CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canasil Resources Inc.

We have audited the accompanying consolidated financial statements of Canasil Resources Inc., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of changes in shareholders' equity, loss and comprehensive loss, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the balance sheets of Canasil Resources Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Canasil Resources Inc. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 14, 2015

CANASIL RESOURCES INC.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31

Expressed in Canadian Dollars

ASSETS		2014		2013
Current				
Cash *(Note 8)*	$	125,226	$	119,692
Receivables *(Note 8)*		458,930		223,886
Prepaid expenses		4,914		19,195
		589,070		362,773
Reclamation bonds		28,000		28,000
Property and equipment *(Note 5)*		54,568		60,654
	$	671,638	$	451,427

LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Notes 8 and 9)*	$	320,910	$	118,761
Due to related parties *(Note 9)*		185,000		45,000
		505,910		163,761
SHAREHOLDERS' EQUITY				
Share capital *(Note 6)*		17,418,851		17,159,791
Convertible debenture *(Note 8)*		3,179,030		-
Contributed surplus		1,640,077		1,622,649
Deficit		(22,072,230)		(18,494,774)
		165,728		287,666
	$	671,638	$	451,427

Nature and continuance of operations *(Note 1)*

ON BEHALF OF THE BOARD:

___*"Alvin Jackson"*________________, Director

___*"Michael McInnis"*______________, Director

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31

Expressed in Canadian Dollars

	Number of Shares	Share Capital *(Notes 6,7)*	Convertible Debenture *(Note 8)*	Contributed Surplus *(Note 7)*	Subscriptions Received in Advance *(Note 6)*	Deficit	Total
Balance – December 31, 2012	68,930,874	$ 16,128,607	$ -	$ 1,622,649	$ 397,500	$ (17,212,088)	$ 936,668
Private placement	4,476,999	671,550	-	-	(397,500)	-	274,050
Share issuance costs	-	(37,866)	-	-	-	-	(37,866)
Private placement	4,070,000	366,300	-	-	-	-	366,300
Warrants exercised	390,000	31,200	-	-	-	-	31,200
Comprehensive loss for the year	-	-	-	-	-	(1,282,686)	(1,282,686)
Balance – December 31, 2013	77,867,873	17,159,791	-	1,622,649	-	(18,494,774)	287,666
Private placement	370,000	33,300	-	-	-	-	33,300
Warrants exercised	2,821,999	225,760	-	-	-	-	225,760
Convertible debenture	-	-	3,179,030	-	-	-	3,179,030
Share-based compensation	-	-	-	17,428	-	-	17,428
Comprehensive loss for the year	-	-	-	-	-	(3,577,456)	(3,577,456)
Balance – December 31, 2014	81,059,872	$ 17,418,851	$ 3,179,030	$ 1,640,077	$ -	$ (22,072,230)	$ 165,728

CANASIL RESOURCES INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31

Expressed in Canadian Dollars

	2014	2013
Expenses		
Accounting and audit	$ 33,328	$ 33,464
Conferences and conventions	4,332	21,749
Depreciation *(Note 5)*	8,800	11,665
Exploration and evaluation *(Note 4)*	3,105,549	823,181
Foreign exchange loss (gain)	35,407	(4,386)
General exploration	2,991	3,856
Interest income *(Note 3)*	(13,039)	(2,476)
Investor relations and promotions	13,698	32,409
Legal fees	9,023	12,174
Listing and filing fees	10,690	13,153
Management fees	60,000	60,000
Office rent, services and supplies	76,134	93,362
Salaries and wages	192,146	229,607
Shareholder communications	7,347	9,136
Share-based compensation *(Note 7)*	17,428	-
Transfer agent fees	8,922	8,545
Travel and accommodation	4,700	10,879
	(3,577,456)	(1,356,318)
Other item		
Deferred flow-through premium realized *(Note 6)*	-	73,632
Loss and comprehensive loss for the year	$ (3,577,456)	$ (1,282,686)
Loss per share – basic and diluted	$ (0.05)	$ (0.02)
Weighted-average number of shares Outstanding – basic and diluted	78,740,322	73,594,226

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

Expressed in Canadian Dollars

CASH RESOURCES PROVIDED BY (USED IN)	2014	2013
Operating activities		
Loss for the year	$ (3,577,456)	$ (1,282,686)
Items not involving cash		
Depreciation	8,800	11,665
Deferred flow-through premium realized	-	(73,632)
Share-based compensation	17,428	-
	(3,551,228)	(1,344,653)
Changes in non-cash working capital		
Receivables	(235,044)	(21,032)
Prepaid expenses	14,281	11,647
Accounts payable and accrued liabilities	202,149	55,998
	(3,569,842)	(1,298,040)
Investing activities		
Purchase of equipment	(2,714)	(2,416)
Financing activities		
Share capital issued for cash	259,060	671,550
Share issuance costs	-	(69,002)
Convertible debenture	3,179,030	-
Due to related parties, net of repayments	140,000	45,000
	3,578,090	647,548
Change in cash for the year	5,534	(652,908)
Cash position - beginning of year	119,692	772,600
Cash position - end of year	$ 125,226	$ 119,692

There were no significant non-cash investing or financing activities for the years ended December 31, 2014 and 2013.

Supplemental cash flow information		
Interest received	$ 13,039	$ 2,476
Interest paid	$ 494	$ -
Taxes paid	$ -	$ -

Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 915 – 700 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interest in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

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

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

		2014		2013
Deficit	$	22,072,230	$	18,494,774
Working capital	$	83,160	$	199,012

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") using those standards in effect for the reporting year ended December 31, 2014. The Company's board of directors approved these consolidated financial statements for issue on April 14, 2015.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss, using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CRD Minerals Corp., Minera Canasil, S.A. de C.V. and Minera CRD S.A. de C.V. CRD Minerals Corp. was incorporated in British Columbia on August 13, 2013 and Minera CRD S.A. de C.V. was incorporated in Mexico on December 12, 2013. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss for the period.

Cash

Cash comprises cash balances held through current operating bank accounts that are subject to an insignificant risk of change in value.

Financial instruments

All financial instruments are classified into one of five categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Financial instruments classified as fair value through profit or loss are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income.

The Company discloses the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of inputs are: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – inputs that are not based on observable market data.

Property and equipment

Property includes land purchased for a future warehouse site. Equipment includes automotive and other equipment related to mineral exploration; furniture and equipment are related to corporate offices. These assets are recorded at cost and amortized over their estimated useful life using the declining balance method at rates ranging from 20% to 45% per annum.

Equipment is reviewed for impairment if there is an indication that the carrying amount may not be recoverable. The Company compares the carrying value of property and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Exploration and evaluation

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, option payments, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities known as flow-through shares, through which the investor can claim the tax deductions arising from the renunciation of the related resource expenditures incurred by the Company. Proceeds from the issuance of flow-through shares are allocated between the offering of the flow-through share and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company incurs the qualifying expenditures, at which point the liability is reversed and recorded as other income on the statement of loss and comprehensive loss.

Restoration provisions

The Company recognizes liabilities for legal, statutory, contractual, and constructive obligations associated with the reclamation or rehabilitation of mineral property interests that the Company is required to settle. The Company recognizes the fair value of liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is recorded as a liability with a corresponding charge to operations. The Company has determined that it has no restoration obligations as at December 31, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based compensation

The Company uses the fair value method whereby the Company recognizes share-based compensation costs over the vesting periods for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and each tranche is recognized on a graded-vesting basis over the vesting period. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments and its effect on earnings per share is calculated based on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It is assumed that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share due to their anti-dilutive effect.

Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are recognized only to the extent that sufficient taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Significant accounting estimates and judgements

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 highly 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.

New accounting pronouncements

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 Financial Instruments – *Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not early-adopted this standard, and is currently assessing the impact of adopting IFRS 9 on our consolidated financial statements.

Expressed in Canadian Dollars

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

		2014		2013
Cash				
Cash on deposit	$	114,884	$	119,692
Cash restricted *(Note 8)*		10,342		-
	$	125,226	$	119,692
Receivables				
Value-added taxes *(Note 8)*	$	458,048	$	219,789
Other		882		4,097
	$	458,930	$	223,886
Reclamation bonds	$	28,000	$	28,000
Accounts payable and accrued liabilities				
Accounts payable *(Note 8)*	$	80,910	$	65,677
Accrued audit, legal, exploration and other		240,000		53,084
	$	320,910	$	118,761
Due to related parties	$	185,000	$	45,000

Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties are non-interest bearing and have no fixed terms of repayment. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

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 and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through a major bank in Mexico and used to fund its foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk due to delays in receiving certain of its value-added tax ("IVA") refunds from the government of Mexico. The Company received IVA refunds during the year totalling $175,564, which includes $13,039 in interest. In addition, the Company received IVA refunds totalling $79,624 subsequent to December 31, 2014. Management continues to use its best efforts to obtain such refunds.

3. FINANCIAL INSTRUMENTS – *continued*

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, 2014, the Company held the equivalent of $30,980 in cash, $447,487 in receivables, and $76,206 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of $22,641 in cash, which is denominated in U.S. dollars. Based on the Company's peso denominated monetary assets and liabilities as at December 31, 2014, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately $4,023. Based on the Company's U.S. dollar denominated monetary assets and liabilities as at December 31, 2014, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately $226. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration and evaluation expenditures. Accounts payable denominated in foreign currencies are settled in a timely manner.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate or market risks in respect of these financial instruments. The carrying value of the financial assets recorded in these financial statements represents the Company's maximum exposure to credit and market risk as at December 31, 2014. The Company is exposed to liquidity risk due to its limited cash resources *(Note 1)*. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

4. EXPLORATION AND EVALUATION

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. A description of the Company's mineral interests follows:

Salamandra and Victoria projects, Mexico

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. MAG can earn an initial 55% interest by paying the Company $750,000 and incurring $5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional $20,000,000 in exploration expenditures within four years. Upon executing a binding letter agreement, the Company received the initial cash payment of $150,000. In May 2014, the Company received the first-anniversary option payment of $150,000.

4. EXPLORATION AND EVALUATION – *continued*

Salamandra and Victoria projects, Mexico – *continued*

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the agreement, MAG has the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds will be used to incur expenditures on the property by Minera CRD *(Note 8)*. Should MAG comply with the terms of the agreement and earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD. Further development of the property would be carried out jointly by the Company and MAG through CRD and Minera CRD.

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to a Net Smelter Returns royalty ("NSR") of up to 1%, which can be purchased by the Company for US$100,000. The claims are located in Zacatecas State, Mexico. The Company acquired its 100% interest in these claims by making option payments of US$160,000 over a four-year period to May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

In August 2010, the Company signed an agreement with MAG providing it with the option to earn a 60% interest in the La Esperanza project by making cash payments of $500,000 to the Company and completing $5,000,000 in exploration expenditures over a period of four years. MAG completed the first three cash payments totalling $300,000 and subscribed for private placements totalling $350,000 in accordance with the agreement. In May 2013, MAG terminated the option agreement.

Sandra and Escobar projects, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. During 2013, the Company entered into a further agreement to purchase various additional claims in the area for approximately $25,000.

Other projects

The Company has staked other claims located in Durango State, Mexico which include the Colibri, Carina, Victoria, Vizcaino, Nora, and Candelaria, projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

Mineral title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION - *continued*

Expenditures for the year and cumulative expenditures as at December 31 are as follows:

2014	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ -	$ -	$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	35,383	35,383	261,027
- Expenditure recoveries	-	(1,207)	(1,207)	(21,787)
Sandra and Escobar, Mexico	2,326	55,688	58,014	1,437,302
La Esperanza, Mexico	-	166,850	166,850	1,298,501
- Expenditure recoveries	-			(260,939)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	46,090	46,090	1,806,686
Salamandra, Mexico	54,294	2,822,920	2,877,214	4,440,829
- Expenditure recoveries	(54,294)	(30,653)	(84,947)	(223,652)
- Option payments received	(150,000)	-	(150,000)	(353,989)
Victoria, Mexico	-	21,823	21,823	420,777
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	54,997	54,997	236,664
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	81,332	81,332	546,910
	$ (147,674)	$ 3,253,223	$ 3,105,549	$ 11,148,536

2013	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 312,901	$ 312,901	$ 2,331,353
- Expenditure recoveries	-	(3,149)	(3,149)	(206,329)
Other, Canada	-	79,782	79,782	225,644
- Expenditure recoveries	-	(1,919)	(1,919)	(20,580)
Sandra and Escobar, Mexico	31,294	136,313	167,607	1,379,288
La Esperanza, Mexico	-	106,256	106,256	1,131,651
- Expenditure recoveries	-	(25,157)	(25,157)	(260,939)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	53,847	53,847	1,760,596
Salamandra, Mexico	51,408	187,021	238,429	1,563,615
- Expenditure recoveries	(51,408)	(68,615)	(120,023)	(138,705)
- Option payments received	(150,000)	-	(150,000)	(203,989)
Victoria, Mexico	-	13,458	13,458	398,954
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	62,962	62,962	181,667
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	88,187	88,187	465,578
	$ (118,706)	$ 941,887	$ 823,181	$ 8,042,987

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION - *continued*

Expenditures for the year ending December 31, by activity, are as follows:

	2014	2013
Acquisition and option payments	$ 56,620	$ 82,702
Administration and legal	289,987	182,058
Assays	363,068	37,132
Consulting	452,783	-
Drilling	1,288,685	179,285
Field costs	146,695	90,877
Geology	103,554	169,887
Geophysical	3,930	33,195
Land holding costs	395,504	304,945
Legal	19,311	-
Mapping and surveying	16,583	6,558
Transportation and rentals	204,983	36,790
Expenditure recoveries	(86,154)	(150,248)
Option payments received	(150,000)	(150,000)
	$ 3,105,549	$ 823,181

5. PROPERTY AND EQUIPMENT

	Land	Automotive	Computer	Field Equipment	Furniture and Fixtures	Total
Cost						
December 31, 2012	$ 31,686	$ 63,175	$ 21,165	$ 31,971	$ 27,907	$ 175,904
Additions	-	-	651	-	1,765	2,416
December 31, 2013	31,686	63,175	21,816	31,971	29,672	178,320
Additions	-	-	1,162	-	1,552	2,714
December 31, 2014	31,686	63,175	22,978	31,971	31,224	181,034
Accumulated Depreciation						
December 31, 2012	-	39,312	17,806	27,243	21,640	106,001
Additions	-	7,159	1,658	1,418	1,430	11,665
December 31, 2013	-	46,471	19,464	28,661	23,070	117,666
Additions	-	5,011	1,320	993	1,476	8,800
December 31, 2014	-	51,482	20,784	29,654	24,546	126,466
Net Book Value						
December 31, 2013	$ 31,686	$ 16,704	$ 2,352	$ 3,310	$ 6,602	$ 60,654
December 31, 2014	$ 31,686	$ 11,693	$ 2,194	$ 2,317	$ 6,678	$ 54,568

6. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Private placements

In December 2012, the Company issued 2,103,782 flow-through shares at a price of $0.185 per share for gross proceeds of $389,200. The flow-through feature of the shares was valued at $0.035 per share, resulting in a flow-through premium liability of $73,632. The full amount of this premium was deferred in 2012 and realized as income in 2013 upon the Company completing its flow-through expenditure requirements.

In January 2013, the Company issued 4,476,999 units at price of $0.15 per unit for gross proceeds of $671,550. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company at a price of $0.225 until January 4, 2014, as to 3,176,999 warrants, and January 14, 2014 as to 1,300,000 warrants. Subscriptions totalling $397,500 in respect of these shares were received during December 2012. The warrants are subject to an accelerated exercise provision. The Company paid finders' fees of $27,000 and legal and filing fees of $10,866. In June 2014, the exercise price of these warrants was reduced to $0.08 per share and the expiry date was extended to July 15, 2014; 950,000 of these warrants were exercised during July 2014.

In December 2013, the Company closed two tranches of a private placement and issued a total of 4,070,000 units at price of $0.09 per unit for gross proceeds of $366,300. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.15 until December 6, 2014, as to 1,500,000 warrants, and December 31, 2014 as to 535,000 warrants. On November 6, 2013, the exercise price of 1,831,849 of these warrants was reduced to $0.08 per share; 1,831,849 of these warrants were exercised during December 2014.

In January 2014, the Company closed the third and final tranche of the December 2013 private placement and issued 370,000 units at price of $0.09 per unit for gross proceeds of $33,300. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.15 until February 17, 2015. On November 6, 2013, the exercise price of 140,150 of these warrants was reduced to $0.08 per share; 40,150 of these warrants were exercised during December 2014.

Shareholder rights plan

On October 4, 2012, the Company adopted a shareholder rights plan that has been approved by the TSX Venture exchange and ratified by the Company's shareholders. The plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Pursuant to the terms of the plan, any bids that meet certain criteria intended to protect the interests of all shareholders are deemed to be "Permitted Bids". In the event that a bid, other than a Permitted Bid, to acquire 20% or more of the common shares is made, shareholders other than those involved in the take-over bid will be entitled to exercise rights to acquire common shares of the Company at a discount to the market price. The shareholders rights plan expires on October 4, 2015.

Expressed in Canadian Dollars

7. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth by the TSX Venture Exchange limiting the total number of incentive stock options to 10% of the issued common shares, and providing that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company and its subsidiary to purchase common shares of the Company. The stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding ten years. Vesting provisions are at the discretion of the board of directors, subject to the policies of the TSX Venture Exchange. Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2012	1,500,000	$	0.35	4,925,000	$	0.22
Issued	6,511,999	$	0.20	-	$	-
Exercised	(390,000)	$	0.08	-	$	-
Forfeited	-	$	-	(112,500)	$	0.18
Expired	(1,110,000)	$	0.08	(437,500)	$	0.30
Outstanding, December 31, 2013	6,511,999	$	0.20	4,375,000	$	0.22
Issued/granted	185,000	$	0.15	375,000	$	0.10
Exercised	(2,821,999)	$	0.08	-	$	-
Expired	(3,730,150)	$	0.08	(75,000)	$	0.20
Outstanding, December 31, 2014	144,850	$	0.10	4,675,000	$	0.21
Exercisable, December 31, 2014	144,850	$	0.10	4,675,000	$	0.21

At December 31, 2014, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares		Exercise Price	Expiry Date
Options	875,000	$	0.10	January 27, 2015 *(i)*
	1,750,000	$	0.28	November 23, 2015
	200,000	$	0.35	January 13, 2016
	1,175,000	$	0.20	January 20, 2017
	300,000	$	0.18	October 29, 2017
	375,000	$	0.10	January 4, 2019
	4,675,000			

(i) Expired unexercised on January 27, 2015.

Expressed in Canadian Dollars

7. STOCK OPTIONS AND WARRANTS – *continued*

	Number of Shares		Exercise Price	Expiry Date
Warrants	100,000	$	0.08	February 17, 2015 *(i)*
	44,850	$	0.15	February 17, 2015
	144,850			

(i) On November 6, 2014, these warrants were re-priced from $0.15 per share to $0.08 per share.

All outstanding warrants expired unexercised on February 17, 2015.

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers and consultants of the Company during the periods ended December 31. Share-based compensation is recorded over the vesting period.

		2014		2013
Total options granted		375,000		-
Average exercise price	$	0.10	$	-
Estimated fair value of options granted	$	17,428	$	-
Estimated fair value per option	$	0.05	$	-

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2014	2013
Risk-free interest rate	1.91%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	84%	-
Expected forfeiture rate	0.00%	-
Expected option life in years	5.00	-

The Company has recorded share-based compensation during the year as follows:

		2014		2013
Number of options vested in year		375,000		37,500
Compensation recognized in year	$	17,428	$	-

Expressed in Canadian Dollars

8. CONVERTIBLE DEBENTURE AND RESTRICTED CASH

Under the terms of its option agreement on the Salamandra project *(Note 4)*, MAG is funding certain exploration expenditures on the Salamandra project by advancing funds to CRD under an unsecured, non-interest bearing convertible debenture. To December 31, 2014, MAG had advanced a total of $3,179,030 (2013 - $nil) under the convertible debenture. Funds received under the debenture are used solely for incurring such qualifying exploration expenditures on the Salamandra project. Included in cash as at December 31, 2014 is $36,366 that was advanced by MAG and will be applied to related accounts payable of $26,024. The balance of $10,342 (2013 - $nil) represents the additional funds advanced by MAG that are restricted for future qualifying exploration expenditures at Salamandra. Included in receivables is $404,723 (2013 - $nil) in value-added taxes incurred on expenditures made at Salamandra. This amount has been funded under the convertible debenture and upon refund by the government of Mexico, will be available for further expenditures at Salamandra. Approximately $79,624 of this balance was collected subsequent to December 31, 2014.

The terms of the option agreement provide the right for MAG to convert the debenture into a fixed number of common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD upon exercise of the option. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

- accounts payable includes $864 (2013 – $10,096) in legal fees due to a law firm in which an officer of the Company is a partner, $nil (2013 - $5,513) in geological consulting fees due to a company controlled by a director of the Company, and $210,000 (2013 – $nil) in salaries and management fees due to the chief executive officer and the chief financial officer;
- due to related parties includes loan advances totaling $185,000 (2013 – $45,000) made to the Company by an officer and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment;
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

	2014	2013
Salaries and wages	$ 150,000	$ 150,000
Management fees	60,000	60,000
Geological consulting fees	-	5,250
Legal fees	27,842	56,636
Share-based compensation *(i)*	9,295	-
	$ 247,137	$ 271,886

(i) Calculated using the Black-Scholes Option-Pricing Model using the assumptions detailed in Note 7.

Expressed in Canadian Dollars

10. INCOME TAXES

The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended December 31 are as follows:

		2014		2013
Loss before income taxes for accounting purposes	$	(3,577,455)	$	(1,282,686)
Expected tax recovery for the year		(930,000)		(330,000)
Change in statutory, foreign tax, foreign exchange rates and other		(267,000)		(45,000)
Impact of future income tax rates applied versus current statutory rate		-		(73,000)
Permanent differences		15,000		(4,000)
Impact of flow-through shares		-		100,000
Share issuance costs		32,000		(10,000)
Change in unrecognized deductible temporary differences and other		1,150,000		362,000
Tax recovery for the year	$	-	$	-

Deferred taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

		2014		2013
Deferred Tax Assets				
Non-capital loss carry-forwards	$	1,923,000	$	2,110,000
Exploration expenditures		4,087,000		2,745,000
Equipment		36,000		33,000
Share issuance costs		13,000		21,000
Unrecognized Deferred Tax Assets	$	6,059,000	$	4,909,000

The Company's deferred tax assets expire as follows:

		2014	Expiry Date Range		2013
Share issuance costs	$	50,000	2032 to 2035	$	80,000
Non-capital losses	$	7,069,000	2015 to 2034	$	7,864,000
Equipment	$	134,000	Not applicable	$	126,000
Exploration expenditures	$	13,979,000	Not applicable	$	9,947,000
Investment tax credits	$	55,000	2027 to 2031	$	55,000

Expressed in Canadian Dollars

11. CAPITAL DISCLOSURES

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

12. SEGMENTED INFORMATION

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

2014	Canada	Mexico	Total
Property and equipment	$ 5,942	$ 48,626	$ 54,568

2013	Canada	Mexico	Total
Property and equipment	$ 8,220	$ 52,434	$ 60,654

This Annual Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("Canasil" or "the Company") is dated April 14, 2015, and provides information on the Company's activities for the year ended December 31, 2014, 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, 2014 and 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the MD&A for the year ended December 31, 2013.

Overview and Outlook

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

During the year, Phase 1 and Phase 2 diamond drill programs were completed on the Company's Salamandra silver-copper-zinc-lead project in Durango State, Mexico, for a total of 10,112 metres in 17 drill holes under the direction of MAG Silver Corp. and in accordance with an earn-in option agreement signed in May 2013, providing for MAG to earn up to a 70% interest in the project. The Phase 1 drill program included 5 drill holes for a total of 3,609 metres and assay results, reported on March 17, 2014, returned encouraging mineralized intercepts. These included high-grade silver-copper mineralization, extensive zones of zinc mineralization with thick higher-grade intervals, as well as significant or strongly anomalous amounts of silver, copper, zinc and lead (detailed below). The Phase 2 drill program was completed in late May 2014 for a total of 6,501 metres in 12 drill holes and assay results were reported on July 21, 2014. These returned a further high-grade silver-copper intercept and pervasive zinc mineralization was encountered in almost all of the drill holes, indicating the potential for a large metals-rich mineralized system. MAG noted that Salamandra continues to show structurally-controlled and broad pervasive multi-stage mineralization throughout the area drilled, advancing the understanding of the geometry of the mineralization controls in some areas. The drill results have been systematically reviewed and interpreted in combination with the existing airborne and ground geophysics to identify areas with potential for high-grade polymetallic skarn and Carbonate Replacement Deposit style mineralization ("CRD mineralization") and define drill targets for the Phase 3 drill program planned for 2015. Total qualifying exploration expenditures of $4.4 million were reported by MAG up to December 31, 2014.

In Mexico, all core mineral claims were maintained in good standing and the Company continued discussions on additional cooperation agreements to advance its projects. In British Columbia, short field evaluation programs were completed at the Vega and Granite projects and high resolution satellite imaging surveys undertaken at the Vega and Lil projects. These programs allowed for filing of required assessment work to maintain the core claims at these projects in good standing. The claim areas for all three projects were reduced to cover the main areas of interest.

Gary Nordin, P. Geo. British Columbia and Director of Canasil, is the Company's designated Qualified Person in relation to data provided with regards to exploration programs undertaken by the Company on its exploration projects in accordance with National Instrument 43-101.

In February 2014, the Company closed the final tranche of a private placement by issuing 370,000 units at $0.09 per unit to raise cash proceeds of $33,300. In May 2014, the Company received $150,000 from MAG for its first-anniversary option payment on the Salamandra project (see *"Mineral Properties"*). In July 2014, the Company received cash proceeds of $76,000 from the exercise of 950,000 warrants and in December 2014, the Company received cash proceeds of $149,760 upon the exercise of 1,871,999 warrants (see *"Outstanding Share Data"*).

As at December 31, 2014, the Company had working capital of $83,160. Current liabilities included loan advances payable of $185,000 received from an officer and a company with a director in common with the Company. During the year, the Company received advances of $3,179,030 from MAG under a convertible debenture pursuant to the Salamandra option agreement, the proceeds of which are being used to fund exploration expenditures on the Salamandra project (see *"Mineral Properties"*).

Gold and silver prices traded at relatively low levels during the first half of 2014, and dropped significantly during the second half of the year. Silver traded in the range of $19 to $22 per ounce during the first half of 2014, and dropped to $15.97 per ounce by year-end after testing a yearly low of $15.32 per ounce in early November 2014. To date, in 2015 silver has traded between $15.47 and $18.23 per ounce. Low metal prices and negative global economic forecasts continue to have a negative impact on the resource markets in general and particularly on silver producers and explorers. Due to the continued uncertainties in the resource sector, financial markets and low share prices, and the particular financing challenges faced by junior explorers, the Company has reduced expenditures wherever possible and has not undertaken direct high cost exploration expenditures such as drilling (except for at Salamandra, which is currently being funded by MAG), which would be highly dilutive if financed at current share prices. The Company continues to focus on attracting additional high quality joint venture partners on its drill-ready projects providing income through property payments and allowing for further work and results without additional dilution. The Company has also had discussions with regards to the potential sale of certain exploration properties as a further avenue for non-dilutive funding. While discussions are currently in progress with a number of potential partners and interested parties, final conclusion of agreements have also been negatively impacted by the low metal price environment.

Mineral Properties

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

Durango and Zacatecas, Mexico:	British Columbia, Canada
• Salamandra zinc silver project – 100% in part, plus option to earn 100%, subject to option agreement with MAG • La Esperanza silver zinc lead project – 100%, • Sandra gold silver project – 100% • Escobar gold silver claims – 40% • Carina silver project – 100% • Colibri silver zinc lead copper project – 100% • Vizcaino silver gold project – 100% • Victoria zinc silver project – 100% • Nora silver gold copper project – 100% in part, plus option to earn 100%	• Brenda, gold-copper property – 100% • Vega, gold-copper property – 100% • Granite, gold property – 100% • LIL, silver property – 100%

Exploration projects in Mexico

Salamandra zinc-silver project, Durango State, Mexico

The Salamandra project is located in Durango State, 35 km northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares, acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to an NSR of 2%, by making option payments based on a specific schedule of payments that total US$600,000 over a period of eight years from 2012 to 2019, of which US$100,000 has been paid to date.

Initial exploration at Salamandra included extensive geological mapping and surface sampling and 3D-IP ground geophysics, followed by twelve diamond drill holes for a total of 3,595 metres. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones, including high grade silver and zinc intercepts of up to 12.00% zinc over 7.45 metres and 102 g/t silver over 9.85 metres within wider mineralized sections, which appear to be part of a potentially large mineralized system which is open along strike and to depth. Follow-up ZTEM airborne geophysics and detailed surface sampling programs identified a large electromagnetic signature over an area of 3.5 kilometres by 2.5 kilometres, a vein exposure where a 0.90 metre sample returned 2,150 g/t silver, 5.39% copper and 1.89% zinc, and significant silver-copper-zinc-lead as well as arsenic-antimony geochemical anomalies providing indications of the potential for a buried intrusive hosted mineralized system. The geology and style of mineralization observed at Salamandra are similar to the San Martin silver-base-metal mine of Grupo Mexico, located 80 kilometres southeast of the project, and the largest underground mining operation in Mexico.

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. MAG can earn an initial 55% interest by paying the Company $750,000 and incurring $5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional $20,000,000 in exploration expenditures within four years. Upon executing a binding letter agreement, the Company received the initial cash payment of $150,000 and in May 2014 received the first-anniversary option payment of $150,000.

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the agreement, MAG has the option to incur qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds will be used to incur expenditures on the property by Minera CRD (see *"Liquidity and Capital Resources"*). Should MAG comply with the terms of the agreement and earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD. Further development of the property would be carried out jointly by the Company and MAG through CRD and Minera CRD. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

MAG reported cumulative qualifying expenditures of approximately $4.4 million at Salamandra up to December 31, 2014 (US$1,065,075 at December 31, 2013). The exploration program included surface sampling and data review in 2013, followed by Phase 1 and Phase 2 diamond drill programs for a total of 10,110 metres in 17 drill holes to date. The surface sampling and data review identified all major indicators of large carbonate replacement deposits at Salamandra. Results of the Phase 1 drill program were reported on March 17, 2014, and the Phase 2 drill program on July 21, 2014. The drill programs reported encouraging high-grade silver-copper-zinc intercepts as well as pervasive zinc mineralization as detailed below, further confirming potential for a large metals-rich mineralized system at Salamandra.

In the Phase 1 drill program, hole SM14-15 intersected high-grade silver-copper mineralization over 7.89 metres, which reported 166 grams/tonne ("g/t") silver ("Ag") and 1.2% copper ("Cu"), including: 2.3 metres grading 393 g/t Ag and 3.6% Cu with appreciable lead ("Pb") and zinc ("Zn"). Hole SM13-13 cut 31.72 metres grading 3.5% Zn including 17.72 metres grading 5.0% Zn with no other appreciable metals. Notably, SM13-13 contained zinc mineralization for almost its entire length, with 810 metres averaging 0.6% Zn including several thick zones grading over 1.5% Zn. Drill Hole SM-14-14 returned two intercepts, one with

0.48 metres of 197 g/t Ag, 0.4% Cu and 1.1% Zn, and the second with 0.42 metres of 108 g/t Ag, 0.5% Cu, and 0.6% Zn. The remaining three holes cut significant or strongly anomalous amounts of silver, copper, zinc and lead.

The Phase 2 drill program consisted of five follow-up drill holes from the Phase 1 program and seven exploration drill holes. The best follow-up hole is SA14-20, which cut 0.63 metres grading 258 grams per tonne ("gpt") (7.5 ounces per ton ("opt")) silver with 0.27% copper lying immediately above 9.9 metres grading 2.3% zinc (see Table 2). These values and relative position are very similar to that seen 380 metres deeper in SA14-15 and appear to reflect the same mineralized zone. Hole SA14-22, also drilled to off-set Hole 15, cut several zinc-rich zones but appears to have been drilled above and parallel to the mineralized zone cut in Holes 15 and 20. Similarly, the first two of the three follow-up holes (SA14-19, 24 and 29) drilled to offset the broad zinc-zone cut in Hole SA13-13 each cut significant widths of zinc mineralization but the intercept geometries prevent correlation. The seven exploration holes tested the remaining previously undrilled half of the circumference of the intrusive centre. Hole SA14-28 was the best of these exploration holes, cutting 173.46 metres of 1.0% zinc mineralization starting 20 metres below the surface. Holes SA14-19, 20, 21, 22, 24 and 25 also hit notable widths of zinc mineralization. Drill holes SA14-25 and SA14-18, were drilled away from the intrusive centre to test under the recent basalt flows that flank the entire project area; both cut major faults interpreted to be the reactivated western margin of the Central Mexico Basin, the principal regional structural control on several major CRD-skarn systems. MAG commented on the pervasive zinc mineralization intersected in most of the drill holes and the high-grade silver-copper intercepts, noting that the results to date indicate the potential for a large metals-rich mineralized system at Salamandra.

Qualified Person, Quality Assurance and Control: These results have been compiled and provided by MAG; for details regarding the Qualified Person and Quality Assurance and Control procedures, please refer to the MAG news release dated March 17, 2014 for the Phase 1 results and July 21, 2014, for the Phase 2 results.

Table 1: Salamandra - MAG Phase 1 Drill Program Assay Results

Hole Number	Interval – Metres From	To	Width* Metres	Gold g/t	Silver g/t	Silver oz/t	Copper %	Zinc %	Lead %
SA13-13	20.65	830.81	810.16	0.01	2	0.05	0	0.6	0
SA13-13	288.63	351.87	63.24	0.00	2	0.05	0	**1.6**	0
SA13-13	455.89	465.67	9.78	**0.05**	0	0.01	0	**2.6**	0
SA13-13	483.45	491.85	8.40	0.01	0	0.01	0	**1.7**	0
SA13-13	637.50	669.22	31.72	0.00	1	0.04	0.1	**3.6**	0
SA13-13	641.08	658.80	17.72	0.00	2	0.05	0.1	**5.0**	0
SA13-13	681.48	691.57	10.09	**0.03**	1	0.04	0.1	**1.8**	0
SA14-14	146.30	152.18	5.88	0.00	3	0.08	0	**1.7**	0
SA14-14	165.99	182.88	16.89	0.01	**29**	**0.84**	0	**1.8**	**0.2**
SA14-14	182.40	182.88	0.48	**0.04**	**197**	**5.75**	**0.4**	**1.1**	**0.6**
SA14-14	184.78	185.28	0.50	0.01	**53**	**1.55**	0.1	0.5	**0.9**
SA14-14	186.38	186.80	0.42	**0.07**	**108**	**3.15**	**0.5**	0.6	**1.4**
SA14-15	605.74	613.63	7.89	**0.08**	**166**	**4.86**	**1.2**	**1.2**	**0.6**
SA14-15	607.50	609.80	2.30	**0.25**	**393**	**11.45**	**3.6**	**2.8**	**0.4**
SA14-16	6.52	58.11	51.59	0.00	3	0.09	0	0.4	0
SA14-16	89.10	102.61	13.51	0.00	12	0.36	0	0.4	0
SA14-17	171.45	176.58	5.13	0.00	10	0.30	0	**1.2**	**0.3**

**True widths cannot be determined for any of the intercepts at this time*

Table 2: Salamandra - MAG Phase 2 Drill Program Assay Results									
Hole-ID	Interval – Metres From	To	Width Metres	Gold (g/t)	Silver (g/t)	Silver (opt)	Copper (ppm)	Zinc (%)	lead (%)
SA14-18	214.53	214.83	0.30	0.01	2	0.1	139	**1.6**	0.0
SA14-19	128.87	130.22	**1.35**	0.00	**59**	1.7	31	0.9	**1.1**
And	349.87	388.36	**37.99**	0.01	1	0.0	219	**1.6**	0.0
SA14-20	8.14	28.35	**20.21**	0.00	**12**	**0.4**	**309**	**1.0**	**0.4**
And	305.45	306.08	**0.63**	0.04	**258**	**7.5**	**2736**	**0.4**	**3.7**
And	307.32	318.11	**10.79**	0.01	8	0.2	156	**2.3**	0.3
SA14-21	208.00	221.95	**13.95**	0.02	4	0.1	437	**2.0**	0.0
And	262.30	299.00	**36.70**	0.00	**12**	**0.4**	**3239**	0.4	0.0
SA14-22	12.66	22.36	9.70	0.00	16	0.5	148	0.8	0.3
And	110.65	173.04	**62.39**	0.01	2	0.1	88	**0.8**	0.0
including	110.65	114.38	**3.73**	0.00	4	0.1	185	**3.2**	0.0
And	163.12	173.04	**9.92**	0.03	2	0.1	154	**2.0**	0.0
SA14-23	No Significant Values								
SA14-24	231.30	300.20	**68.90**	0.00	1	0.0	210	**0.8**	0.0
including	281.54	299.09	**17.55**	0.00	1	0.0	188	**1.5**	0.0
including	293.76	299.09	**5.33**	0.00	1	0.0	261	**3.0**	0.0
And	300.20	304.90	**4.70**	0.00	**39**	**1.1**	**2712**	0.1	0.0
SA14-25	113.00	143.51	**30.51**	0.00	**25**	**0.7**	164	**0.8**	**0.4**
including	121.36	126.73	**5.37**	0.00	**41**	**1.2**	225	**1.7**	**0.7**
including	138.58	143.51	**4.93**	0.00	**77**	**2.3**	286	**1.9**	**1.3**
SA14-26	No Significant Values								
SA14-27	358.40	366.00	**7.60**	0.01	2	0.1	**278**	**2.2**	0.2
including	358.40	360.68	**2.28**	0.01	5	0.1	**444**	**3.5**	0.2
including	364.12	366.00	**1.88**	0.02	2	0.1	**462**	**4.4**	**0.4**
SA14-28	19.90	193.36	**173.46**	0.00	4	0.1	**80**	**1.0**	0.1
including	161.54	185.96	**24.42**	0.01	10	0.3	**204**	**2.2**	0.2
SA14-29	108.77	109.07	**0.30**	0.00	**53**	**1.5**	**237**	**3.3**	**1.5**

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

The 100% owned La Esperanza project claims cover 14,916 hectares and are located on the border of Durango and Zacatecas States, 100 km south-southeast of the City of Durango. Prior exploration has been conducted by Canasil and by MAG Silver Corp. under an option agreement between August 2010 and May 2013. Canasil's initial Phase 1 drill program included 1,432 metres in 9 drill holes, returned wide high grade silver-lead-zinc intercepts from the La Esperanza vein which is open in all directions. Further geological mapping and surface sampling identified four high-grade silver vein occurrences in the northwest of the project area.

MAG completed a 1,330 line-kilometre ZTEM helicopter-borne geophysical survey, a Phase-1 drill program of 3,247 metres in 11 drill holes on the La Esperanza vein, and a Phase-2 drill program of 12 diamond drill holes for a total of 3,049 metres to test two of the veins located in the northwest of the project area. The results reported additional high-grade drill intercepts from three drill holes on the La Esperanza vein and potential for significant silver-lead-zinc mineralization associated with the two veins tested in the northwest area. MAG reported total expenditures of $2,468,380 incurred on La Esperanza under the option agreement, which was terminated in May 2013.

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

The 100%-owned Sandra project covers 7,512 hectares, and is located 183 kilometres northwest of the City of Durango. The Company also holds a 40% interest in the adjoining 634 hectare Escobar claims of Pan American Silver Corp., earned under an option agreement with Pan American between 2008 and 2012. The project hosts a high level gold-silver system centered on a large altered rhyolite dome complex, with extensive evidence of gold, silver and base metal mineralization, indicating potential for disseminated mineralization, as well as several high-grade silver-gold-base metal veins.

The Company completed a 420 line-kilometre ZTEM airborne geophysical survey, petrographic analysis of 23 surface samples, a high resolution satellite imaging survey to prepare detailed contour maps, and a 1,848-metre diamond drill program in eleven drill holes, followed by an ASTER satellite alteration imaging survey and an 11.8 line-kilometre ground IP survey. These programs have confirmed evidence of a large hydrothermal system centred on an intrusive source, and have outlined seven significant silver-gold-base metal targets over an area of 25 square km for future drilling. The results indicate a similar geologic setting to some major silver and gold deposits in northern Durango State such as Silver Standard Resources' La Pitarrilla deposit and Argonaut Gold's San Agustin deposit.

The Company entered into a further agreement to purchase various additional claims in the area for approximately $25,000, and added two further claim blocks for a total of 10,000 hectares to cover additional prospective zones adjacent to the project area.

Carina Project, Durango State, Mexico

The Carina project covers 12,147 hectares and is located 45 kilometres northeast of the City of Durango. The project lies 6.5 kilometres southwest of the La Preciosa project, recently acquired by Coeur d'Alene Mines from Orko Silver Corp. for over $350 million. The area has excellent road access and infrastructure. The project hosts a number of quartz veins, breccias and stockwork zones, striking northwest-southeast and composed of a series of parallel quartz and fluorite veins with bladed textures and widths of 1.5 metres to 2.5 metres. A broad zone of quartz stockwork and breccia structures covers an area of 500 metres by 800 metres. Surface sampling and geological mapping programs over this area, returned anomalous gold and silver values indicating a high level epithermal system. Under an option agreement with Pan American between August 2010 and April 2012, Pan American completed 1,008 metre drill program in 6 drill holes returning anomalous silver and gold values.

Other projects, Mexico

There was no significant activity on these projects during the year. All core project claims were maintained in good standing and all required claim taxes were paid on the core claims.

Exploration projects in British Columbia, Canada

Brenda gold-copper project

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, Canada, 25 km northwest of the past producing Kemess South Mine. Cumulative exploration expenditures of over $3.8 million 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 have confirmed the potential for a deep-seated porphyry gold-copper system at the Brenda project, similar to the nearby Kemess Underground (North Kemess) deposit advancing through feasibility by AuRico Gold Corp. with indicated resources of 3 million ounces gold and 1 billion pounds copper (185 million tonnes with an average grade of 0.48 g/t Au and 0.25% Cu).

Two previous deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of 5 intercepts above a depth of 450 metres returning 0.48 g/t gold and 0.079% copper over a combined intercept length of 393.72 metres, and the average grade of 3 intercepts below 450 metres returning 0.68 g/t gold and 0.116% copper over a combined intercept length of 92.84 metres. A significant number of drill core samples returned assays of over 1.0 g/t gold and 0.15% copper. 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 indicated by the chargeability anomalies observed in a 3-Dimensional Induced Polarisation 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-97-04 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. The mineralized intercepts and post mineral intrusions observed in drilling to date reflect the characteristic signature observed in large porphyry systems. Further review will be required to determine the structural setting based on the prior data and deeper penetrating geophysical surveys are needed to define prospective mineralized zones.

There was no field work carried out on the Brenda project during the year. Assessment filings based on exploration work completed in 2013 were completed to extend the claim validity on all Brenda claims to the maximum allowable to May 30, 2024.

Other projects in British Columbia, Canada

In British Columbia, short field evaluation programs were completed at the Vega and Granite projects and high resolution satellite imaging surveys undertaken at the Vega and Lil projects. These programs allowed for filing of required assessment work, in addition to filings already completed for work completed in 2013, to maintain the core claims at these projects in good standing. The claims areas for all three projects were reduced to cover the main areas of interest.

Mineral Properties – Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures in the year incurred. A summary of the Company's exploration and evaluation expenditures for the years ended December 31 follows:

	2014	2013
Canada		
Brenda Property		
Assays	$ -	$ 11,783
Drilling	-	179,285
Field costs	-	66,829
Geological	-	39,313
Mapping and surveying	-	3,769
Transportation and rentals	-	11,922
Expenditure recoveries	-	(3,149)
	-	309,752
Other Properties		
Assays	1,841	2,913
Field costs	1,843	2,197
Geological	8,619	14,320
Geophysical	3,930	33,195
Land holding costs	2,887	3,313
Mapping and surveying	16,263	-
Transportation and rentals	-	23,844
Expenditure recoveries	(1,207)	(1,919)
	34,176	77,863
Mexico		
Salamandra Property		
Acquisition and option payments	54,294	51,408
Administration	177,171	38,717
Assays	361,227	-
Consulting	452,783	-
Drilling	1,288,685	-
Field costs	141,348	13,757
Geological	20,278	11,276
Land holding costs	157,364	75,435
Legal	19,644	47,406
Mapping and surveying	-	394
Transportation and rentals	204,420	36
Expenditure recoveries	(84,947)	(120,023)
Option payments received	(150,000)	(150,000)
	2,642,267	(31,594)
Sandra and Escobar Properties		
Acquisition and option payments	2,326	31,294
Administration	15,190	29,113
Assays	-	22,436
Field costs	2,264	5,976
Geological	12,322	46,054
Land holding costs	25,592	26,581
Legal	-	2,866
Mapping and surveying	320	2,395
Transportation and rentals	-	892
	$ 58,014	$ 167,607

Exploration and Evaluation Expenditures for the years ended December 31 – *continued*

		2014		2013
Mexico – *continued*				
La Esperanza Property				
Administration	$	43,909	$	20,808
Field costs		1,240		1,745
Geological		44,773		21,806
Land holding costs		76,365		61,897
Transportation and rentals		563		-
Expenditure recoveries		-		(25,157)
		166,850		81,099
Carina Property				
Administration		14,463		12,334
Field costs		-		80
Geological		3,409		13,784
Land holding costs		37,125		36,764
		54,997		62,962
Victoria Property				
Administration		5,409		2,626
Field costs		-		318
Geological		2,283		10,192
Legal		-		322
Land holding costs		14,131		-
		21,823		13,458
Colibri Property				
Administration		12,111		10,553
Geological		6,603		7,914
Land holding costs		27,376		35,380
		46,090		53,847
Other Properties				
Administration		21,401		17,313
Geological		5,267		5,228
Land holding costs		54,664		65,575
Transportation and rentals		-		71
		81,332		88,187
Total costs for year	$	3,105,549	$	823,181

Exploration and evaluation expenditures for the year ending December 31, by activity, are as follows:

	2014	2013
Acquisition and option payments	$ 56,620	$ 82,702
Administration and legal	289,987	182,058
Assays	363,068	37,132
Consulting	452,783	-
Drilling	1,288,685	179,285
Field costs	146,695	90,877
Geology	103,554	169,887
Geophysical	3,930	33,195
Land holding costs	395,504	304,945
Legal	19,311	-
Mapping and surveying	16,583	6,558
Transportation and rentals	204,983	36,790
Expenditure recoveries	(86,154)	(150,248)
Option payments received	(150,000)	(150,000)
	$ 3,105,549	$ 823,181

Results of Operations

The Company had a loss (and comprehensive loss) for the current year of $3,577,456, which compares to a loss (and comprehensive loss) of $1,282,686 for the comparative year. Significant items included in loss and comprehensive loss are as follows:

	2014	2013
Accounting and audit	$ 33,328	$ 33,464
Exploration and evaluation	$ 3,105,549	$ 823,181
Legal fees	$ 9,023	$ 12,174
Management fees	$ 60,000	$ 60,000
Office services and supplies	$ 76,134	$ 93,362
Salaries and wages	$ 192,146	$ 229,607
Share-based compensation	$ 17,428	$ -
Deferred flow-through premium	$ -	$ (73,632)

The current loss includes general and administrative expenses of $471,907 (2013 - $533,137) and exploration and evaluation expenditures of $3,105,549 (2013 - $823,181). Management continues to reduce general and administrative expenses wherever possible with reductions in office expenses, staffing costs, investor relations, and conference costs. Exploration and evaluation expenditures have increased significantly due to the drill programs conducted under the direction of MAG in accordance with the Salamandra option agreement (see *"Mineral Properties"*). Exploration and evaluation costs include $2,877,214 (2013 - $238,429) that were incurred on the Salamandra project; $2,731,312 (2013 - $nil) of these costs were funded by advances from MAG under its convertible debenture (see *"Liquidity and Capital Resources"*). The Company also received exploration expenditure recoveries of $84,947 (2013 - $120,023) and option payments of $150,000 (2013 - $150,000) from MAG in respect of the Salamandra project. Exploration expenditures on the Company's other projects totalled $463,282 and were down compared to the prior year ($854,775) when the Company was actively drilling its Brenda project and was more active on its other BC and Mexico projects. During the current year, the Company granted 375,000 incentive stock options; no options were granted in the prior year. The Company realized a deferred flow-through premium of $73,632 in 2013, with no amount realized in 2014.

Net cash used for operating activities during the year, before changes in non-cash working capital items, was $3,551,228 (2013 - $1,344,653), which includes $3,105,549 (2013 - $823,181) in exploration and evaluation expenditures. The increase in cash used for operations is primarily due to the drill programs conducted at the Salamandra project during the year. Significant changes in non-cash working capital items for the current year include an increase in value-added taxes recoverable of $235,044, which relates primarily to expenditures on Salamandra, and an increase in accounts payable of $202,149, which relates primarily to accrued salaries and management fees owing to the chief executive officer and the chief financial officer. Cash used for investing activities was $2,714 (2013 - $2,416) and reflects the Company's purchase of equipment. Net cash provided by financing activities during the year was $3,578,090 (2013 - $647,548) as a result of the Company receiving $33,300 for the final tranche of a private placement completed in February 2014, $225,760 upon the exercise of warrants, $140,000 in loan advances from related parties, and $3,179,030 in advances from MAG under the convertible debenture.

Selected Annual Information

The information in the following table provides selected financial information of the Company for 2014 and the two preceding years. This information is derived from the Company's audited consolidated financial statements and should be read in conjunction with those statements and related notes. The information is presented in accordance with IFRS.

Year Ended December 31	2014	2013	2012
Total Revenue	$nil	$nil	$nil
Share-Based Compensation Expense	$17,428	$nil	$225,623
Exploration and Evaluation Expense	$3,105,549	$823,181	$421,911
Loss and Comprehensive Loss for the Year	$3,577,456	$1,282,686	$1,302,713
Loss per Share – Basic and Diluted	$0.05	$0.02	$0.02
Total Assets	$671,638	$451,427	$1,104,199
Working Capital	$83,160	$199,012	$838,765
Long-Term Liabilities	$nil	$nil	$nil
Dividends per Share	$nil	$nil	$nil
Shareholders' Equity	$165,728	$287,666	$936,668

With deteriorating market conditions in 2012 and 2013, the Company moved to reduce expenses and conserve resources wherever possible. During 2014, the Company granted 375,000 stock options (2013 – nil; 2012 – 1,700,000 options) In 2014, the Company was very active with its Salamandra project under the MAG option agreement and completed short field programs on its Vega, Lil, and Granite projects. During 2013, the Company conducted a drill program on the Brenda project and a sampling and prospecting program on the Lil and Vega projects to fulfill its flow-through expenditure requirements. The Company was less active on its properties in 2012.

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	2014				2013			
Quarter ended:	**Dec. 31**	**Sept. 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	$619,382	$388,204	$926,962	$1,321,001	$79,443	$502,549	$156,043	$235,146
Option payments received	$nil	$nil	$150,000	$nil	$nil	$nil	$150,000	$nil
Share-based compensation expense	$nil	$nil	$nil	$17,428	$nil	$nil	$nil	$nil
Loss and comprehensive loss	$723,081	$477,484	$899,601	$1,477,290	$190,933	$565,523	$138,457	$387,773
Loss per share: basic and diluted	$0.01	$0.01	$0.01	$0.02	$0.00	$0.01	$0.00	$0.01
Weighted-average shares	79,635,525	79,022,656	78,237,873	78,044,651	74,434,503	73,407,873	73,407,873	73,114,195

Discussion of Quarterly Information

In the first and second quarters of 2013, the Company conducted minimal exploration work but maintained all of the properties in good standing. Exploration and evaluation expenditures for the first quarter of 2013 include land holding costs of $151,583, which compares to $165,174 for the same quarter of 2012. During the second quarter of 2013, the Company completed exploration and evaluation expenditures of $156,043 and received an option payment of $150,000 from MAG on the Salamandra project. In the third quarter of 2013, the Company conducted limited exploration on its Mexican properties, however, it incurred $152,414 in land holding costs, which compares to $135,823 for the same quarter of 2012. During this quarter, the Company also incurred $284,478 on a 962-metre drill program at Brenda and $32,334 to complete prospecting and surface sampling programs on the Lil and Vega properties. During this quarter, the Company also realized $67,081 of the deferred flow-through premium relating to its issuance of flow-through shares in 2012. During the fourth quarter of 2013, the Company continued to minimize expenses and conserve its cash resources.

In the first quarter of 2014, the Company conducted minimal exploration work, except for exploration at its Salamandra project, which is being managed by MAG under the option agreement. The Company maintained its core properties in good standing. Exploration and evaluation expenditures for the first quarter of 2014 include land holding costs of $162,057, which compares to $151,583 for the same quarter of 2013. The Company recorded $1,162,544 in exploration costs on its Salamandra project relating primarily to the drill program overseen by MAG during the quarter. During the second quarter of 2014, with the drill program at Salamandra being completed in May, exploration costs were less than those incurred in the first quarter. The Company recorded $883,332 in exploration costs on its Salamandra project during the quarter. The Company also received the first-anniversary payment of $150,000 from MAG under the Salamandra agreement. During the third quarter of 2014, the Company undertook field programs on its Vega, Lil, and Granite projects and maintained core properties. Exploration and evaluation expenditures for the third quarter of 2014 include land holding and surface access costs of $217,010, which compares to $152,414 for the same quarter of 2013. There was no drilling completed on Salamandra during the quarter. During the fourth quarter of 2014, analytical and interpretive work continued at Salamandra with costs of $548,088 being recorded; work the Company's other properties was limited as it endeavoured to conserve cash.

Discussion of Fourth Quarter

The loss for the fourth quarter includes general and administrative expenses of $103,699 (2013 - $197,484) and exploration and evaluation expenditures of $619,382 (2013 - $79,443). The reduced general and administrative costs result from a general reduction in most line items over those incurred in the same quarter of 2013. During the comparative quarter in 2013, the Company realized $6,551 of the deferred flow-through premium relating to its issuance of flow-through shares in 2012. Exploration and evaluation costs include $570,643 (2013 - $30,796) that were incurred on the Salamandra project. The Company also received exploration expenditure recoveries of $22,555 (2013 - $10,039) from MAG in respect of the Salamandra project. The Company incurred exploration and evaluation expenditures totalling $71,294 (2013 - $58,686) on its other projects.

Net cash used for operating activities during the quarter, before changes in non-cash working capital items, was $720,697 (2013 - $194,568), which includes $619,382 (2013 - $79,443) in exploration and evaluation expenditures. The increase in cash used for operations is primarily due to work conducted at the Salamandra project during the 2014 quarter; the Company was relatively inactive in the comparative quarter. Significant changes in non-cash working capital items for the current quarter include an increase in value-added tax ("IVA") receivable of $49,166 relating primarily to Salamandra expenditures. Cash provided by financing activities during the quarter was $759,968 (2013 - $261,364), including proceeds of $149,760 (2013 -$31,200) received from the exercise of warrants and advances received from MAG under its convertible debenture of $610,208 (2013 - $nil).

Liquidity and Capital Resources

The Company has no material income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties, and meet general and administrative expenses. Accordingly, management has identified certain conditions that cast significant doubt upon the Company's ability to continue as a going concern (see Note 1 to the December 31, 2014 consolidated financial statements). The Company currently has limited cash resources and 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 Company had cash on hand of $125,226 as at December 31, 2014 (December 31, 2013 - $119,692), receivables of $458,930 (December 31, 2013 - $223,886) and accounts payable of $320,910 (December 31, 2013 - $118,761). As at December 31, 2014, the Company had short-term debt consisting of loan advances totalling $185,000 (December 31, 2013 - $45,000) received from related parties. These advances are unsecured, non-interest bearing, and have no fixed repayment terms. The Company had working capital at December 31, 2014 of $83,160 (December 31, 2013 of $199,012).

To December 31, 2014, the Company had received $3,179,030 (2013 - $nil) in advances under a convertible debenture with MAG (see *"Mineral Properties"*). Funds received under the debenture are used solely for incurring certain qualifying exploration expenditures on the Salamandra project under the option agreement with MAG. Included in cash as at December 31, 2014 is

$36,366 that was advanced by MAG and will be applied to related accounts payable of $26,024. The balance of $10,342 represents the additional funds advanced by MAG that are available only for future qualifying exploration expenditures at Salamandra. Included in receivables is $404,723 in value-added taxes on expenditures made at Salamandra. This amount has been funded under the convertible debenture and once refunded by the government of Mexico will be available solely for further expenditures at Salamandra. Approximately $79,624 of this balance was collected subsequent to December 31, 2014. Should MAG earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of the Company's subsidiary, CRD Minerals Corp. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

During the current year, the Company experienced cash administrative expenses of approximately $446,000 and cash exploration and evaluation expenses of approximately $3,106,000, approximately $2,642,000 of which relate to Salamandra; the majority of costs relating to Salamandra are currently being funded by MAG. The Company has an option agreement on the Salamandra property that requires certain future cash payments to maintain its interest, however, these payments may be made at the discretion of the Company and are not firm commitments – these payments are currently being paid by MAG under their option agreement. Land holding costs are incurred at management's discretion. In May 2014, the Company received an option payment of $150,000 from MAG; should MAG continue to keep the Salamandra agreement in good standing, the next scheduled payment of $200,000 is due in May 2015. Management considers the Company's current working capital resources to be insufficient to meet its 2015 overhead and minimum exploration and land holding requirements. Accordingly, the Company will need to raise additional equity funding or realize sale or option proceeds from its portfolio of properties. The administrative budget and the 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 uncertainty in the capital markets, the extent of such programmes will be tailored to available cash resources.

Given the Company's large portfolio of prospective projects, management is focused on arranging further option and joint venture agreements to advance its exploration projects through the coming year in a non-dilutive manner as far as possible, or sales of certain assets to generate required funding. A successful outcome of such efforts is not assured.

Related Party Transactions and Key Management Compensation

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

Accounts payable includes $864 (2013 – $10,096) in legal fees due to a law firm in which an officer of the Company is a partner, $nil (2013 - $5,513) in geological consulting fees due to a company controlled by a director of the Company, and $210,000 (2013 – $nil) in salaries and management fees due to the chief executive officer and the chief financial officer;

Due to related parties includes loan advances totaling $185,000 (2013 – $45,000) made to the Company by an officer and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment;

Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

		2014		2013
Salaries and wages	$	150,000	$	150,000
Management fees		60,000		60,000
Geological consulting fees		-		5,250
Legal fees		27,842		56,636
Share-based compensation *(i)*		9,295		-
	$	247,137	$	271,886

(i) Calculated using the Black-Scholes Option-Pricing Model, using the assumptions detailed in Note 7 to the December 31, 2014 consolidated financial statements;

The Company relies heavily on its directors and officers for many of its administrative and professional services.

Changes in Accounting Policies

There were no changes in accounting policies during the year ended December 31, 2014.

New accounting pronouncements

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 Financial Instruments – *Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not early-adopted this standard, and is currently assessing the impact of adopting IFRS 9 on our 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.

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. 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 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 highly 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. The Company inputs such assumptions in a consistent manner following accepted industry practice. 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 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.

Financial Instruments

The Company's financial instruments consist of the following:

		2014		2013
Cash				
Cash on deposit	$	114,884	$	119,692
Cash restricted (see *"Liquidity and Capital Resources"*)		10,342		-
	$	125,226	$	119,692
Receivables				
Value-added taxes (see *"Liquidity and Capital Resources"*)	$	458,048	$	219,789
Other		882		4,097
	$	458,930	$	223,886
Reclamation bonds	$	28,000	$	28,000
Accounts payable and accrued liabilities				
Accounts payable (see *"Liquidity and Capital Resources"*)	$	80,910	$	65,677
Accrued audit, legal, exploration and other		240,000		53,084
	$	320,910	$	118,761
Due to related parties	$	185,000	$	45,000

Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties are non-interest bearing and have no fixed terms of repayment. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

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 and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through a major bank in Mexico and used to fund its foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk due to delays in receiving certain of its IVA refunds from the government of Mexico. The Company received IVA refunds during the year totalling $175,564, which includes $13,039 in interest. In addition, the Company received IVA refunds totalling $79,624 subsequent to December 31, 2014. Management continues to use its best efforts to obtain such refunds. The Company's financial instruments consist of cash, restricted cash, receivables, reclamation bonds, accounts payable, and due to related parties. Cash and restricted cash is classified as fair value through profit or loss and is carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties are non-interest bearing and have no fixed terms of repayment. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

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, 2014, the Company held the equivalent of $30,980 in cash, $447,487 in receivables, and $76,206 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of $22,641 in cash, which is denominated in U.S. dollars. Based on the Company's peso denominated monetary assets and liabilities as at December 31, 2014, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately $4,023. Based on the Company's U.S. dollar denominated monetary assets and liabilities as at December 31, 2014, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately $226. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration and evaluation expenditures. Accounts payable denominated in foreign currencies are settled in a timely manner.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate or market risks in respect of these financial instruments. The carrying value of the financial assets recorded in these financial statements represents the Company's maximum exposure to credit and market risk as at December 31, 2014. The Company is exposed to liquidity risk due to its limited cash resources. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

Disclosure for Venture Issuers without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's consolidated financial statements for the year ended December 31, 2014 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.

Outstanding Share Data

Shares

The Company's authorized share capital consists of an unlimited number of common voting shares without par value. As at December 31, 2014, the Company had 81,059,872 common shares issued and outstanding (diluted – 85,879,722) compared to 77,867,873 common shares issued and outstanding (diluted – 88,754,872) as at December 31, 2013.

During the year, the Company completed the final tranche of a private placement by issuing 370,000 shares and 185,000 warrants, issued 2,821,999 shares upon the exercise of warrants, granted 375,000 stock options, and had 3,730,150 warrants and 75,000 stock options expire unexercised. Notes 6 and 7 to the Company's December 31, 2014 consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the year.

Options

As at December 31, 2014, a total of 4,675,000 incentive stock options were outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
875,000	$ 0.10	January 27, 2015 *(i)*
1,750,000	$ 0.28	November 23, 2015
200,000	$ 0.35	January 13, 2016
1,175,000	$ 0.20	January 20, 2017
300,000	$ 0.18	October 29, 2017
375,000	$ 0.10	January 4, 2019
4,675,000		

As at December 31, 2014, a total of 144,850 share purchase warrants were outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
100,000	$ 0.08	February 17, 2015 *(ii)*
44,850	$ 0.15	February 17, 2015
144,850		

(i) These options expired unexercised on January 27, 2015;
(ii) On November 6, 2014, these warrants were re-priced from $0.15 per share to $0.08 per share.

All outstanding warrants expired unexercised on February 17, 2015.

As at the date hereof, the Company had 81,059,872 common shares issued and outstanding (diluted – 84,859,872). Subsequent to December 31, 2014, the Company had 144,850 warrants and 875,000 stock options expire unexercised. As at the date hereof, the Company had 3,800,000 stock options and nil warrants outstanding.

Investor Relations

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations. During the year, the Company exhibited at the Vancouver Resource Investment Conference in January 2014 and attended the Prospectors' and Developers' Association Conference in Toronto in March 2014.

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 following the global financial crisis of 2008, the subsequent increase to record levels by March 2011, and subsequent drops from 2011 to 2014 have 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. Following a short period of improving conditions between mid-December 2013 to mid-March 2014, precious and base metal prices have suffered further significant drops. Lower share prices and interest in resource companies has continued due to uncertainty in the financial markets and generally lower global economic growth forecasts, particularly in Europe and Asia.

Competitive Conditions

The outlook for acquisition and development of mineral resource projects had deteriorated since early March 2011 due to lower metal prices and slowing growth rates, particularly in Europe and Asia. The general forecast is for these conditions and market instability to continue, although the longer term outlook is more positive with higher forecasted demand for resources and commodities driven by a growing middle class in the Asian economies.

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, 2014, the Company had one employee. Significant administrative, management, and certain geological services are provided to the Company by directors, officers, and consultants, or companies controlled by related parties. 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, 2014, the Company did not acquire or dispose of any mineral properties. Due to limited funding, the Company has allowed certain claim payments on non-core properties to fall into arrears and may allow certain claims to lapse. Should the Company's capital resources improve, 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 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, Gary Nordin, Arthur Freeze, Bahman Yamini, Iain MacPhail, Kerry Spong, Graham Scott and Erme Enriquez. The loss of any of these persons could have an adverse effect on the Company. The Company does not maintain key person insurance on any of its management.

Conflicts of Interest

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

Limited Operating History - Losses

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of December 31, 2014, the Company's accumulated deficit was $22,072,230.

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 $0.035 to a high of $0.135 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 81,059,872 common shares of the Company are issued and outstanding. There are 3,800,000 stock options outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders.

Forward Looking Statements

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

Approval

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