



Canasil Resources Inc (CLZ-TSXV)

The following is extracted from the April 2011-2 Issue

Canasil is advancing ten exploration projects in Mexico, directed primarily to silver and gold. The company also has four exploration projects in BC that have potential for large copper-gold deposits. The projects have had enough work, including some drilling, to demonstrate the potential for significant deposits. The company has been stymied by the lack of capital to conduct adequate exploration. Now, with cash and with joint venture partners contributing to funding, the projects are seeing the kind of work that could turn up big discoveries. The joint venture partners include two leading silver companies.

The Company's 100% owned Brenda property is located in the Kemess-Toodoggone porphyry copper-gold district of northern British Columbia. Geologic mapping, geochemistry, ground and airborne geophysics and 63 drill holes have outlined a porphyry gold-copper system. Grade and continuity in the near surface portion of the deposit are not exciting for shareholders, although the deposit may be of interest in the context of the nearby Kemess operation.

Of even greater interest, the increasing gold and copper grades at depth in the drilling, the strength of the highly altered mineralized system as seen in the drill core, and the strong geophysical response point to the potential for a large deep-seated gold-copper porphyry system at the Brenda project. The resurgence of interest in BC copper-gold projects should enable the company to secure a partner to further advance that project. Canasil has three other BC projects that also have discovery potential for copper-gold deposits.

The main focus of the company are the Mexican projects, which are in and around Durango state, in a prolific silver belt that hosts several major silver mines and development projects.

Canasil's La Esperanza silver-zinc-lead project, in Zacatecas, hosted past production of silver from a high-grade vein. Drilling of nine holes by Canasil demonstrated that the mineralized vein extends well beyond the area previously mined. The average grade in the La Esperanza vein was 330 g/t silver and 2.5% zinc and lead over 4.2 meters. A second hanging wall vein had similar grades over 1.5 meters.

Surface observations of the main vein suggest it extends for 4 kilometers. Other veins have been identified over an area extending for 15 kilometers, suggesting the potential for a large district-scale epithermal system.

In order to properly evaluate this large system, Canasil brought in MAG Silver (MAG:TSX) as a joint venture partner. MAG has a top notch Mexican silver exploration team. MAG can earn a 60% interest in La Esperanza by funding expenditures of \$5 million and making cash payments to Canasil of \$500,000 over four years. Last fall, MAG completed a 1,330 line-kilometre ZTEM helicopter-borne geophysical survey at La Esperanza. The results of that survey, together with further ground work and sampling, will aid in identifying drill targets.

The Sandra-Escobar silver-gold project is being explored in a joint venture with another leading silver company, Pan-American Silver. Canasil held the 75 square kilometer Sandra claims and then optioned the adjoining Escobar property from Pan-American in order to consolidate a highly prospective target area. In essence, Canasil's price for the option on Escobar was to grant Pan-American a one-time right to back into the whole project for 51%. A comprehensive exploration program over the whole area is now being conducted for the first time. The property has physical and geological features of large intrusive hosted disseminated gold-silver systems, similar to other deposits in the region. Samples from veins range up to 10 g/t gold and 1,488 g/t silver. Drilling is now under way.

Drilling by Canasil on the Salamandra project encountered wide zinc-silver zones in 11 of 12 holes. The results suggest the potential for a large disseminated system. Canasil is in discussion with potential joint venture partners to further advance that project.

The Carina project covers 120 square kilometers located 6.5 kilometres southwest of the La Preciosa project of Pan American Silver and Orko Silver (135 million ounces of total measured, indicated and inferred resources). Pan American is funding work under a deal that would see the major silver producer earn up to an 80% interest in Carina by funding the project to production.

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Further work is planned in the coming months.

Canasil has several other earlier-stage projects in the area and they have an experienced geological team based in Durango. That team is on the lookout for other high potential exploration projects.

The company is in the midst of a C\$2 million private placement, priced at C\$0.50. The share price, in backing off from the recent levels, presents an excellent entry point for a company with several high potential silver exploration projects. The BC copper-gold project is an added bonus.

Price April 29, 2011: C\$0.375
Shares Outstanding: 45 million
Fully Diluted: 53 million
Market Cap: C\$16.8 million
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