

CANASIL RESOURCES INC.
INTERIM BALANCE SHEET
SEPTEMBER 30, 2003
(UNAUDITED)

| | September 30 2003 | December 31 2002 |
|---|----------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 48,607 | \$ 113,663 |
| Interest receivable | 115 | 160 |
| GST recoverable | 1,136 | 5,204 |
| Prepaid expenses | 1,223 | 1,115 |
| | 51,081 | 120,142 |
| Reclamation bond | 13,000 | 13,000 |
| Resource properties | 1,302,031 | 1,331,005 |
| Capital assets | 2,634 | 3,099 |
| | \$1,368,746 | \$1,467,246 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable | \$ 36,252 | \$ 27,147 |
| Stockholders' equity | | |
| Capital stock | 4,839,971 | 4,845,059 |
| Contributed surplus | 30,000 | 30,000 |
| Deficit | (3,537,477) | (3,434,960) |
| | 1,332,494 | 1,440,099 |
| | \$1,368,746 | \$1,467,246 |

On behalf of the Board:

"Bahman Yamini"

Director

"Alvin Jackson"

Director

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

CANASIL RESOURCES INC.
STATEMENT OF OPERATIONS AND DEFICIT
NINE MONTH PERIOD ENDED SEPTEMBER 30
(UNAUDITED)

| | Three Months Ended Sept. 30 | | Nine Months Ended Sept. 30 | |
|--|-----------------------------|-----------------------|----------------------------|-----------------------|
| | 2003 | 2002 | 2003 | 2002 |
| EXPENSES | | | | |
| Accounting and audit | \$ 2,500 | \$ 1,250 | \$ 9,500 | \$ 3,580 |
| Amortization | 155 | 209 | 465 | 628 |
| Directors fees | 2,500 | 6,250 | 7,500 | 6,250 |
| Foreign exchange loss / (gain) | 10 | (390) | 1,083 | 41 |
| Investor relations | 108 | 865 | 2,063 | 1,652 |
| Legal | 250 | 1,648 | 5,618 | 14,265 |
| Management fees | 8,000 | 14,000 | 24,000 | 42,000 |
| Office rent | - | 400 | - | 2,800 |
| Office services and supplies | 1,036 | 1,377 | 4,757 | 6,301 |
| Registrations, license and filing | 2,256 | 1,610 | 8,963 | 6,243 |
| Stock transfer fees | 448 | 273 | 3,730 | 1,961 |
| Telephone | 815 | 472 | 2,556 | 1,865 |
| Travel and conferences | - | 431 | 313 | 1,540 |
| | <u>18,078</u> | <u>28,395</u> | <u>70,548</u> | <u>89,117</u> |
| OTHER ITEMS | | | | |
| Interest revenue | (118) | (170) | (574) | (688) |
| General exploration | 4,918 | 14,948 | 32,543 | 14,948 |
| | <u>4,800</u> | <u>14,778</u> | <u>31,969</u> | <u>14,260</u> |
| Loss for the period | (22,878) | (43,173) | (102,517) | (103,377) |
| Deficit at beginning of period | <u>(3,514,599)</u> | <u>(3,315,765)</u> | <u>(3,434,960)</u> | <u>(3,255,561)</u> |
| Deficit at end of period | <u>\$(3,537,477)</u> | <u>\$ (3,358,938)</u> | <u>\$(3,537,477)</u> | <u>\$ (3,357,938)</u> |
| Loss per share | \$ (0.002) | \$ (0.004) | \$ (0.008) | \$ (0.009) |
| Weighted average number of shares | 12,877,342 | 11,877,342 | 12,877,342 | 11,877,342 |

CANASIL RESOURCES INC.
STATEMENT OF CASH FLOWS
NINE MONTH PERIOD ENDED SEPTEMBER 30
(UNAUDITED)

| | Three Months Ended Sept. 30 | | Nine Months Ended Sept. 30 | |
|---|-----------------------------|-------------|----------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Loss for period | \$ (22,878) | \$ (43,173) | \$ (102,517) | \$ (103,377) |
| Items not affecting cash | | | | |
| Amortization | 155 | 209 | 465 | 628 |
| | (22,723) | (42,964) | (102,052) | (102,749) |
| Net change in non-cash working capital items | 10,791 | 12,452 | 13,109 | 19,312 |
| | (11,932) | (30,512) | (88,943) | (83,437) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Resource properties expenditures | (379) | 8,968 | (1,026) | (25,594) |
| Resource property option proceeds | 30,000 | 20,000 | 30,000 | 20,000 |
| | 29,621 | 11,302 | 28,974 | 3,374 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Share issue costs | - | - | (5,087) | - |
| | - | - | (5,087) | - |
| Increase (decrease) in cash and cash equivalents | 17,689 | (19,210) | (65,056) | (80,063) |
| Cash and cash equivalents - beginning of period | 30,918 | 68,472 | 113,663 | 129,325 |
| Cash and cash equivalents - end of period | \$ 48,607 | \$ 49,262 | \$ 48,607 | \$ 49,262 |

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(UNAUDITED)

1. BASIS OF PRESENTATION

These 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 OF OPERATIONS

Canasil Resources Inc. (the "company") is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The company's ability to fulfil its property acquisition and exploration obligations is dependent on its ability to secure additional financing. The company is negotiating with third parties to finance its projects, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

3. RESOURCE PROPERTIES

Resource properties consist of:

| | September 30 2003 \$ | December 31 2002 \$ |
|---|----------------------------|---------------------------|
| Brenda Property, B.C., Canada (a) | | |
| Acquisition costs | 174,551 | 174,551 |
| Deferred development expenditures | 1,127,101 | 1,156,454 |
| | <hr/> 1,301,652 | <hr/> 1,331,005 |
| Tres Marias/Cebollas Properties, Durango, Mexico (b) | | |
| Acquisition Cost | <hr/> 379 | <hr/> - |
| | <hr/> 379 | |
| | <hr/> <hr/> 1,302,031 | <hr/> <hr/> 1,331,005 |

(a) During the period, the company received an option payment of \$30,000 and incurred geological costs of \$647, which amounts are included in deferred development expenditures.

(b) The company also incurred costs in the amount of \$6,118 related to the evaluation and acquisition of this property in a prior period. These costs have been included in general exploration costs

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(UNAUDITED)

4. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties:

| | September 30 2003 \$ | September 30 2002 \$ |
|----------------------------|----------------------------|----------------------------|
| Management fees | 24,000 | 42,000 |
| Legal Fees | 5,618 | 13,094 |
| Deferred exploration costs | 359 | 16,407 |
| Directors fees | 7,500 | 6,250 |
| Share issue costs | 5,087 | - |

5. SEGMENTED INFORMATION

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

SCHEDULE A: FINANCIAL INFORMATION

See attached unaudited financial statements for the nine month period ended September 30, 2003.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. For a breakdown of general and administrative expenses, mineral properties and deferred exploration costs, see the attached unaudited consolidated financial statements.
2. For related party transactions, see Note 4 of the attached unaudited financial statements.
3. a) For the nine month period ended September 30, 2003, securities were issued as follows:

| Type of Security | Issue Type | Number of Shares | Price Per Share | Total Proceeds | Type of Consideration |
|------------------|--------------------|------------------|-----------------|----------------|-----------------------|
| Shares (1) | Private Placements | 1,000,000 | \$0.10 | \$ 100,000 | Cash |

(1) In December 2002, the Company completed non-brokered private placements of 1,000,000 units. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one warrant share at a price of \$0.15. In January 2003, the common shares were issued from treasury in exchange for the units.

- b) For the nine month period ended September 30, 2003, no incentive stock options were granted.
4. a) Authorized: 50,000,000 common shares without par value
- b) Issued: 12,877,342 common shares with a stated value of \$ 4,839,971
- c) As at September 30, 2003, the following incentive stock options were outstanding.

| Number of Shares | Exercise Price | Expiry Date |
|------------------|----------------|-----------------|
| 170,000 | 0.41 | May 12, 2004 |
| 150,000 | 0.41 | July 20, 2004 |
| 65,000 | 0.41 | October 7, 2004 |
| 300,000 | 0.32 | May 11, 2005 |
| 100,000 | 0.23 | April 17, 2007 |

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

SCHEDULE B: SUPPLEMENTARY INFORMATION (continued)

5. List of directors and officers:

Bahman Yamini, President and Director
Gary Nordin, Director
Alvin Jackson, Director
Iain MacPhail, Chief Financial Officer
Graham Scott, Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company is engaged in the identification, exploration and development of mineral resources in Canada and Mexico. During the quarter, Northgate Exploration completed a planned exploration program, including 1,480m of diamond drilling, on the Company's Brenda property, in British Columbia, Canada. Northgate may earn a 60% interest in the Brenda property over a period of four years to July 2006 under an option and joint venture agreement concluded in July 2002.

The Company has also pursued opportunities for the acquisition of gold and silver properties in Mexico and in October 2003 entered into an agreement with Wheaton River Minerals Inc. and its wholly owned subsidiary, Luismin S.A. de C.V., to acquire up to a 75% interest in the Tres Marias and Cebollas gold/silver projects located in Durango State, Mexico. The Company is continuing to review and evaluate a number of other gold/silver projects in Mexico with exceptional potential.

In order to fund the Company's acquisition, exploration and development programs the Company has entered into discussions to arrange a private placement of shares for proceeds of up to \$1 million. There has been active interest from leading investment houses to participate in this placement and subsequent to the end of the period an announcement has been made for a private placement of up to 4,000,000 units at \$0.25 per unit.

Projects

Brenda Gold-Copper Porphyry Project, British Columbia, Canada

The property is subject to Option and Joint Venture Agreements signed with Northgate Exploration Ltd., the operator of the South Kemess mine, on July 31st, 2002. Under the agreements, Northgate may earn a 60% interest in the property by incurring \$2 million in exploration expenditures and \$140,000 in property payments over 4 years to July 2006. Northgate's 2002 exploration program, including 4 diamond drill holes for a total of 1,650m, confirmed indications of a Kemess style gold-bearing porphyry system on the Brenda property with alteration comparable to that of the Kemess North deposit.

In mid-June 2003, Northgate started the 2003 exploration program, including further drilling, as weather conditions allowed an earlier start to the program than initially expected. In July 2003, the Company and Northgate Exploration agreed to extend the July 31, 2003 date of the Brenda property option payment to August 31, 2003, to allow sufficient time for completion of the 2003 drill program and review of the results. 5 diamond drill holes for a total of 1,485m were completed in the White Pass zone on the Brenda property in July and August 2003.

In August 2003, Northgate Exploration confirmed that the results of the 2003 diamond drill program were particularly encouraging encountering significant gold and copper intersections. Drill hole BR-03-06 intersected 61.9m with 0.128% copper and 0.440 g/t gold, and drill hole BR-03-07 intersected 161.6m with 0.079% copper and 0.565 g/t gold. These results are a significant improvement over 2002 drilling results in terms of both the gold and copper grades as well as the length of the overall drill intersections and indicate the potential for a significant resource on the Brenda property. Based on these results, Northgate Exploration has made the scheduled \$30,000 option payment to the Company and announced plans to continue exploration in the summer of 2004. Northgate's continued interest and participation in the exploration and development of the Brenda property is a very positive development for the Company.

Mexico Gold/Silver initiative

The Company completed a systematic review of opportunities for acquisition of new mineral exploration and development projects in Mexico during the first quarter, and undertook detailed technical reviews and property visits to four properties during the second quarter. On October 21, 2003, the Company succeeded in concluding an agreement with Wheaton River Minerals and its wholly owned subsidiary, Luismin S.A. de C.V. to acquire up to a 75% interest in the Tres Marias and Cebollas projects in Durango State, Mexico.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Mexico Gold/Silver initiative (continued)

The Tres Marias and Cebollas properties cover 1,860 hectares, located 150 km west of the city of Durango and 14 km southeast of Luismin's San Dimas/Tayoltita mine in the Sierra Madre Occidental on the western border of Durango State. The properties are situated on the prospective northwest to southeast structural trend from the San Dimas/Tayoltita mine. The regional and property geology provide a favourable environment for the occurrence of high-grade gold/silver epithermal vein type deposits. Past production from the San Dimas/Tayoltita deposits has been 19 million tonnes of ore with 9.1 million ounces gold and 654 million ounces silver for a total gold equivalent of 19.2 million ounces (Wheaton/Luismin data).

The properties host numerous outcropping mineralized vein systems with samples returning average grades between 2-4 g/t gold and 200-400 g/t silver, with many samples returning significantly higher gold and silver grades.. Activity at the Los Laureles vein at Tres Marias was first recorded in 1949 with smelter shipments of 73 tonnes of ore grading 40 g/t gold and 2,918 g/t silver (hand sorted ore in a 4:1 ratio). Chip sampling and regional mapping undertaken by Luismin in 2003 identified the potential for multi-directional vein structures, including the Los Laureles vein, with a possible strike length of over 1,200 metres and assays up to 10.14 g/t gold and 333 g/t silver over 1.7 metres. In addition 5 to 10 metre wide zones of breccia, stockwork and intense silicification along the flanks of these veins have yet to be systematically sampled for gold and silver mineralization. The Tres Marias and Cebollas properties have been sporadically worked by family miners and have never been systematically explored or drill tested.

Under the agreement, Canasil can earn an initial 51% interest in the properties by issuing 50,000 shares to Wheaton / Luismin and incurring US\$ 1.0 million 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. The agreement provides Wheaton / Luismin with an option to buy back a 35% interest in the properties for US\$ 1.7 million after Canasil has acquired a 75% interest.

This agreement fits the Company's objective of acquiring properties with exceptional geologic potential and the possibility to add significant future value through cost effective exploration. The opportunity to cooperate with Wheaton River and Luismin will be very beneficial given Luismin's well-established operations and infrastructure in Durango State. The Company is continuing to review a number of additional gold and silver projects in Mexico with outstanding potential.

Results of Operations, Liquidity and Capital Reserves

Total operating expenditures (net of interest income) over the period were \$ 102,507 (\$103,377 for the same period in 2002). The operating expenditures for the period include general exploration costs of \$ 32,543 (\$ 14,948 for the same period in 2002). The working capital position at end of the third quarter was \$ 14,829.

The Company has actively pursued possibilities for additional financing to meet the requirements for development of its mineral properties, and for funding the development of the new project(s) in Mexico. There has been strong interest from several investment houses to participate in this financing and on November 26, 2003, the Company announced plans for a private placement of 4,000,000 Units at \$0.25 per unit for proceeds of up to \$1,000,000. Each unit comprises one common share and one-half share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for \$0.35 within one year of the closing of the placement.

Related Party Transactions

Related party transactions during the period comprised fees paid to Directors and Officers of the Company for administrative, legal and consulting services, for a total of \$ 42,564 (\$ 77,751 for the same period in 2002).

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook

Management objective for the fourth quarter will be to complete the proposed \$1 million financing by the year-end. This will allow the Company to proceed with its development program by starting planned exploration work on the Tres Marias and Cebollas projects and continuing with plans for the acquisition of additional projects in Mexico.

Investor Relations

The Company does not have any investor relations contracts. The Company's website www.canasil.com has been updated and maintained and the electronic mailing list feature activated for regular distribution of news and Company information to investors, analysts and investment funds interested in the junior exploration sector.

Subsequent events

Subsequent to September 30, 2003:

- The Company has entered into an option agreement with Wheaton River Minerals Ltd. (Wheaton River, TSX: WRM) and its wholly owned subsidiary Minas Luismin S.A. de C.V. (Luismin) to earn up to a 75% interest in the Tres Marias and Cebollas Gold / Silver properties located in Durango State, Mexico (See Projects – Mexico Gold/Silver initiative).
- Mr. Michael McInnis has been appointed to the Company's Board of Directors. Mr. McInnis is President, CEO and a Director of Gateway Gold Corp. and serves as a Director on the Boards of a number of other minerals companies. Mr. McInnis has over 30 years of experience in mineral exploration and over 20 years of experience in managing public resource companies with a demonstrated track record in acquiring, financing and developing mineral projects.
- Mr. Gary Nordin has been appointed Vice President, Exploration, and in this capacity will assume direct responsibility for the Company's exploration and project development programs. Mr. Nordin has been a Director of the Company since 1999, and been closely involved with the Company's review, selection and acquisition of precious metals projects. Mr. Nordin is a leading exploration geologist with a proven track record of identifying and developing precious metal mining projects. He is one of the founding members and Directors of Bema Gold Corporation and Eldorado Gold Corporation and has also served as a Director of several other public resource companies.
- The Company has granted a total of 650,000 incentive stock options to directors and officers of the Company, pursuant to the Company's stock option plan. The options are exercisable for a five-year period at a price of \$0.26 per share and are subject to regulatory and shareholder approval. The above stock options replace in part 300,000 stock options exercisable at \$0.30 per share, which expired in June 2003, and 200,000 incentive stock options exercisable at \$0.41 per share and expiring from May to July 2004, which have been cancelled.
- The Company has announced a non-brokered private placement of up to 4,000,000 Units at \$0.25 per unit for proceeds of up to \$1,000,000. Each unit comprises one common share and one-half share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for \$0.35 within one year of the closing of the placement. The proceeds of this placement will be used to fund the planned exploration program at the Tres Marias and Cebollas projects in Durango, Mexico, for acquisition of additional gold/silver properties in Mexico which are currently under review, and for general working capital.