217.30	218.90	1.60	1.43	2.13	164	0.09	0.12	0.14	340
INCLUDES	217.90	218.90	1.00	0.85	2.14	207	0.06	0.04	0.12	381
CANDY FW	227.20	227.95	0.75	0.67	1.40	181	0.01	0.03	0.14	290
<b>Core Drill Hole NRC-21-15</b>										
CANDY VEIN	185.15	186.85	1.70	1.54	2.21	211	0.06	0.03	0.21	390
INCLUDES	186.00	186.85	0.85	0.75	2.34	213	0.02	0.03	0.21	394
CANDY FW	210.00	210.50	0.50	0.45	2.73	83.70	0.00	0.04	0.13	296
<i>*Silver Equivalent calculated based on metal prices below and assuming equivalent recoveries for all metals Au US\$ 1,850/Oz, Ag US\$ 23.87/Oz, Cu US\$4.40/lb, Pb US\$ 1.07/lb, Zn US\$ 1.63/lb; Pb &amp; Zn less than 1% not included</i>										

**Candy Vein Long Section - 2021 Drill Intercepts**



**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 the purchase of a 100% interest in the central 900 hectares within the project area, 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 Silver Corp. (MAG) providing the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement and Canasil retains a 100% interest in the project.

MAG spent \$5.8 million on exploration programs which included surface sampling, data review, and satellite imaging in 2013, followed by three phases of diamond drilling programs for a total of 14,382 metres in 23 drill holes 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 an interesting interval of gold-tungsten mineralization.

Past drill intercepts of particular note at the Salamandra project are; SA-07-02 from 7.40 metres to 17.25 metres, an interval of 9.85 metres of 102 g/t Ag and 0.55% Zn, and from 27.65 metres to 35.10 metres, an interval of 7.45 metres with 50 g/t Ag, 12.00% Zn, and 0.22% Cu. Drill hole SA-07-03 returned 10.00 metres of 71 g/t Ag, 3.48% Zn, and 1.26% Pb. Drill hole SA-13-13 carried low grade zinc mineralization throughout an interval of 810.16 metres with 0.60% Zn, including 31.72 metres of 3.60% Zn. SA-14-15 returned 7.89 metres of 166 g/t Ag, 1.20% Zn, 1.2% Cu, and 0.60% Pb, including 2.30 metres of 393 g/t Ag, 2.8% Zn, 3.6% Cu, 0.40% Pb. These results have been reported in the Company's prior news releases dated 18 July, 2007, 17 March, 2014, and 21 July, 2014.

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.

### **Sandra-Escobar**

The Sandra-Escobar property covers over 6,970 hectares located 200 kilometers northwest of the city of Durango, Mexico. In January 2017, Orex Minerals Inc. ("Orex") earned a 55% interest in the project by paying the Company \$500,000 and incurring exploration expenditures of US\$2,000,000. On June 28, 2019, the Company sold its 45% interest in Sandra-Escobar to Pan American Silver Corp. ("Pan American") for \$2,000,000 plus a 2% NSR Royalty Interest on Pan American's interest in the project. Pan American has the right to buy out 1% of the NSR for \$4,000,000. The project is currently being advanced jointly by Pan American (60%) and Orex (40%).

### **Brenda**

The Brenda gold-copper project covers 4,450 hectares (44.5 sq. km.), located in north-central British Columbia, 25km northwest of Centerra Gold's former Kemess South mine and 15km northwest of the proposed Kemess Underground mine and Kemess East deposit, in a region recognized for hosting porphyry gold and copper deposits. Systematic exploration programs on the Brenda project have included geological mapping and surface sampling, satellite surveys, airborne and ground geophysics, 12,067 metres of diamond drilling in 65 holes, and petrographic studies of drill core samples. These programs have identified and intersected widespread porphyry gold-copper style mineralization.

Mineralization observed to date is characterized by drill holes BR-07-04 and BR-07-05 returning 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. 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 IP geophysical survey.

The Company undertook comprehensive technical reviews of the Brenda project data between 2016 and 2020. These reviews included three-dimensional geological modelling of the central White Pass zone, identification of prospective targets based on analysis of surface and downhole geochemical data using the porphyry elemental zoning model of Halley et al. (2015)<sup>1</sup> and applying the MDRO Porphyry Index or MPIx (Bouzari et al., 2019)<sup>2</sup>, to vector towards higher grade Cu-Au mineralization. An updated NI 43-101 Technical Report was completed and filed on February 10, 2021. The Technical Report highlights include:

- The Brenda project is a Cu-Au±Mo porphyry system with potentially elevated gold and copper grades due to reactive intermediate to mafic host rocks cut by high-K calc-alkalic intrusions similar to those at important porphyry deposits worldwide.
- Modelling of the central White Pass zone, tested by 41 drill holes (10,034 metres), outlines a Mineralized Zone (MZ) characterized by drill intercepts of >0.1 g/t Au with approximate dimensions of 1,000 m by 400 m and from 100-600 m thick. A Higher-Grade Zone (HGZ) of >0.4 g/t Au has estimated dimensions of 200 m by 300 m and 150 m thick. Three-dimensional shapes for the MZ and HGZ were generated in similar fashion to that of grade shell interpolation using Leapfrog Geo.
- Multiple targets for additional copper-gold mineralization exist northeast, southeast, southwest and east of the Mineralized Zone. Multiple chargeability anomalies, just below the current shapes for the MZ and HGZ and to the northeast and southwest, as well as Au and Cu soil anomalies to the southeast and east have not been drill tested and are recommended for future exploration and drilling. Maps outlining the MZ and prospective target areas are included below for reference.
- The modelling also identified several gaps between mineralized intervals from past drilling. Targeted infill drilling may connect some of the existing higher-grade intervals thereby expanding the dimensions of the HGZ.
- The Project has excellent road access with a fully equipped exploration camp. Proximity to Centerra Gold Inc.'s (Centerra Gold) former Kemess South mine infrastructure, fully permitted proposed Kemess Underground mine, and Benchmark Metals Lawyers project are important advantages.

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 and mining facilities.

The report titled "NI 43-101 Technical Report on the Brenda Gold-Copper Project" dated February 3, 2021 (the "Technical Report") is available on SEDAR ([www.sedar.com](http://www.sedar.com)), and on the Company's website ([www.canasil.com](http://www.canasil.com)). The Technical Report was prepared for Canasil by Robert A. (Bob) Lane, M.Sc., P. Geo., of Plateau Minerals Corp. Mr. Lane is a Qualified Person as defined under National Instrument 43-101 of the Canadian Securities Administrators - *Standards of Disclosure for Mineral Projects*.

<sup>1</sup> Halley, S., Dilles, J.H., and Tosdal, R.M., 2015, Footprints: Hydrothermal alteration and geochemical dispersion around porphyry copper deposits: SEG Newsletter, no. 100, p. 1, 12-17.

<sup>2</sup> Bouzari, F., Bissig, T., Hart, C.J.R., and Leal-Meija, H., 2019, An exploration framework for porphyry to epithermal transitions in the Toodogone mineral district (94E): Geoscience BC Report 2019-18, 105 p.

## **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. Recent prospecting, airborne magnetics geophysical, and LiDAR surveys covering the property area returned encouraging results highlighting structural corridors which are prospective for hosting mineralized systems both in the east and west of the project area.

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.

Results identified anomalous and often high-contrast copper, gold and molybdenum anomalies, sometimes associated with strong magnetic anomalies. Three large "clusters" are evident, including:

1. Anomaly 1, which suggests 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, 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, occurring on both flanks of Thane Creek close to the possible contact of Hogen 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.
5. 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.

Additional exploration is recommended. Exploration interest in the region of the Vega project has increased significantly since 2020. Several property option agreements have been signed by other companies, staking has increased, and numerous exploration initiatives are currently underway in the area. During the first quarter of 2021 the Company undertook a comprehensive review of the Vega project data, and in the fourth quarter 2021 completed a limited IP geophysical survey over the Pluto showing, with the results currently being evaluated.

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**Technical**

Robert Brown, P. Eng. 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.

**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).