



FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2004

(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 been reviewed by an auditor.

The accompanying un-audited 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 interim financial statements by an entity's auditor.

"Bahman Yamini "

Bahman Yamini
President and Chief Executive Officer

"Iain MacPhail "

Iain MacPhail
Vice President, Finance & CFO

May 28, 2004

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

	2004	2003
EXPENSES		
Accounting and audit	3,400	4,500
Amortization	124	155
Directors fees	3,000	2,500
Foreign exchange gain (loss)	382	637
General exploration	6,096	7,842
Investor relations	4,549	742
Legal fees	3070	1,526
Management fees	15,000	8,000
Office services and supplies	2,932	1,788
Registration, licence and filing	5,534	5,816
Stock transfer fees	2,709	1,325
Telephones	1,287	740
Travel and conferences	-	99
	<u>48,083</u>	<u>35,669</u>
Interest income	<u>(5,889)</u>	<u>(256)</u>
Loss for the period	(42,194)	(35,413)
Deficit, beginning of period	<u>(3,598,152)</u>	<u>(3,434,960)</u>
Deficit, end of period	<u>(3,640,346)</u>	<u>(3,470,373)</u>
Basic and diluted loss per share	<u>(0.003)</u>	<u>(0.003)</u>
Weighted average number of shares outstanding	<u>18,432,342</u>	<u>12,877,342</u>

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

CANASIL RESOURCES INC.
STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31
(UNAUDITED)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(42,194)	(35,413)
Items not affecting cash:		
Amortization	124	155
Changes in non-cash working capital items	(76,093)	2,919
Net cash used in operating activities	(118,163)	(32,339)
CASH FLOWS FROM INVESTING ACTIVITIES		
Resource properties	(13,569)	(47)
Net cash used in investing activities	(13,569)	(47)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue costs	-	(5,087)
Net cash used in financing activities	-	(5,087)
Change in cash during the period	(131,732)	(37,473)
Cash position, beginning of period	1,261,072	113,663
Cash position, end of period	1,129,340	76,190

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004
(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.

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

	Tres Marias and Cebollas, Mexico	Brenda Claims, Canada	Total
Balance, December 31, 2003	\$ 27,067	\$ 1,301,652	\$ 1,328,719
Additions during the period:			
Geology	3,657	-	3,657
Mapping	8,192	-	8,192
Acquisition costs	1,720	-	1,720
	<u>13,569</u>	<u>-</u>	<u>13,569</u>
Balance, March 31, 2004	\$ 40,636	\$ 1,301,652	\$ 1,342,288
Resource Properties consist of:			
Acquisition cost	\$ 17,290	\$ 194,551	\$ 211,841
Property payments received	-	(50,000)	(50,000)
	<u>17,290</u>	<u>144,551</u>	<u>161,841</u>
Deferred development expenditures	23,346	1,157,101	1,180,447
	<u>40,636</u>	<u>1,301,652</u>	<u>\$ 1,342,288</u>

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2003
(UNAUDITED)

4. RELATED PARTY TRANSACTIONS

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

	March 31 2004 \$	March 31 2003 \$
Accounting and audit	650	-
Management fees	15,000	8,000
Legal Fees	3,070	1,526
Deferred exploration costs - Geology	3,000	-
Deferred exploration costs – Acquisition costs	1,720	-
Directors' fees	3,000	2,500
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.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Three Month Period ended March 31, 2004

1.1 Date and period covered:

This Management Discussion and Analysis for Canasil Resources Inc. (the Company) is dated May 30, 2004. It is being filed with the quarterly report covering the three months ended March 31, 2004, and follows the new reporting guidelines required under form 51-102F1. As it is the Company's first filing under this new guideline, it has been prepared under the format required for annual filings. The quarterly update format will be used with the subsequent interim quarterly statements.

The following discussion and analysis of the financial position of the Company for the quarter ended March 31, 2004, should be read in conjunction with the un-audited financial statements and related notes.

1.2 Operating Performance:

Canasil Resources Inc. (the Company) is a mineral resource company engaged in the exploration and development of mineral properties in North America since 1984. The Company's initial exploration focus was in British Columbia, Canada, with interests in mineral exploration properties hosting copper-gold, gold and silver prospects. In July 2002, the Company signed an option and joint venture agreement with Northgate Exploration Ltd. (Northgate) covering the Brenda gold-copper property, which was the Company's most advanced exploration project in British Columbia. Northgate has completed successful exploration programs on the Brenda property in 2002 and 2003 and has confirmed plans for further exploration in 2004.

In 2003, in order to take advantage of the greater interest in mining and exploration projects due to the higher prices for precious and base metals and in particular gold and silver, the Company acquired two new exploration properties in Durango State, Mexico. Both projects host high-grade silver-gold epithermal vein systems. These properties were acquired from Wheaton River Minerals (Wheaton River) and Luismin S.A. de C.V. (Luismin) under option and joint venture agreements signed with these companies in October 2003.

During the first quarter of 2004, the Company started the exploration program on the Mexican properties with satellite surveys covering the properties and the surrounding area, followed by an underground and surface sampling program in April 2004. Northgate also informed the Company of its plans for continued diamond drilling on the Brenda property in British Columbia, Canada, planned to start in June 2004.

Financial Condition, Results of Operations and Cash Flows

The Company's working capital as at March 31, 2004, was \$1,111,488. 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 quarter, operating expenditures were \$48,083 (\$35,669 for the same period in 2003) and the Company earned interest income of \$5,889 (\$256 for the first quarter of 2003). Net cash used for operating activities increased to \$118,163 (\$32,339 for the same period in 2003). This was primarily due to payments made for the reduction of accounts payable for commissions and costs related to the financing completed in December 2003, and advances paid for exploration work on the Mexico projects. Deferred exploration expenditures and acquisition costs on resource properties during the quarter were \$13,569, related to geological services, satellite surveys and legal costs incurred on the Mexico projects. All claim titles on the mineral properties in British Columbia, Canada, were extended where required, with cash payments of \$6,096 (included in operating expenditures) and additional allocations from the Company's PAC account.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Three Month Period ended March 31, 2004

Mineral Properties

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

Of these, the most advanced mineral property is the Brenda property, which is subject to an option and joint venture agreement signed in July 2002 with Northgate Exploration Ltd.

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.

Brenda gold/copper property, British Columbia, Canada

The Company earned a 100% interest in the Brenda property, 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., under an option agreement with Canmine Development Company in 1986. Since that date Canasil has undertaken systematic exploration of the property, including mapping, geo-chemical sampling, geophysical surveys and diamond drilling. In 1987 and 1988 Cyprus (Canada) undertook exploration and diamond drilling, and in 1993 Romulus Resources Ltd. completed further geo-chemical and geophysical surveys and diamond drilling, both under option agreements with Canasil. Additional claims have been added to the property on a regular basis to make up the current 178 contiguous claim units covering 4,450 hectares (44.5 square kilometres). Northgate Exploration Ltd. currently holds the property in trust under an option and joint venture agreement described below. All claims are currently in good standing to May 30, 2014.

The Option and Joint Venture Agreements with Northgate Exploration Ltd. were signed 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. Upon exercise of the option the companies may proceed in a 60:40 joint venture. If Canasil decides not to fund its share of JV expenditures, its interest will revert to a 2% NSR, half of which may be bought out by Northgate for \$2,000,000.

In 2002 Northgate undertook airborne high resolution magnetic, radiometric and satellite imaging surveys and completed a total of 1650m of diamond drilling in four holes for total exploration expenditures of \$195,740. The results confirmed the presence of gold bearing copper porphyry style mineralization with alteration comparable to that found at Kemess.

In 2003 Northgate completed five diamond drill holes for a total of 1,485m and made the 2003 property payment of \$30,000. Exploration expenditures in 2003 amounted to \$176,927. This brings the total expenditures to date under the option and joint venture agreement with Northgate to \$372,667, and cumulative property payments to date of \$50,000.

Two of the 2003 drill holes encountered significant gold/copper porphyry mineralization, with drill hole BR-03-06 returning 61.9m at 0.440 g/t gold and 0.128% copper, and BR-03-07 returning 161.6m at 0.565 g/t gold and 0.079% copper. These intersections indicate the potential for a significant resource on the property and Northgate has confirmed plans for continued drilling in 2004, with initial plans envisaging up to five drill holes for a total of 1,500m. Under the agreement, Northgate must incur \$2,000,000 in exploration expenditures and \$140,000 in property payments by July 2006 in order to earn a 60% interest in the Brenda property

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

For the Three Month Period ended March 31, 2004

Vega gold/copper property, British Columbia, Canada

The 100% owned Vega claims consist of 56 units covering approximately 14 square kilometres located between the Osilinka and Mesilinka river systems in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George. Access to the property, which lies at an elevation of 1200–1400 meters, is via the Omineca Mines Access Road and logging roads. The property lies on a north-northwest trending fault structure in Takla Group Volcanic rocks of Upper Triassic to Jurassic age. This volcanic sequence has been intruded by syenite, monzonite and diorite dykes and sills related to the Hogem Batholith to the southwest. Intrusive volcano-sedimentary contacts parallel the regional northwest structural trend.

Early exploration work in the 1930's by Cominco on the property investigated exposed mineralization with significant copper and gold values on the south bank of Vega Creek followed by underground sampling. A significant ore intersection of over 11 meters with 1.46% copper and 4.9g/t gold was reported. In the 1960's soil sampling by Rio Tinto and Croyden Mines outlined a copper soil anomaly uphill from the underground workings. During the 1970's B.P. Minerals completed geophysical and geochemical surveys followed by a diamond drill program of approximately 2,200 m in 12 holes. Numerous mineralized intersections were reported with values ranging between 0.1 – 0.5% copper and gold values between 0.07 – 2.4 g/t.

During the 1980's soil geochemistry outlined several large areas between 100–600 meters long and 20–60 meters wide with highly anomalous values in copper, gold and arsenic. Copper and arsenic anomalies cover a wider area of up to 700 meters in length and 250 meters wide. Cyprus Gold (Canada) completed an 8 hole diamond drill program of approximately 1,150 meters, with only drill hole V88-8 giving significant intersections of copper and gold ranging between 0.11 – 0.27% copper and 0.035 – 1.57 g/t gold.

The geological setting of the VEGA property and widespread copper and gold geo-chemical anomalies are strongly indicative of mineralized systems hosting large gold-copper porphyry deposits. The relatively shallow drilling to date has failed to locate significant ore grade zones. Further exploration and drilling is required to investigate the source of the copper and gold mineralization observed on the property.

Lil property, British Columbia, Canada

The 100% owned LIL claims comprise 20 units covering 500 hectares, located in the Swannell River area in the Aiken Lake district of the Omineca Mining Division, 350 kilometres northwest of Prince George, British Columbia. Previously access to the property was by helicopter from a base on the Omineca Resource Access Road at Blackpine Lake. Logging roads now provide four-wheel drive access to within 2km of the property. The elevation ranges from 1,225m to 1,375m. Mineralization on the property consists of narrow high grade, silver bearing quartz veins and breccia zones, which are hosted in quartzite and a granitic dyke near fault intersections. The silver-bearing structures have been identified over a distance of 300 meters.

Two types of silver bearing floats have been identified in the drift fan of LIL creek. Smaller floats from narrower veins contain arseno-pyrite in addition to silver-bearing sulphides, corresponding well with the vein outcrops along LIL creek. Larger floats, indicating greater widths contain no arseno-pyrite, very little sphalerite and more polybasite and ruby silver. Their internal structure also shows less quartz and more quartzite inclusions. As this structure is not seen in the outcrops, it is assumed that the larger floats come from other veins not outcropping in the canyon.

Channel sampling of the exposed silver veins along LIL Creek in 1998 returned values ranging from 4.3 ounces/ton silver to 325.4 ounces/ton silver over widths ranging from 0.20 to 0.90 meters. The average grade and width of 22 vein samples is 53.6 ounces/ton over 0.41 meters. Silver mineralization consists primarily of argentite, pyrargyrite (ruby silver), and friebertite in quartz vein and breccia zones developed within a quartzite host.

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

For the Three Month Period ended March 31, 2004

Lil property, British Columbia, Canada (continued)

In September 2001 a series of laboratory bench tests were carried out by BC Research Inc., Vancouver, on a sample of silver ore from the LIL property. The test work showed that the composite sample contained a very high silver grade of over 100 oz/ton and that high rates of recovery were readily obtained through flotation. Silver recoveries of 94 – 98% were obtained with grinds ranging from 37 – 96% passing 200 mesh, with recoveries increasing with finer grinding. A single bulk concentrate grading 7 – 10% silver could be obtained, with potential contaminants such as mercury, cadmium and selenium well below problem levels. Arsenic is also low, and may be further suppressed in the concentrate cleaning stages. BC Research Inc. concluded that the economic potential of this ore appears to be very high using a very simple processing flow sheet.

The property is considered to have the potential to host a high-grade silver deposit and further exploration work and diamond drilling is recommended for the LIL claims.

Granite property, British Columbia, Canada

The 100% owned Granite Gold-Silver claims comprise 76 units covering 1,900 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, located 360 km northwest of Prince George. The Omineca Resource Access Road and auxiliary roads provide four-wheel drive access to the property.

Early exploration work done in 1936 and 1937 by Cominco consisted of hand trenching and underground workings, reporting encouraging assays from trenches across widths of as much as 15 meters, with grades of up to 10.3 g/t Gold across 10 meters. The B.C. Department of Mines records indicate sampling in the old underground workings with a grade of 6.86 g/t gold over 12.2 meters including 14.4 g/t gold over 3.0 meters. Three mineralized shear zones with gold/silver mineralization have been identified to date on the property. Values from rock sampling in 1993 returned Gold and Silver grades ranging from 1.99 g/t to 43.88 g/t Gold and 9.94 g/t to 546.77 g/t Silver. Soil and rock geochemistry completed in 1994 outlined a broad 300 metres by 2.0 kilometres Gold soil anomaly within the auriferous shears in the centre of the anomalous area. Rock samples from Zone 1 contained up to 10.7 g/t Gold and 14.8 g/t Silver over 0.5 meters.

An exploration program, including mapping, rock sampling, and 190m of diamond drilling in 2 holes, was completed by Hemlo Gold Mines Inc. in 1995. Trench sampling within Zone #1 returned assays averaging 6.8 g/t gold over 7.5 meters. DD hole 95-2 (88.4 meters) intersected Zone 2 with 9.1 meters of mineralization averaging 3.36 g/t Gold and 11.7 g/t Silver of which 3.1 meters showed values of 8.9 g/t Gold and 28.4 g/t Silver. In 1996 further trenching and channel sampling was carried out to test the grades and extent of the previously identified Gold-Silver anomalous zones. Average gold and Silver values from the three mineralized zones ranged between 1.82 g/t to 9.44 g/t Gold and 19.87 g/t to 43.10 g/t Silver over widths of 3.0 to 11.0 meters.

Two grab samples from shear Zone 2 returned 10.22 g/t and 16.99 g/t Gold and 274.6 g/t and 492.0 g/t Silver respectively. Chip samples from Zone 3 contained 3.8 g/t Gold and 23.0 g/t Silver over 5.0 meters. It is possible that Zones 2 and 3 are part of the same structure and that these may connect at depth with Zone 1. If this is the case, the strike length of the shear hosted Gold-silver mineralization on this property could be 600 meters. A 500m diamond drill program by Canasil in 1997 within Zone #1 and #2 intersected several sections with anomalous gold and silver values (best section in GB 97-01 5.0 meters with 2.37 g/t gold and 5.85 g/t silver), however failed to locate sections corresponding in grade to the many samples recovered from these zones.

Further drilling is recommended to investigate these structures, which are presumed to occur relatively close to the surface.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Three Month Period ended March 31, 2004

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

During 2003 the Company initiated a strategy to review and acquire gold/silver properties in Mexico based on the significant potential for these properties and the opportunity for cost effective exploration, development and operation in Mexico. A number of projects were reviewed resulting in detailed investigation and field visits to five properties. Of these properties the Company selected the Tres Marias and Cebollas projects in Durango State and concluded option and joint venture agreements with Wheaton River Minerals and its wholly owned subsidiary, Luismin S.A. de C.V., for the acquisition of up to a 75% interest in these properties.

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. 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\$1,000,000 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. The agreement provides Wheaton/Luismin with an option to buy back a 35% interest in the properties for US\$1,700,000 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 established operations and infrastructure in Durango State.

During the first quarter of 2004, the Company has initiated the exploration program on these projects by undertaking a regional satellite survey and a high-resolution satellite survey of the properties. These surveys will lead to a comprehensive surface and underground sampling program starting in March 2004, which will prepare the information required for the start of diamond drilling.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Three Month Period ended March 31, 2004

General

The principal business of the Company is the acquisition, exploration and, if warranted, development of natural resource properties of merit. The Company currently holds a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia, Canada, and has granted to Northgate Exploration Limited an option to acquire a 60% interest in one of its mineral properties in this region, as detailed above. The Company has entered into option and joint venture agreements with Wheaton River Minerals and Luismin S.A. de C.V. to acquire up to a 75 % interest in the Tres Marias and Cebollas silver-gold properties in the San Dimas District, Durango State, Mexico, The Company intends to seek and acquire additional properties worthy of exploration and development.

The Company acquires properties by staking claims, negotiating for permits from government authorities, negotiating with holders of claims or permits, or purchasing companies with claims or permits. On these properties, the Company explores for minerals on its own or in joint ventures with others. Exploration for metals usually includes surface sampling and mapping, airborne and/or ground geophysical surveys and drilling. The Company is not geographically limited to any particular region but in recent years has focused attention on natural resource properties in Canada and Mexico.

Trends

There has been a trend towards improving base and precious metal prices over the past year, particularly for gold, silver and copper. This trend is forecasted to continue over the coming year. The mining and minerals industry is experiencing increased demand for minerals and metals, in particular from economic growth in Asia. This has resulted in greater interest from the financial community in financing mineral exploration and development projects. There has been renewed interest and investment in the mineral exploration sector in British Columbia, Canada as a result of changes in local government policies since 2001. The Company intends to focus its activities on the development of its existing properties in British Columbia, Canada, and in Mexico, and to investigating new opportunities in North America and Mexico for precious metal projects over the next year.

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional projects that would yield reserves or result in commercial mining operations.

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 in effect in British Columbia.

Number of Employees

As of March 31, 2004, the Company had no employees. All administrative and certain geological services are provided to the Company by consultants or companies controlled by related parties.

CANASIL RESOURCES INC.

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For the Three Month Period ended March 31, 2004

Acquisition and Disposition of Resource Properties

During the quarter ended March 31, 2004, the Company did not acquire or dispose of any resource properties. During the year ended December 31, 2003, the Company entered into option and joint venture agreements to acquire up to a 75% interest in the Tres Marias and Cebollas silver-gold properties in Durango, Mexico, as detailed above. In 2003 the Company did not renew the Mat silver claims in British Columbia, Canada.

Risk Factors Relating to the Company's Business

The Company's ability to generate revenue and profit from its natural 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 profitability of the Company's metals operations is dependent in part upon the market price of certain precious and base metals. The price of such metals or interests related thereto has fluctuated widely and is affected by numerous factors beyond the control of the Company. These factors include international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The exact effect of these factors cannot be accurately predicted, but the combination of these factors 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. Hazards such as unusual or unexpected formations and other conditions are involved. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. The Company presently carries no liability insurance, and may become subject to liability for pollution, cave-ins or other hazards, and the payment of such liabilities 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 properties, which are explored, are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling, to develop, in the case of precious and base metal properties, metallurgical processes to extract metal from ore and to develop 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.

CANASIL RESOURCES INC.

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For the Three Month Period ended March 31, 2004

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. Until reserves or mineralization are actually mined and processed, quantity of mineralization and grades must be considered as estimates only. In addition the quantity of reserves and mineralization may vary depending on metal prices. Any material change in quantity of reserves, mineralization, grade or stripping ratio may effect the economic viability of the Company's properties. 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 in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental 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, if any, 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 which have been caused by previous or existing owners or operators of the properties.

Title to Assets

Although the Company has or will 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.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

Foreign Operations

The Company has entered into agreements to acquire interests in two mineral properties located in Durango State, Mexico, and is currently engaged in exploration activities on these properties.

Management and Directors

The Company is dependent on a small number of directors and officers: Alvin Jackson, Michael McInnis, Gary Nordin, Bahman Yamini, Iain MacPhail and Graham Scott. 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.

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For the Three Month Period ended March 31, 2004

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, 2003, the Company's accumulated deficit was \$3,598,152.

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 twelve months ended March 31, 2004, the price of the Company's shares fluctuated from a low of \$0.15 to a high of \$0.45 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance: Dilution

As at March 31, 2004, there were a total of 18,432,342 common shares of the Company issued. There were 1,235,000 stock options and 2,770,500 warrants 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.

1.3 Selected Annual Information

The information in the table below sets forth selected audited financial information of the Company as of the end of each of the three (3) years up to the period ended December 31, 2003. This information is derived from the audited financial statements and should be read in conjunction with those statements and notes.

Net loss from continuing operations has increased over the past three years reflecting the Company's increased level of activity to acquire and develop new mineral exploration projects, in particular in Mexico during 2003. The total loss figures in 2001 and 2002 included write-offs of past expenditures on the mineral properties in British Columbia, Canada, of \$441,014 and \$56,806 respectively. These write-offs were based on the Company's accounting policies with respect to mineral properties on which there were no significant exploration expenditures during the preceding two years. They did not indicate abandonment of the properties in question, except for the Mat silver property, where the claims were not renewed in 2003.

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For the Three Month Period ended March 31, 2004

1.3 Selected Annual Information (continued)

The increase in total assets in 2003 reflects the financing of \$1,125,000 completed in December 2003, and the exercise of outstanding warrants for \$150,000 in November and December 2003.

Year Ended December 31			
	2003	2002	2001
Total Revenue	Nil	Nil	Nil
Net Income (Loss) from continuing operations	\$ (163,193)	\$ (122,592)	\$ (69,251)
Loss per Share	\$ (0.0089)	\$ (0.0095)	\$ (0.0058)
Net Income (Loss) – Total	\$ (163,193)	(179,398)	(510,265)
Loss per share	\$ (0.0089)	(0.014)	(0.043)
Total Assets	\$2,610,274	\$1,467,247	\$1,539,445
Long Term Financial Liabilities	Nil	Nil	Nil
Cash Dividends per Share	Nil	Nil	Nil
Shareholder's Equity	\$2,511,326	\$1,440,100	\$1,519,498
Working Capital	\$1,167,128	\$92,997	\$110,720
Write-off of Mineral Property Costs	Nil	\$(55,992)	\$(441,014)

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 year:

Year	2004	2003				2002		
Quarter ended:	March 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept.30	Jun. 30
Net Inc. (Loss) from continuing operations	(42,194)	(60,676)	(22,878)	(44,226)	(35,413)	(19,215)	(43,173)	(40,451)
Loss per share	(0.0023)	(0.0033)	(0.0018)	(0.0034)	(0.0028)	(0.0015)	(0.0036)	(0.0034)
Net Income (Loss) Total	(42,194)	(60,676)	(22,878)	(44,226)	(35,413)	(76,021)	(43,173)	(40,451)
Loss per share	(0.0023)	(0.0033)	(0.0018)	(0.0034)	(0.0028)	(0.0059)	(0.0036)	(0.0034)
Shares Issued	18,432,342	18,432,342	12,877,342	12,877,342	12,877,342	12,877,342	11,877,342	11,877,342

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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 has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfil its obligations on existing exploration (or joint venture) properties. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of interest in certain properties.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising the required financing.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social, and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

The Company had working capital at March 31, 2004 of \$1,111,488 compared with a working capital of \$52,062 as at March 31, 2003. The Company had no material income from operations and the improvement in working capital results from the issuance of share capital.

As at March 31, 2004, the Company had no long-term debt.

For the quarter ended March 31, 2004, the Company experienced a negative cash flow of \$131,732 from operating and investing activities, compared to \$37,473 for the quarter ended March 31, 2003. This reflects the payment of accrued costs and commissions for the financing completed in December 2003, expenditures during the quarter and advances paid for proposed exploration programs on the Mexico projects, and increased level of administrative expenditures during the quarter.

There was no new financing during the period in question. In 2003 the Company completed the following financings:

A private placement of 4,500,000 units at \$0.25 per unit, including one common share and one half share purchase warrant, was completed in December 2003 for gross proceeds of \$1,125,000. Each whole share purchase warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.35 per share for a period of one year following the closing date.

Finder's fees comprised \$60,725 and 520,500 non-transferable share purchase warrants paid to Bolder Investment Partners, Pacific International Securities Inc., Golden Capital Securities Ltd. and Canaccord Capital with respect to the placement of a total of 3,470,000 Units

The proceeds from the private placement will be used to fund the Company's planned exploration and evaluation program at the Tres Marias and Cebollas projects in Durango, Mexico, for the evaluation and possible acquisition of other mineral properties in Mexico, and for working capital.

In addition, 1,000,000 warrants at \$0.15 outstanding from the financing in December 2002 were exercised in 2003 for proceeds of \$150,000, bringing total gross financing proceeds in 2003 to \$1,275,000.

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

For the Three Month Period ended March 31, 2004

1.7 Related Party Transactions:

During the quarter the Company paid or accrued a total of \$25,790 (\$17,113 for the same period in 2003) to related parties covering Directors' and management fees and geological and legal services.

1.8 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, 2003.

1.9 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.

Outstanding Share Data as at March 31, 2004

- (a) Authorized and issued shares as at March 31, 2004 are as follows:

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

- (b) As at March 31, 2004, a total of 1,235,000 incentive stock options were outstanding of which number, 747,500 incentive stock options were exercisable.

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
80,000	0.41	May 12, 2004
40,000	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
<u>650,000</u>	0.26	November 26, 2008
1,235,000		

- (c) As at March 31, 2004, the Company had 2,770,500 outstanding share purchase warrants, enabling the holders to acquire 2,770,500 additional common shares at a process of \$0.35 per share on or before December 31, 2004

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

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1.10 Investor Relations:

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations. For 2004 the Company has budgeted a more active investor relations program, including participation in industry investment conferences and preparation of shareholder communications materials. During the quarter an advance payment of \$4,549 was made for the Calgary Resource Investment Conference to be held in April 2004.

1.11 Subsequent events:

Subsequent to March 31, 2004, the Company has completed the initial sampling program at the Tres Marias and Cebollas projects in Durango Mexico. The results have confirmed encouraging high-grade silver-gold mineralization in four vein systems sampled on the properties, as well as indications of possible extensions to some of these vein systems over greater distances than previously indicated.

Northgate Exploration has confirmed plans for the start of drilling on the Brenda gold-copper project in British Columbia, Canada, with the drill program planned to commence in June 2004.

1.12 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.

1.13 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, continued availability of capital and financing, and general economic, market and business conditions.

BY ORDER OF THE BOARD

"Bahman Yamini"

Bahman Yamini
President, CEO and Director

"Gary Nordin"

Gary Nordin
VP Exploration and Director