



FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 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 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 interim financial statements by an entity's auditor.

"Bahman Yamini"

President and Chief Executive Officer

"Iain MacPhail"

Vice President, Finance & CFO

August 5, 2004

CANASIL RESOURCES INC.
INTERIM BALANCE SHEET
JUNE 30, 2004
(UNAUDITED)

	June 30 2004	December 31 2003
ASSETS		
Current		
Cash and cash equivalents	\$ 1,041,364	\$ 1,261,072
Interest receivable	9,916	181
GST recoverable	6,237	4,399
Prepaid expenses	1,190	424
	<u>1,058,707</u>	<u>1,266,076</u>
Reclamation bond	13,000	13,000
Resource properties	1,412,381	1,328,719
Capital assets	<u>2,237</u>	<u>2,479</u>
	<u>\$ 2,486,325</u>	<u>\$ 2,610,274</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	<u>\$ 64,725</u>	<u>\$ 98,948</u>
Stockholders' equity		
Capital stock	5,762,048	5,762,048
Contributed surplus	380,917	347,430
Deficit	<u>(3,721,365)</u>	<u>(3,598,152)</u>
	<u>2,421,600</u>	<u>2,511,326</u>
	<u>\$ 2,486,325</u>	<u>\$ 2,610,274</u>

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
SIX MONTH PERIOD ENDED JUNE 30
(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
EXPENSES				
Accounting and audit	\$ 3,088	\$ 2,500	\$ 6,488	\$ 7,000
Amortization	118	155	242	310
Directors fees	4,500	2,500	7,500	5,000
Foreign exchange loss / (gain)	(59)	436	323	1,072
General exploration	-	19,783	6,094	27,625
Investor relations	13,766	1,213	19,305	1,955
Legal	4,397	3,841	7,467	5,368
Management fees	15,000	8,000	30,000	16,000
Meals and Entertainment	791	314	791	551
Office services and supplies	1,991	1,590	3,932	3,140
Registrations, license and filing	5,086	892	10,620	6,708
Stock based compensation	33,487	-	33,487	-
Stock transfer fees	660	1,957	3,371	3,282
Telephone	660	1,002	1,947	1,741
Travel and conferences	3,519	243	3,519	343
	87,003	44,426	135,086	80,095
Interest income	(5,984)	(200)	(11,873)	(456)
Loss for the period	(81,019)	(44,226)	(123,213)	(79,639)
Deficit at beginning of period	(3,640,346)	(3,470,373)	(3,598,152)	(3,434,960)
Deficit at end of period	(3,721,365)	(3,514,599)	(3,721,365)	(3,514,599)
Loss per share	0.004	0.003	0.007	0.006
Weighted average number of shares	18,432,342	12,877,342	18,432,342	12,877,342

CANASIL RESOURCES INC.
STATEMENT OF CASH FLOWS
SIX MONTH PERIOD ENDED JUNE 30
(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for period	(81,019)	(44,226)	(123,213)	(79,639)
Items not affecting cash				
Amortization	118	155	242	310
Stock based compensation	33,487	-	33,487	-
	(47,414)	(44,071)	(89,484)	(79,329)
Net change in non-cash working capital items:				
(Increase) decrease in receivables	6,880	(2,654)	(11,574)	1,644
(Increase) decrease in prepaid expenses	708	694	(766)	(587)
Increase (decrease) in accounts payable	21,943	1,359	(34,223)	1,261
	17,883	(44,672)	(136,047)	(77,011)
CASH FLOWS FROM INVESTING ACTIVITIES				
Resource property costs and deferred exploration expenditures	(70,093)	(600)	(83,661)	(647)
	(70,093)	(600)	(83,661)	(647)
CASH FLOW FROM FINANCING ACTIVITIES				
Share issue costs	-	-	-	(5,087)
	-	-	-	(5,087)
Increase (decrease) in cash and cash equivalents	(87,976)	(45,272)	(219,708)	(82,745)
Cash and cash equivalents - beginning of period	1,129,340	76,190	1,261,072	113,663
Cash and cash equivalents - end of period	\$ 1,041,364	\$ 30,918	\$ 1,041,364	\$ 30,918

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 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 will require additional equity financing or joint ventures 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:			
Acquisition costs	1,720	-	1,720
Assays	5,614	-	5,614
Camp and General	7,630	-	7,630
Geology	34,904	-	34,904
Mapping and Surveying	10,646	-	10,646
Taxes	15,143	-	15,143
Travel and accomodation	8,004	-	8,004
	<u>83,661</u>	<u>-</u>	<u>83,661</u>
Balance, June 30, 2004	\$ 110,728	\$ 1,301,652	\$ 1,412,380
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	93,438	1,157,101	1,250,539
	<u>\$ 110,728</u>	<u>\$ 1,301,652</u>	<u>\$ 1,412,380</u>

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(UNAUDITED)

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus	Total
Authorized 50,000,000 common voting shares, no par value				
Common shares issued				
Balance, December 31, 2003	18,432,342	5,762,048	347,430	6,109,478
Stock-based compensation (see note 5)	-	-	33,487	33,487
Balance June 30, 2004	18,432,342	\$ 5,762,048	\$ 380,917	\$ 6,142,965

5. STOCK OPTIONS AND WARRANTS

Stock options

At June 30, 2004, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
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
650,000	0.26	November 6, 2008

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

5. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock options (cont'd...)

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

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2004 and December 31, 2003	1,155,000	\$ 0.27
Exercisable, December 31, 2003	747,500	\$ 0.32
Expired during period	(80,000)	\$ 0.41
Vested during period	162,500	\$ 0.26
Exercisable, June 30, 2004	830,000	\$ 0.28

Stock-based compensation

The Company granted 650,000 stock options in the 2003 fiscal year. One-quarter of these options (162,500) vested during the period resulting in stock-based compensation expense under the Black-Scholes option-pricing model of \$33,487. This amount was also recorded as contributed surplus on the balance sheet.

Warrants

As at June 30, 2004 and December 31, 2003, the Company had outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
520,500	\$0.35	December 31, 2004
2,250,000	0.35	December 31, 2004

Black-Scholes valuation

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and share purchase warrants issued during the previous fiscal year:

	2003	2002
Risk-free interest rate	3.04% - 3.30%	4.01%
Expected life of options/warrants	1 - 2 years	2 years
Annualized volatility	133.80%	127.59%
Dividend rate	0.00%	0.00%

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

6. RELATED PARTY TRANSACTIONS

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

	June 30 2004 \$	June 30 2003 \$
Accounting and audit	1,488	-
Management fees	30,000	16,000
Legal Fees	7,467	5,368
Deferred exploration costs - Geology	7,500	-
Deferred exploration costs – Acquisition costs	1,720	-
Directors' fees	7,500	5,000
Share issue costs	-	5,087

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 Six Month Period ended June 30, 2004

August 5, 2004

*Suite 200, 1695 Marine Drive, North Vancouver, B.C. V7P 1V1
Tel: (604) 708-3788 Fax: (604) 708-3728*

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Six Month Period ended June 30, 2004

1.1 Date and period covered:

This Management Discussion and Analysis for Canasil Resources Inc. (the Company) is dated August 5, 2004. It is being filed with the quarterly report covering the six months ended June 30, 2004, and follows the new reporting guidelines required under form 51-102F1.

The following discussion and analysis of the financial position of the Company for the six months ended June 30, 2004, should be read in conjunction with the un-audited financial statements and related notes for the period, the information provided in the 2003 Annual Report of the Company and the Quarterly Report for the quarter ended March 31, 2004. The details below update the information contained in the MD&A of those reports.

1.2 Operating Performance:

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

In July 2002, the Company signed an option and joint venture agreement with Northgate Minerals Corp. (Northgate – formerly Northgate Exploration Ltd.) covering the Company's Brenda gold-copper property in British Columbia, Canada. Following successful exploration programs on this property in 2002 and 2003, Northgate has confirmed a diamond drill program for 2004 including 4 drill holes for a total of 1,200m. Drilling on the property started on July 9, 2004.

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 the second quarter of 2004, the Company advanced the exploration program on these projects by completing an underground and surface sampling program in April 2004, and detailed on-site evaluation and geological mapping in June 2004 to define drill targets for a planned diamond drill program.

The Company had a more active investor relations program and exhibited at the Calgary and Vancouver Resource Investment Conferences in April and June 2004 respectively.

1.3 Financial Condition, Results of Operations and Cash Flows

The Company's working capital as at June 30, 2004, was \$993,982. 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 \$135,086 (\$80,095 for the same period in 2003) and the Company earned interest income of \$11,873 (\$456 for the same period in 2003). The operating expenditures for the period included a non-cash provision for Stock Based Compensation of \$33,487 for one-quarter of the 650,000 options granted in November 2003, which vested during the period. Net cash used for operating expenditures increased to \$89,484 (\$79,329 for the same period in 2003) reflecting increases in investor relations for exhibiting at the Calgary and Vancouver Resource Investment Conferences, management fees, and a reduction in general exploration expenditures. Total cash used for operating activities for the period increased to \$136,047 (\$77,011 for the same period in 2003) reflecting a reduction in non-cash working capital items of \$46,563 (increase of \$2,318 for the same period in 2003). This was due to an increase in accounts receivable and prepaid expenses of \$12,339, and a reduction of accounts payable by \$34,223 over the period. Cash used for investing activities increased to \$83,661 (\$647 for the same period in 2003). This was entirely made up of exploration expenditures on resource properties during the period related to satellite surveys, geological services, sampling and assays for the Tres Marias and Cebollas projects in Mexico.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Six Month Period ended June 30, 2004

1.4 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.

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 Brenda property covers 4,450 hectares (44.5 sq. km.) located in the core of the Kemess-Toodoggone porphyry copper-gold district, approximately 450 km northwest of Prince George, B.C., and 25 km northwest of Northgate's 300,000 oz/year Kemess South mine. All claims are currently in good standing to May 30, 2014.

The Option and Joint Venture Agreements with Northgate provide for Northgate to earn a 60% interest in the property by incurring \$2,000,000 in exploration expenditures and making \$140,000 in cash payments by July 31, 2006. In 2002 and 2003 Northgate has completed \$372,667 in exploration expenditures and cumulative property payments 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. Northgate's has started the 2004 diamond drill program on July 9, 2004, with plans to complete 4 drill holes for a total of 1,200m.

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

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.

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.

During the second quarter of 2004, the Company completed a comprehensive surface and underground sampling program starting in April 2004, and a detailed on-site evaluation and geological mapping in June 2004 to define drill targets for a planned diamond drill program. The sampling program returned very encouraging results with assays from 97 underground samples collected from three vein systems at the on the properties confirming consistent high-grade gold/silver mineralized zones in these veins.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the Six Month Period ended June 30, 2004

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

Selected assay results for samples with combined Gold and Silver grades of over 10 g/t Au Equivalent* are shown below:

Sample No.	Width m.	Au g/t	Ag g/t	Au Equiv. g/t*
104	1.30	4.61	1,105	24.00
105	1.30	8.03	847	22.89
106	2.00	5.90	1,270	28.18
107	2.00	6.41	916	22.48
108	1.15	8.40	542	17.91
109	0.60	10.15	2,300	50.50
110	1.05	2.75	450	10.64
127	1.40	9.38	1,740	39.91
128	1.80	3.55	880	18.99
129	1.40	2.40	519	11.51
146	2.60	5.25	425	12.59
222	1.20	16.45	963	33.34
223	0.80	7.56	1,035	25.72
305	0.60	30.30	291	35.41
306	1.20	8.35	96	10.03
307	1.20	8.66	232	12.73
311	1.30	6.78	211	10.48
314	1.60	13.20	333	19.04
318	1.70	7.13	363	13.50

*Gold Equivalents based on Gold at \$400/oz. And Silver at \$7/oz, 1:57 ratio

The distribution of assay results from the 97 underground samples collected and analyzed were as follows:

Grade	No. of Samples
Over 10.0 g/t Au and/or 1,000 g/t Ag	7
Over 5.0 g/t Au and/or 500 g/t Ag	20
Over 2.5 g/t Au and/or 250 g/t Ag	30
Over 1.0 g/t Au and/or 100 g/t Ag	53

A review of the results, as well as the assay results from surface samples collected during this program, identified four highly prospective target zones, hosting epithermal gold/silver vein systems within the project area for further exploration including mapping, sampling and diamond drilling. These zones are located over an area of over 20 square km, approximately 7 km North-South by 3 km East-West. In addition a number of surrounding anomalous zones observed in the regional satellite survey have been identified for further investigation. Applications have also been filed for additional claim blocks located northwest of the Tres Marias project and southwest of the Cebollas project, which will extend the total area covered by the projects to 2,326 hectares.

In June 2004 the primary target zones were inspected to prepare more detailed geological maps and select drill sites for the proposed diamond drill program. A number of drill targets have been selected to investigate the Los Laureles vein system at Tres Marias and the Tahuehueto-Rosario vein systems at Cebollas. Drilling will commence upon receipt of the necessary permits and following the period of summer rains (July and August), for easier access to the drill locations will allow more efficient planning and implementation of the drill program.

Acquisition and Disposition of Resource Properties

During the period ended June 30, 2004, the Company did not acquire or dispose of any resource properties, other than arrangements made with Luismin to expand the Tres Marias and Ceboillas project area by applying for additional claim blocks adjacent to these projects. The Company also continued to review opportunities for the acquisition of new projects.

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	
	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept.30
Net Inc. (Loss) from continuing operations	(81,109)	(42,194)	(60,676)	(22,878)	(44,226)	(35,413)	(19,215)	(43,173)
Loss per share	(0.0044)	(0.0023)	(0.0033)	(0.0018)	(0.0034)	(0.0028)	(0.0015)	(0.0036)
Net Income (Loss) Total	(81,109)	(42,194)	(60,676)	(22,878)	(44,226)	(35,413)	(76,021)	(43,173)
Loss per share	(0.0044)	(0.0023)	(0.0033)	(0.0018)	(0.0034)	(0.0028)	(0.0059)	(0.0036)
Shares Issued	18,432,342	18,432,342	18,432,342	12,877,342	12,877,342	12,877,342	12,877,342	11,877,342

1.6 Liquidity and capital resources:

The Company has sufficient financial resources to undertake currently planned exploration programs and operating expenditures.

The Company had working capital at June 30, 2004 of \$993,982 compared with a working capital of \$7,931 as at June 30, 2003. The Company had no material income from operations and the improvement in working capital results from the issuance of share capital.

As at June 30, 2004, the Company had no long-term debt.

For the period ended June 30, 2004, the Company experienced a negative cash flow of \$219,708 from operating and investing activities, compared to \$82,745 for the period ended June 30, 2003. This reflects the increased level of exploration expenditures on the Tres Marias and Cebollas projects in Mexico (\$83,661), increased expenditures on investor relations activities with exhibiting at the Calgary and Vancouver Resource Investment Conferences in April and June 2004 (\$19,305), reduction in accounts payable (\$34,223) and an increase in interest receivable (\$9,735).

There was no new financing during the period in question.

1.7 Related Party Transactions:

During the period the Company paid or accrued a total of \$55,675 (\$31,455 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 June 30, 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 June 30, 2004, a total of 1,155,000 incentive stock options were outstanding of which number, 830,000 incentive stock options were exercisable, 162,500 will become exercisable in November 2004 and a further 162,500 in May 2005.

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
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>	<u>0.26</u>	<u>November 26, 2008</u>
<u>1,155,000</u>		

- (c) As at June 30, 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.

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 period the Company exhibited at the Calgary and Vancouver Resource Investment Conferences held in April and June 2004 respectively. Total expenditures for exhibiting at these conferences, including preparation and rental of stand exhibits and materials, was \$19,305.

The Company has also reviewed possibilities for engaging professional investor relations services aimed at distributing Company information to a wider range of potential investors, and has made provisional reservations for exhibiting at the Toronto Resource Investment conference in October 2004. Decisions on these matters will be made during the third quarter of 2004.

1.11 Subsequent events:

Subsequent to June 30, 2004, the Company has received confirmation from Northgate that the 2004 drill program on the Brenda gold-copper project has started on July 9, 2004. The Company has agreed with Northgate to extend the deadline for the 2004 property payment from July 31, 2004 to August 31, 2004 to allow further time for completion and evaluation of the results from the 2004 drill program. Northgate may also extend the deadline to October 31, 2004, against a payment of \$5,000, or as an option at this time amend the anniversary date of the agreement from July 31 to October 31 of each year against a payment of \$10,000 to allow greater flexibility in the planning and implementation of future exploration programs.

The Company is following up with the necessary arrangements for permitting and implementation of the planned drill program at the Tres Marias and Cebollas projects in Mexico. The Company is also proceeding with the formalities to register a Mexican operating subsidiary required for the effective administration of the projects in Mexico

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

"Alvin Jackson"

Alvin Jackson
Director