



FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2005

(UNAUDITED)



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not be reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared By, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

"Bahman Yamini"

President and Chief Executive Officer

"Iain MacPhail"

Vice President, Finance & CFO

May 26, 2005

CANASIL RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31 2005	December 31 2004
ASSETS		
Current		
Cash and cash equivalents	\$ 518,092	\$ 681,818
Receivables	50,382	30,058
Prepaid expenses	3,907	191
	572,381	712,067
Reclamation bond	13,000	13,000
Resource properties	1,713,975	1,650,561
Capital assets	3,866	2,240
	\$ 2,303,222	\$ 2,377,868

LIABILITIES AND STOCKHOLDERS' EQUITY

Current		
Accounts payable	\$ 52,132	\$ 21,947
Stockholders' equity		
Capital stock	5,762,048	5,762,048
Contributed surplus	414,403	414,403
Deficit	(3,925,361)	(3,820,530)
	2,251,090	2,355,921
	\$ 2,303,222	\$ 2,377,868

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Bahman Yamini" Director _____
"Alvin Jackson" Director

The accompanying notes are an integral part of these consolidated financial statements.

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	2005	2004
EXPENSES		
Accounting and audit	\$ 3,950	\$ 3,400
Amortization	157	124
Directors fees	4,500	3,000
Foreign exchange gain (loss)	12,394	382
General exploration	41,702	6,096
Investor relations	15,524	4,549
Legal fees	3,286	3,070
Management fees	15,000	15,000
Office services and supplies	2,818	2,932
Registration, licence and filing	3,294	5,534
Stock transfer fees	792	2,709
Telephones	1,440	1,287
Travel and conferences	3,680	-
Loss before other item	108,537	48,083
OTHER ITEM		
Interest income	(3,706)	(5,889)
Loss for the period	(104,831)	(42,194)
Deficit, beginning of period	(3,820,530)	(3,598,152)
Deficit, end of period	\$ (3,925,361)	\$ (3,640,346)
Basic and diluted loss per share	\$ (0.006)	\$ (0.003)
Weighted average number of shares outstanding	18,432,342	18,432,342

The accompanying notes are an integral part of these consolidated financial statements.

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (104,831)	\$ (42,194)
Items not affecting cash:		
Amortization	157	124
Net change in non-cash working capital items:		
(Increase) decrease in receivables	(20,324)	(18,453)
(Increase) decrease in prepaid expenses	(3,716)	(1,874)
Increase (decrease) in accounts payable and accrued liabilities	30,185	(56,166)
Net cash used in operating activities	<u>(98,529)</u>	<u>(118,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Resource property costs and deferred exploration costs	(63,415)	(13,569)
Equipment	(1,782)	-
Net cash provided by (used in) investing activities	<u>(65,197)</u>	<u>(13,569)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Change in cash and equivalents during the period	(163,726)	(131,732)
Cash and equivalents, beginning of period	681,818	1,261,072
Cash and equivalents, end of period	\$ 518,092	\$ 1,129,340

The accompanying notes are an integral part of these consolidated financial statements.

CANASIL RESOURCES INC.**SCHEDULE OF CONSOLIDATED DEFERRED EXPLORATION EXPENDITURES
THREE MONTHS ENDED MARCH 31 AND YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

	Brenda Claims, Canada	Tres Marias and Cebollas, Mexico	Other Mexico Properties	Total
Total as at December 31, 2003	\$ 1,301,652	\$ 27,067	\$ -	\$ 1,328,719
Acquisition costs	-	30,777	-	30,777
Assays	-	9,773	-	9,773
Drilling	-	159,485	-	159,485
Geological services and field costs	-	6,532	-	6,532
Geological consulting	-	66,086	-	66,086
Geophysics	-	3,929	-	3,929
Mapping and surveying	-	18,556	-	18,556
Tenure and land	-	23,700	-	23,700
Transportation and other	-	8,004	-	8,004
Option payments received	(5,000)	-	-	(5,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Incurred during the year	(5,000)	323,132	-	421,842
	<hr/>	<hr/>	<hr/>	<hr/>
Total as at December 31, 2004	1,296,652	353,909	-	1,650,561
	<hr/>	<hr/>	<hr/>	<hr/>
Assays	-	3,636	-	3,636
Drilling	-	33,768	-	33,768
Geological services and field costs	-	-	466	466
Geological consulting	3,182	1,401	-	4,583
Mapping and surveying	8,122	-	-	8,122
Tenure and land	-	4,000	8,248	12,249
Transportation and other	-	-	589	590
	<hr/>	<hr/>	<hr/>	<hr/>
Incurred during the period	11,304	42,805	9,303	63,414
	<hr/>	<hr/>	<hr/>	<hr/>
Total as at March 31, 2005	\$ 1,311,222	\$ 396,714	\$ 9,303	\$ 1,713,975
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The accompanying notes are an integral part of these consolidated financial statements.

CANASIL RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005
(UNAUDITED)

1. BASIS OF PRESENTATION

These interim financial statements do not contain all the information required for annual financial statements and should be read in conjunction with the most recent annual financial statements of the Company.

2. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") was incorporated under the Company Act of British Columbia and is considered to be in the exploration stage with respect to its interest in resource properties. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves.

The recovery of the amounts comprising resource properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development and upon future profitable production.

These financial statements have been prepared 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. 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.

3. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus	Total
Common shares issued:				
Balances, March 31, 2005 and December 31, 2004	18,432,342	\$ 5,762,048	\$ 414,043	\$ 6,176,451

CANASIL RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005
(UNAUDITED)

4. STOCK OPTIONS AND WARRANTS

Stock options

At March 31, 2005 and December 31, 2004, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
300,000	0.32	May 11, 2005
100,000	0.23	April 17, 2007
650,000	0.26	November 6, 2008

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2003	1,235,000	0.27
Cancelled/expired in 2004	(185,000)	0.41
Balance, March 31, 2005 and December 31, 2004	1,050,000	\$ 0.27
Exercisable, March 31, 2005 and December 31, 2004	887,500	\$ 0.27

Warrants

As at March 31, 2005 and December 31, 2004, the Company had outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,250,000	0.35	June 30, 2005

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$12,000 (March 31, 2004 - \$12,000) for management fees to a company controlled by a director.
- b) Paid or accrued \$3,286 (March 31, 2004 - \$3,070) for legal services, property acquisition costs and share issuance costs to a law firm in which an officer of the Company is a partner.
- c) Paid or accrued \$4,500 (March 31, 2004 - \$3,000) to a director and to two companies each controlled by a director for directors' fees.
- d) Paid or accrued \$ nil (March 31, 2004 - \$3,000) for geological consulting fees to a director and a company controlled by a director.
- e) Paid or accrued \$3,950 (March 31, 2004 - \$3,650) to a company controlled by an officer of the Company for management and accounting fees.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at March 31, 2005 is \$3,232 (March 31, 2004 - \$27,775) due to directors or to companies controlled by directors and to a law firm in which an officer of the Company is a partner.

7. SEGMENTED INFORMATION

The Company conducts its operations in Canada and Mexico in one business segment, being the exploration and development of resource properties.



**MANAGEMENT DISCUSSION AND ANALYSIS
FORM 51-102F1**

For the Three Months ended March 31, 2005

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CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the three months ended March 31, 2005

1.1 Date and Period Covered:

This Management Discussion and Analysis for Canasil Resources Inc. (the Company) is dated May 30, 2005. It is being filed with the quarterly report covering the three months ended March 31, 2005, and follows the reporting guidelines required under form 51-102F1.

The following discussion and analysis of the financial position of the Company should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2005, and the audited annual financial statements and the MD&A for the year ended December 31, 2004. The details below update the information contained in the MD&A for the year ended December 31, 2004.

1.2 Operating Performance:

The Company is engaged in the exploration and development of mineral properties in Durango State, Mexico, and in British Columbia, Canada, hosting copper-gold, gold and silver prospects.

In October 2003, the Company signed option and joint venture agreements with Wheaton River Minerals (Wheaton River) and Luismin S.A. de C.V. (Luismin) to acquire up to a 75% interest in the Tres Marias and Cebollas silver-gold properties in Durango State, Mexico. During 2004 the area covered by these projects was increased from 2,326 hectares to 3,163 hectares through option agreements between Luismin and neighbouring claim holders and applications for new claims.

In January 2005, the Company completed 3 diamond drill holes for a total of 388 metres on the Tres Marias and Cebollas projects, as part of the diamond drill program on these properties comprising a total of 8 drill holes for 1,219 metres, completed between November 2004 and January 2005. Total exploration expenditures on these projects during the period were \$42,805. The Company's obligations under the agreements with Wheaton River and Luismin have been fulfilled to October 2006.

The Company's Mexican subsidiary, Minera Canasil SA de CV (Minera Canasil), was actively engaged in reviewing a number of silver-gold acquisition targets during the period. More than 10 different projects were visited for evaluation in the States of Durango, Zacatecas, Juanguato, Sinaloa and Sonora. During the period three projects were acquired through staking of claims, and Minera Canasil is in advanced negotiations for the acquisition of three further projects. These projects will provide a significant portfolio of silver-gold projects concentrated within convenient access from Minera Canasil's operating base in Durango.

Between July 2002 and October 2004, Northgate Minerals Corp. "Northgate" (formerly Northgate Exploration Ltd.) held an option to acquire up to 60% interest in the Company's 100% owned Brenda gold-copper property in British Columbia, Canada. During this period, Northgate completed a total of 4,581 metres of drilling on the Brenda property incurring cumulative exploration expenditures of \$621,347, and paid \$55,000 in property payments. In October 2004 Northgate decided to terminate the Option and Joint Venture agreement, and as a result the Company retains 100% interest in the project with all claims in good standing to May 30, 2015. The Company has reviewed the data and is preparing plans for further exploration work, including diamond drilling, on the Brenda project.

All other mineral claims in British Columbia have been maintained in good standing. The Lil silver mineral claims in British Columbia were expanded from 500 hectares to 1,500 hectares with the addition of 2 new claim blocks.

The Company exhibited at the Vancouver Resource Investment Conference on Jan. 23 and 24, and at the Vancouver Mineral Exploration Roundup on Jan. 26 and 27, 2005. The Company advertised in the Resource World Magazine March 2005 issue to coincide with the Prospectors and Developers Association Convention in Toronto on March 6 – 9, 2005. Total Investor Relations expenditures during the period were \$15,524.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the three months ended March 31, 2005

1.3 Financial Condition, Results of Operations and Cash Flows:

The Company's working capital as at March 31, 2005, was \$520,249 (December 31, 2004 - \$690,120). The Company has sufficient working capital to meet current operating requirements and planned expenditures for exploration and maintenance of its mineral property interests. Over the period operating expenditures were \$108,537 (2004 - \$48,083) and the Company earned interest income of \$3,706 (2004 - \$5,889). The increase in operating expenditures during the quarter was due to General Exploration \$41,702 (2004 - \$6,096), Investor Relations \$15,524 (2004 - \$4,549), foreign exchange losses \$12,394 (2004 - \$382), and Travel and Conferences \$3,680 (2004 - Nil). Net cash used for operating activities was \$98,529 (2004 - \$118,163). The reduction compared to the same period in 2004 resulted from the increase in operating expenses (\$60,454) being offset by payments made for the reduction of accounts payable (\$77,001) in 2004. Cash used for deferred exploration expenditures and acquisition costs on resource properties during the period was \$63,415 (2004 - \$13,569), comprised \$42,805 for diamond drilling and geological services claim maintenance costs incurred on the Tres Marias and Cebollas projects in Mexico, \$9,303 for the acquisition of new projects in Mexico, and \$11,304 for Mapping and Satellite surveys for the Brenda project in British Columbia. There was no cash flow from financing activities during the period (2004 - Nil).

1.4 Mineral Properties:

Under option and joint venture agreements signed with Wheaton River and Luismin, the Company holds an option to earn up to a 75% interest in the Tres Marias and Cebollas silver-gold properties in the San Dimas District, Durango State, Mexico. During the period the Company acquired 3 new silver-gold exploration projects in Mexico, the Sandra, San Francisco and Los Azules properties, through staking of claims.

The Company holds 100% interest in the following mineral properties located in the Omineca Mining District, in North-central British Columbia, Canada:

- Brenda, gold-copper prospect
- Vega, gold-copper prospect
- Granite, gold prospect
- Lil, silver prospect

Tres Marias and Cebollas silver/gold properties, Durango State, Mexico

The Tres Marias and Cebollas properties cover 3,163 hectares, located 150 km west of the city of Durango and 14 km southeast of Luismin's San Dimas/Tayoltita mine.

In October 2003, the Company signed option and joint venture agreements with Wheaton River Minerals (Wheaton River) and Luismin S.A. de C.V. (Luismin) to acquire up to a 75% interest in these projects. Canasil can earn an initial 51% interest in the properties by issuing 50,000 shares to Wheaton/Luismin and incurring US\$1,000,000 in exploration expenditures over five years. Canasil's interest may be increased to 75% in the sixth year by incurring a further US\$ 700,000 in exploration expenditures. Wheaton/Luismin retains an option to buy back a 35% interest in the properties for US\$1,700,000 after Canasil has acquired a 75% interest.

During 2004 the area covered by these projects was increased to 3,163 hectares through agreements between Luismin and neighbouring claim holders as well as acquisition of new claims. The Company completed regional and local satellite surveys and an underground and surface sampling program to investigate the Tahuehueto, Rosario and Los Laureles vein systems on the property. The underground sampling returned significant high grade gold and silver assays with grades of up to 2,300 g/t silver and 30.3g/t gold observed. Further sampling and geologic evaluation was carried out to select drill targets and a diamond drill program of 8 drill holes for a total of 1,219 metres was completed between November 2004 and January 2005. Deferred exploration expenditures on these projects during the period were \$42,805 (2004 - \$13,569). Deferred exploration expenditures to date have been \$365,937 and acquisition costs have been \$30,777 for total expenditures of \$396,714.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the three months ended March 31, 2005

Tres Marias and Cebollas silver/gold properties, Durango State, Mexico (contd.)

A discussion of the results from the drill program is included in the annual MD&A for the year ended December 31, 2004. The results from this program indicate that precious metal epithermal mineralization at both the Tahuehueto-Rosario and the Los Laureles areas is confined to specific shoots or horizons isolated along extensive regional fault structures. Work completed by Canasil confirms the Tahuehueto-Rosario structure to be over 800 metres long with a known vertical extent of 150 metres. The section of the Los Laureles vein tested extends intermittently for 75 metres and down dip for at least 140 metres. Both these areas of interest remain open along strike and at depth.

The Company's obligations under the agreements with Wheaton River and Luismin for the acquisition of these projects have been fulfilled to October 2006

Brenda gold/copper property, British Columbia, Canada

The Company holds 100% interest in the Brenda property, 178 claim units covering 4,450 hectares (44.5 square kilometres) located in the core of the Kemess-Toodoggone porphyry copper-gold district in the Omineca Mining Division, approximately 450 kilometres northwest of Prince George, B.C. All claims are currently in good standing to May 30, 2015.

Option and Joint Venture Agreements were signed with Northgate on July 31, 2002, providing for Northgate to earn a 60% interest in the Brenda property by incurring \$2,000,000 in exploration expenditures and making \$140,000 in cash payments over four years. Between August 2002 and October 2004, when the agreement was terminated, Northgate completed \$621,347 in exploration expenditures, including airborne high resolution magnetic, radiometric and satellite imaging surveys and 14 diamond drill holes for a total of 4,581 metres. Northgate also made cumulative property payments of \$55,000. The results of this exploration program confirmed the presence of gold bearing copper porphyry style mineralization with alteration comparable to that found at Kemess. Mineralized intersections observed in drilling confirm that significant gold bearing mineralization occurs in the White Pass zone over the tested strike length of 520 metres and to a depth of 451 metres.

The Brenda property is an advanced gold-copper exploration project located centrally in the highly prospective Kemess-Toodoggone district. There has been over \$3,000,000 in cumulative exploration expenditures on the property, including geophysics, geochemistry and 7,730 metres of diamond drilling in 38 drill holes. The Company has undertaken a review of the exploration data for the Brenda property and concluded that there are at least two large potential target zones (1,000m x 300m and 1,000m by 600m) defined by past drilling, geochemistry and geophysics, which have not been tested.

During the period the Company prepared plans and documentation required for permits for further exploration and drilling on the Brenda project to test these target zones. Expenditure for mapping and satellite surveys for the Brenda project during the period were \$11,304. There were also discussions with interested parties regarding cooperation agreements for further exploration of the Brenda project. Further exploration and drilling by the company on this project will depend on arranging the required financing at a reasonable share price.

Vega, Lil and Granite properties, BC, Canada

There was no significant exploration work on these projects during the period. The area covered by the Lil claims was expanded from 500 hectares to 1,500 hectares through the addition of 2 new adjacent mineral claims.

CANASIL RESOURCES INC.**MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1**

For the three months ended March 31, 2005

Acquisition and Disposition of Resource Properties

During the quarter ended March 31, 2005, the Company was actively engaged in the evaluation of potential acquisition targets for silver-gold exploration projects in Mexico through its subsidiary, Minera Canasil, based in Durango. A large number of projects were identified and at least ten projects, located in Durango, Zacatecas, Juanguato, Sinaloa and Sonora States were visited and evaluated in detail. This resulted in the acquisition of three new silver-gold projects – the Sandra and San Francisco projects in Durango State, and the Los Azules project in Sinaloa. The Company is in advanced negotiations for the acquisition of three other silver-gold exploration projects in Mexico. These projects are located within convenient access from the Company's operating base in Durango.

San Francisco Project, Durango State, Mexico

The San Francisco property covers 500 hectares located 104 km West of the city of Durango, and approximately 12 km south of the Company's Tres Marias and Cebollas silver-gold projects, located 14 km southeast of the Tayoltita mine in the San Dimas mining district of Durango. The claims are within view of the community of San Francisco. The access road cuts through the centre of the property, as does the main power line supplying the Tayoltita mine.

Mineralisation observed on the San Francisco property consists of epithermal low sulphidation quartz veins hosted by volcanic rocks of the Upper Volcanic Group. Veins observed at surface over a strike length of over 400 metres range between 4 metres to 20 metres in width. Surface samples returned high values of Mercury (between 1,000 ppb to 7,000 ppb) indicating the higher levels of a potential mineralized system. The project will require a program of geologic mapping and surface sampling to identify and establish drill targets over the wide structure observed.

Sandra Project, Durango State, Mexico

The Sandra property covers 500 hectares, located 183 km northwest of the city of Durango and 40 km north of the community of Tepehuanes, with good infrastructure provided by paved roads, power lines and water access in the district. The mineralisation consists of low sulphidation veins hosting silver and gold, possibly in a transition between epithermal and mesothermal formations. The host rocks are composed of andesites, rhyolites and intrusive bodies, possibly of andesitic composition. The Maria Fernanda vein on the property has been traced over a strike length of over 500 metres. Initial surface samples collected over the vein alteration zone returned gold and silver values listed in the table below with their respective positions along strike. Further geologic mapping and trench sampling is required to establish the strike length and width of the vein and for the selection of potential drill targets.

Sample No.	UTM Coordinates		Dist. Along Strike (m)	Width (m)	Silver g/t	Gold g/t
	East	North				
248	428658	2834306	0	Float	297	10.93
247	428781	2834322	123	Float	180	1.50
246	428815	2834428	157	Float	128	1.47
245	428836	2834331	178	2.10	77	2.04
244	428870	2834333	212	Float	316	5.25
243	428921	2834327	263	Float	139	0.05
1040	428945	2834300	287	Float	115	0.06
1039	428961	2834327	303	Float	170	0.325
242	428964	2834333	306	Float	92	0.03
241	429018	2834311	360	0.15	39	1.42
1038	429018	2834327	360	0.40	686	1.02
1037	429181	2834281	523	Float	228	0.195

CANASIL RESOURCES INC.**MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1**

For the three months ended March 31, 2005

The Sandra property samples were collected from floats on the surface trace of the vein, or where outcropping from the vein, and analyzed at the Luismin Laboratories, Durango, Mexico, by fire assay (30 g sub sample) for silver and gold, and for multiple elements by ICP. On the San Francisco property 13 samples were collected from altered rocks and quartz floats at surface over the vein structure and analyzed at the ALS Chemex Laboratories in Mexico by fire assay for silver and gold, and for multiple elements by ICP.

Los Azules project, Sonora State, Mexico

The Los Azules property covers 2,000 hectares, located 60 km southeast of the city of Mazatlan. The infrastructure at the property is excellent with the new Mazatlan-Escuinapa highway providing direct and easy access to the City and port facilities of Mazatlan. Power and water are available throughout the district, from power lines covering the area and a ready supply of water from underground sources.

The mineralization consists of epithermal low sulphidation veins with gold, silver and copper mineralization, hosted by volcanic and intrusive rocks of Tertiary age. The area has shown possibilities for the occurrence of Tourmaline-gold breccias, similar to the mineralization at Los Brasiles, located 15 km northeast of the property. An initial exploratory trench used to strip overburden and evaluate the structure of mineralization on the property identified a mineralized vein over a distance of 40 metres, with a width of approximately 2.40 metres. The alteration zone surrounding the vein covers a distance of approximately 25 metres. Intrusive rocks with quartz stockwork are observed in this alteration zone. 18 samples collected to evaluate and define the boundaries of the claims returned encouraging results in gold, silver and copper, with grades up to 2.71 g/t gold, 60 g/t silver and 4.49% copper observed in various samples with widths of 1.0 – 1.5 metres.

These projects are early stage exploration targets offering a combination of high upside potential with low acquisition and maintenance costs. The Company will be conducting the initial phase of geologic evaluation and sampling to define drill targets and determine the potential for these projects. At the same time the Company is also actively continuing to pursue the acquisition of more advanced, drill ready silver-gold projects in Mexico.

1.5 Selected Quarterly Information:

The following tables set forth selected financial information of the Company for each of the last eight quarters ending at the end of the most recently completed financial period:

Year	2005	2004				2003		
Quarter ended:	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	June 30
Loss before extraordinary Items	(104,831)	(67,407)	(31,758)	(81,019)	(42,194)	(60,676)	(22,878)	(44,226)
Loss per share	(0.0057)	(0.0037)	(0.0018)	(0.0043)	(0.0023)	(0.0033)	(0.0018)	(0.0034)
Loss for the quarter	(104,831)	(67,407)	(31,758)	(81,019)	(42,194)	(60,676)	(22,878)	(44,226)
Loss per share	(0.0057)	(0.0037)	(0.0018)	(0.0043)	(0.0023)	(0.0033)	(0.0018)	(0.0034)
Shares Issued	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342	12,877,342	12,877,342

CANASIL RESOURCES INC.**MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1**For the three months ended March 31, 2005

1.6 Liquidity and capital resources:

The Company has sufficient financial resources to undertake currently planned exploration programs and operating expenditures. Future exploration and subsequent development of the Company's properties beyond currently planned expenditures will depend on the Company's ability to obtain additional financing.

The Company had working capital at March 31, 2005 of \$520,249 (December 31, 2004 - \$690,120). The Company had no material income from operations. As at March 31, 2005, the Company had no long-term debt.

For the period ended March 31, 2005, the Company experienced a negative cash flow of \$163,726 (2004 - \$131,732) from operating, investing and financing activities. This reflects a lower level of cash used in operating activities of \$98,529 (2004 - \$118,163), and a higher amount used in investment activities of \$65,197 (2004 - \$13,569).

1.7 Related Party Transactions:

During the period, the Company paid or accrued a total of \$23,736 (2004 - \$25,790) to related parties covering Directors' and management fees and geological and legal services.

1.8 Financial Instruments:

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The carrying value of cash and cash equivalents, marketable securities, sundry receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

1.9 Outstanding Share Data as at March 31, 2005

(a) Authorized and issued shares as at March 31, 2005 were as follows:

Class	Par Value	Authorized	Issued	Amount
Common	No par value	100,000,000	18,432,342	\$5,762,048

(b) As at March 31, 2005, a total of 1,050,000 incentive stock options were outstanding of which number, 887,500 incentive stock options were exercisable.

Number of Shares	Exercise Price	Expiry Date
300,000	0.32	May 11, 2005
100,000	0.23	April 17, 2007
650,000	0.26	November 26, 2008
1,050,000	0.27	

(c) As at March 31, 2005, the Company had 2,250,000 outstanding share purchase warrants, enabling the holders to acquire 2,250,000 additional common shares at a process of \$0.35 per share on or before June 30, 2005.

(d) No shares are subject to escrow or pooling arrangements.

CANASIL RESOURCES INC.

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For the three months ended March 31, 2005

1.10 Accounting Policies:

The Company's current accounting policies are stated in the notes attached to the audited annual financial statements for the year ended December 31, 2004.

1.11 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 period the Company exhibited at the Vancouver Resource Investment Conference on Jan. 23 and 24, and at the Vancouver Mineral Exploration Roundup on Jan. 26 and 27, 2005. The Company advertised in the Resource World Magazine March 2005 issue to coincide with the Prospectors and Developers Association Convention in Toronto on March 6 – 9, 2005. Total Investor Relations expenditures during the period were \$15,524 (2004 - \$4,549). The Company does not have any contracts for the provision of Investor Relations services.

1.12 Subsequent events:

Subsequent to March 31, 2005, the Company continued to actively evaluate new gold and silver projects for acquisition in Mexico. The area covered by the Sandra, San Francisco and Los Azules claims was expanded, and the Company was engaged in advanced negotiations for the acquisition of a number of additional silver-gold projects in Mexico.

1.13 Other Information:

Detailed information on the Company and its operations is available on the Company's website at www.canasil.com and on SEDAR at www.sedar.com.

1.14 Forward-Looking Statements:

Any statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results and developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration results, availability of capital and financing, and general economic, market and business conditions.

1.15 General Factors Affecting the Business of the Company

Annual comparative financial information and a discussion of General Factors Affecting the Business of the Company are presented in the audited annual financial statements and MD&A filed for the year ending December 31, 2004.

BY ORDER OF THE BOARD

"Bahman Yamini"

Bahman Yamini
President, CEO & Director

"Alvin Jackson"

Alvin Jackson
Director