



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

Expressed in Canadian Dollars

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 Company's 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 condensed interim consolidated 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 interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

"Bahman Yamini"

"Kerry Spong"

President and Chief Executive Officer

Vice President, Finance & CFO

May 26, 2022

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CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars

Unaudited

ASSETS	March 31, 2022	December 31, 2021
Current		
Cash	\$ 184,871	\$ 451,241
Receivables	21,103	18,667
Prepaid expenses	11,775	23,626
	<u>217,749</u>	<u>493,534</u>
Reclamation bonds	47,000	47,000
Property and equipment	61,243	63,644
	<u>\$ 325,992</u>	<u>\$ 604,178</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 63,453	\$ 64,739
Deferred flow-through premium liability <i>(Note 4)</i>	27,000	27,000
	<u>90,453</u>	<u>91,739</u>
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 4)</i>	25,336,494	25,321,494
Contributed surplus	6,925,761	6,925,297
Accumulated other comprehensive income	624,830	624,830
Deficit	<u>(32,651,546)</u>	<u>(32,359,182)</u>
	<u>235,539</u>	<u>512,439</u>
	<u>\$ 325,992</u>	<u>\$ 604,178</u>

Nature and continuance of operations *(Note 1)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY**

Expressed in Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Notes 4,5)	Contributed Surplus (Note 5)	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2020	117,471,622	\$ 23,797,739	\$ 6,774,331	\$ 624,830	\$ (30,131,252)	\$ 1,065,648
Share-based compensation	-	-	2,478	-	-	2,478
Comprehensive loss for the period	-	-	-	-	(662,373)	(662,373)
Balance – March 31, 2021	117,471,622	23,797,739	6,776,809	624,830	(30,793,625)	405,753
Private placement - units	7,900,000	790,000	-	-	-	790,000
Private placement - units	4,350,000	529,800	13,950	-	-	543,750
Private placement - flow-through shares	1,100,000	165,000	-	-	-	165,000
Flow-through premium	-	(27,000)	-	-	-	(27,000)
Share issuance costs	-	(36,045)	-	-	-	(36,045)
Exercise of warrants	850,000	102,000	-	-	-	102,000
Share-based compensation	-	-	134,538	-	-	134,538
Comprehensive loss for the period	-	-	-	-	(1,565,557)	(1,565,557)
Balance – December 31, 2021	131,671,622	25,321,494	6,925,297	624,830	(32,359,182)	512,439
Exercise of warrants	125,000	15,000	-	-	-	15,000
Share-based compensation	-	-	464	-	-	464
Comprehensive loss for the period	-	-	-	-	(292,364)	(292,364)
Balance – March 31, 2022	131,796,622	\$ 25,336,494	\$ 6,925,761	\$ 624,830	\$ (32,651,546)	\$ 235,539

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31**

Expressed in Canadian Dollars

Unaudited

	2022	2021
Expenses		
Accounting and audit	\$ 7,906	\$ 8,968
Depreciation – equipment	2,401	3,356
Depreciation – right-of-use asset – office <i>(Note 7)</i>	-	9,963
Director fees	9,000	9,000
Exploration and evaluation <i>(Note 3)</i>	150,964	504,208
Foreign exchange loss	875	14,361
Interest – lease liability <i>(Note 7)</i>	-	796
Investor relations and promotions	9,825	20,917
Legal fees	2,750	532
Listing and filing fees	6,200	6,050
Management fees	15,000	15,000
Office services and supplies	23,096	7,831
Salaries, wages and consulting	57,494	60,512
Share-based compensation <i>(Note 5)</i>	464	2,478
Shareholder communications	4,776	4,161
Transfer agent fees	1,613	1,223
Loss for the period before other item	292,364	669,356
Gain on sale of equipment	-	(6,983)
Loss and comprehensive loss for the period	\$ 292,364	\$ 662,373
Loss per share – basic and diluted	\$ 0.00	\$ 0.01
Weighted-average number of shares outstanding – basic and diluted	131,685,511	117,471,622

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

Expressed in Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2022	2021
Operating activities		
Loss for the period	\$ (292,364)	\$ (662,373)
Items not involving cash		
Depreciation – equipment	2,401	3,356
Depreciation – right-of-use asset - office	-	9,963
Gain on sale of equipment	-	(6,983)
Share-based compensation	464	2,478
Changes in non-cash working capital		
Receivables	(2,436)	(9,136)
Prepaid expenses	11,851	11,032
Accounts payable and accrued liabilities	(1,286)	10,661
	<u>(281,370)</u>	<u>(641,002)</u>
Investing activities		
Proceeds on sale of equipment	-	6,983
Purchase of equipment	-	(1,776)
	<u>-</u>	<u>5,207</u>
Financing activities		
Share capital issued for cash	15,000	-
Principal payments – lease liability	-	(11,087)
	<u>15,000</u>	<u>(11,087)</u>
Change in cash for the period	(266,370)	(646,882)
Cash position - beginning of period	<u>451,241</u>	<u>926,340</u>
Cash position - end of period	\$ 184,871	\$ 279,458

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

Expressed in Canadian Dollars

Unaudited

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (“Canasil” or the “Company”) is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain ore reserves. The Company’s continuing operation is dependent upon the confirmation of reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at March 31, 2022 the Company had working capital (current assets less current liabilities) of \$127,296, which it considers to be insufficient to fund its overhead and planned exploration activities for the ensuing twelve months. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. The Company has incurred operating losses since inception and as at March 31, 2022 had an accumulated deficit of \$32,651,546.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future. Additionally, the outbreak of the COVID-19 global pandemic has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, the Company’s operations have not been materially affected by the pandemic, however, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its future effects on the Company’s business or ability to raise funds.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These financial statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2021. All financial information presented herein is unaudited. The Company’s board of directors approved these financial statements for issue on May 26, 2022.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

Expressed in Canadian Dollars

Unaudited

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION - *continued*

Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss or fair value through other comprehensive income, using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp., Canmine Minerals Inc., Minera Canasil S.A. de C.V., and Minera CRD S.A. de C.V. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss for the period.

3. EXPLORATION AND EVALUATION

The Company expenses costs relating to the exploration and evaluation of its mineral properties in the period incurred. In 2021, due to uncertainty surrounding the timing and collection of future refunds of value-added tax ("IVA") from the government of Mexico, the Company began expensing IVA as incurred. Collections of IVA are recorded as recoveries in the period received. A description of the Company's mineral interests follows:

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project area, subject to a net smelter returns royalty ("NSR") of up to 1%. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and purchased the NSR in 2016. From 2006 to 2010, the Company also added further claims, by direct staking, to increase the size of the project area.

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking as well as the purchase of a 100% interest in certain claims comprising the central area of the project, which are subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

Nora project, Mexico

The Company holds a 100% interest in the Nora project, located in Durango State, Mexico, which was acquired through staking.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2022**

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3. EXPLORATION AND EVALUATION - *continued***Sandra-Escobar project, Mexico**

Between 2004 and 2006, the Company acquired, by staking, the Sandra claims located in Durango State, Mexico and in 2012 earned a 40% interest in the contiguous Escobar claims held by Pan American Silver Corp. ("Pan American"). In addition to these claims, the Company also acquired various other claims in the area from third parties, all of which formed the Sandra-Escobar project.

In January 2017, Orex Minerals Inc. earned a 55% interest in the project and in June 2019, the Company sold its interest in the project to Pan American for \$2,000,000 plus a 2% net smelter returns royalty interest ("NSR Royalty Interest") payable on Pan American's share of the project; the NSR Royalty Interest can be reduced to 1% upon payment of \$4,000,000 to the Company.

Other projects

Mexico

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, and Vizcaino projects. The Company holds a 100% interest in these projects.

Canada

The Company has staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in these projects.

Expenditures

Expenditures for the periods ended March 31 and cumulative expenditures to March 31, 2022 are as follows:

	Expenditures 2022	Expenditures 2021	Cumulative 2022
Brenda, Canada	\$ -	\$ 3,741	\$ 2,427,311
- Expenditure recoveries	-	-	(233,453)
Vega, Canada	681	4,257	462,284
- Expenditure recoveries	-	-	(75,680)
Other, Canada	-	2,032	144,856
- Expenditure recoveries	-	-	(22,776)
La Esperanza, Mexico	62,154	400,102	4,626,031
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Salamandra, Mexico	11,885	31,009	6,431,399
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
Nora, Mexico	54,498	16,974	1,737,850
Sandra-Escobar, Mexico	-	-	2,020,973
- Expenditure recoveries	-	-	(177,486)
- Option payments received	-	-	(500,000)
Other, Mexico	18,031	46,093	3,263,461
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
IVA paid, net of recoveries	3,715	-	135,513
	<u>\$ 150,964</u>	<u>\$ 504,208</u>	<u>\$ 18,635,452</u>

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2022**

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3. EXPLORATION AND EVALUATION - *continued***Expenditures** - *continued*

Expenditures for the periods ending March 31, by activity, are as follows:

	2022	2021
Administration	\$ 47,658	\$ 30,777
Assays	8,514	8,046
Drilling	-	88,375
Environmental and permitting	-	6,231
Field costs	1,658	35,697
Geological	18,987	58,229
Land holding costs	66,901	258,255
Mapping and surveying	3,146	2,718
Road building	-	14,315
Transportation and rentals	385	1,565
IVA paid, net of recoveries	3,715	-
	<u>\$ 150,964</u>	<u>\$ 504,208</u>

Mineral title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

4. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

In May 2021, the Company completed a non-brokered private placement by issuing 7,900,000 units at a price of \$0.10 per unit for gross proceeds of \$790,000. Each unit consisted of one common share of the Company and one-half of one two-year share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.15 during the first year or \$0.20 during the second year following the closing of the offering.

In November 2021, the Company completed a non-brokered private placement by issuing 4,350,000 units at a price of \$0.125 per unit for gross proceeds of \$543,750 and 1,100,000 flow-through shares at a price of \$0.15 per share for gross proceeds of \$165,000. Each unit consisted of one common share of the Company and one-half of one two-year share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.20 during the first year or \$0.25 during the second year following the closing of the offering. The unit price of this offering exceeded the trading price of the shares on the date of issuance, therefore, \$13,950 of the unit proceeds, being the estimated residual value, has been assigned to the warrants and classified as contributed surplus. The value of the flow-through feature of the flow-through shares was estimated at \$27,000 resulting in a deferred flow-through premium liability, which, upon incurring the required qualifying exploration expenditures of \$165,000, will be derecognized and a deferred income tax recovery recorded.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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5. STOCK OPTIONS AND WARRANTS

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2020	9,001,250	\$ 0.18	8,890,000	\$ 0.12
Expired	-	\$ -	(400,000)	\$ 0.21
Exercised	(850,000)	\$ 0.12	-	\$ -
Issued/granted	<u>6,125,000</u>	\$ 0.17	<u>2,100,000</u>	\$ 0.15
Outstanding, December 31, 2021	14,276,250	\$ 0.19	10,590,000	\$ 0.13
Expired	(4,112,500)	\$ 0.12	(1,890,000)	\$ 0.20
Exercised	<u>(125,000)</u>	\$ 0.12	-	\$ -
Outstanding, March 31, 2022	10,038,750	\$ 0.22	8,700,000	\$ 0.11
Exercisable, March 31, 2022	10,038,750	\$ 0.22	8,700,000	\$ 0.11

At March 31, 2022, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry
Options	1,750,000	\$ 0.08	May 2025
	250,000	\$ 0.11	November 2025
	4,600,000	\$ 0.11	December 2025
	200,000	\$ 0.15	March 2023
	1,900,000	\$ 0.15	May 2026
	<u>8,700,000</u>		
Warrants	3,913,750	\$ 0.30	July 2022
	3,950,000	\$ 0.15	May 2023 (i)
	2,175,000	\$ 0.20	November 2023 (ii)
	<u>10,038,750</u>		

(i) Exercise price increases to \$0.20 per share in May 2022.

(ii) Exercise price increases to \$0.25 per share in November 2022.

At March 31, 2022, the weighted-average remaining life for the outstanding stock options was 3.63 years and 0.93 years for the outstanding warrants.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2022**

Expressed in Canadian Dollars

Unaudited

5. STOCK OPTIONS AND WARRANTS - *continued***Share-based compensation**

The following table presents information relating to incentive stock options granted to directors, officers, employees, and consultants of the Company during the periods ended March 31. During 2021, the Company granted 200,000 options that vest in tranches of 25% over one year. Share-based compensation is recorded over the vesting period.

	2022	2021
Total options granted	-	200,000
Average exercise price	\$ -	\$ 0.15
Estimated fair value of options granted	\$ -	\$ 8,754
Estimated fair value per option	\$ -	\$ 0.04

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions for options granted during the period:

	2022	2021
Risk-free interest rate	-	0.22%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	95%
Expected forfeiture rate	-	0.00%
Expected option life in years	-	2.00

The Company has recorded share-based compensation as follows:

	2022	2021
Number of options vested in period	50,000	50,000
Compensation recognized in period	\$ 464	\$ 2,478

6. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes officers and non-executive directors. The compensation paid or payable to key management for the periods ended March 31 is as follows:

	2022	2021
Salaries	\$ 56,250	\$ 56,250
Management fees	15,000	15,000
Director fees	9,000	9,000
	\$ 80,250	\$ 80,250

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2022**

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7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company had a lease agreement for its office premises that expired September 30, 2021 and which contained no renewal clause. In accordance with IFRS 16, the Company recorded this agreement as a lease liability with an initial measurement equal to the present value of the remaining lease payments and which was subsequently measured at amortized cost using the effective interest rate method and adjusted for interest and principal. The right-of-use asset was measured at an amount equal to the initial lease liability and was subsequently depreciated on a straight-line basis over the remaining term of the lease.

During the period ended March 31, 2021, the Company recorded depreciation of \$9,963, principal repayments of \$11,087 and interest expense of \$796.

8. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company operates in the following geographical locations:

<u>March 31, 2022</u>	<u>Canada</u>		<u>Mexico</u>		<u>Total</u>
Property and equipment	\$	2,240	\$	59,003	\$ 61,243

<u>December 31, 2021</u>	<u>Canada</u>		<u>Mexico</u>		<u>Total</u>
Property and equipment	\$	2,423	\$	61,221	\$ 63,644