Canasil resources inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 Canadian Institute of Chartered Professional Accountants for a review of financial statements by an entity's auditor.

"Bahman Yamini"	*"Kerry Spong"*
President and Chief Executive Officer	**Vice President, Finance & CFO**

November 23, 2016

1760-750 West Pender Street, Vancouver, B.C. V6C 2T8
Tel: (604) 708-3788 Fax: (604) 708-3728
Email: admin@canasil.com

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars
Unaudited

ASSETS	September 30, 2016	December 31, 2015
Current		
Cash and cash equivalents	$ 2,691,590	$ 203,294
Marketable securities *(Note 3)*	2,604,000	371,000
Receivables	110,702	162,306
Prepaid expenses	14,398	7,354
	5,420,690	743,954
Reclamation bonds	28,000	28,000
Property and equipment	46,803	50,602
	$ 5,495,493	$ 822,556

LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 94,671	$ 201,509
Accounts payable and accrued liabilities – related parties *(Note 8)*	8,327	98,132
Due to related parties *(Note 8)*	-	519,000
	102,998	818,641
SHAREHOLDERS' EQUITY		
Share capital *(Note 5)*	21,437,985	17,588,877
Convertible debenture *(Note 7)*	-	4,323,549
Contributed surplus	6,257,759	1,783,712
Accumulated other comprehensive income	2,021,842	21,000
Deficit	(24,325,091)	(23,713,223)
	5,392,495	3,915
	$ 5,495,493	$ 822,556

Commitments *(Note 9)*

ON BEHALF OF THE BOARD:

___*"Alvin Jackson"*________________, Director

___*"Michael McInnis"*______________, Director

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian Dollars
Unaudited

	Number of Shares	Share Capital *(Note 5)*	Convertible Debenture *(Note 7)*	Contributed Surplus *(Notes 6,7)*	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2014	81,059,872	$ 17,418,851	$ 3,179,030	$ 1,640,077	$ -	$ (22,072,230)	$ 165,728
Private placement – units	3,000,000	150,000	-	-	-	-	150,000
Private placement – shares	600,000	27,000	-	-	-	-	27,000
Share issuance costs	-	(6,974)	-	-	-	-	(6,974)
Convertible debenture	-	-	1,135,210	-	-	-	1,135,210
Comprehensive loss for the period	-	-	-	-	154,000	(1,298,945)	(1,144,945)
Balance – September 30, 2015	84,659,872	17,588,877	4,314,240	1,640,077	154,000	(23,371,175)	326,019
Convertible debenture	-	-	9,309	-	-	-	9,309
Share-based compensation	-	-	-	143,635	-	-	143,635
Comprehensive loss for the period	-	-	-	-	(133,000)	(342,048)	(475,048)
Balance – December 31, 2015	84,659,872	17,588,877	4,323,549	1,783,712	21,000	(23,713,223)	3,915
Private placement – shares	2,000,000	300,000	-	-	-	-	300,000
Private placement – shares	4,100,000	902,000	-	-	-	-	902,000
Private placement – units	8,000,000	2,560,000	-	-	-	-	2,560,000
Finders' warrants issued	-	(43,943)	-	43,943	-	-	-
Share issuance costs	-	(202,834)	-	-	-	-	(202,834)
Exercise of warrants	3,000,000	300,000	-	-	-	-	300,000
Exercise of stock options	137,500	20,250	-	-	-	-	20,250
Fair value of options exercised	-	13,635	-	(13,635)	-	-	-
Convertible debenture	-	-	55,193	-	-	-	55,193
Convertible debenture forfeited without repayment	-	-	(4,378,742)	4,378,742	-	-	-
Share-based compensation	-	-	-	64,997	-	-	64,997
Comprehensive income (loss) for the period	-	-	-	-	2,000,842	(611,868)	1,388,974
Balance – September 30, 2016	101,897,372	$ 21,437,985	$ -	$ 6,257,759	$ 2,021,842	$ (24,325,091)	$ 5,392,495

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30

Expressed in Canadian Dollars

Unaudited

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Expenses				
Accounting and audit	$ 9,141	$ 8,017	$ 35,995	$ 22,934
Depreciation	1,266	1,715	3,799	4,978
Exploration and evaluation *(Note 4)*	221,811	665,646	605,320	1,011,093
Foreign exchange loss	9,136	13,325	30,371	9,762
Interest income	(4,351)	(954)	(5,256)	(6,353)
Investor relations and promotions	17,114	2,478	23,754	4,154
Legal fees	11,597	4,812	13,721	13,128
Listing and filing fees	160	1,000	7,421	7,879
Management fees	19,500	15,000	58,500	45,000
Office rent, services and supplies	19,408	19,459	54,752	54,894
Salaries, wages and consulting	39,627	37,846	123,032	116,946
Shareholder communications	4,454	968	21,711	4,411
Share-based compensation *(Note 6)*	-	-	64,997	-
Transfer agent fees	6,321	1,612	11,621	8,083
Travel and accommodation	385	-	7,768	2,036
Total operating expenses	(355,569)	(770,924)	(1,057,506)	(1,298,945)
Gain on sale of marketable securities *(Note 3)*	-	-	143,524	-
Loss for the period before taxes	(355,569)	(770,924)	(913,982)	(1,298,945)
Deferred income tax recovery *(Note 3)*	129,220	-	302,114	-
Loss for the period	(226,349)	(770,924)	(611,868)	(1,298,945)
Other comprehensive income				
Realized gain on sale of marketable securities *(Note 3)*	-	-	(143,524)	-
Item that may be reclassified subsequently to profit or loss:				
Change in fair value of marketable securities, net of taxes *(Note 3)*	864,780	154,000	2,144,366	154,000
Comprehensive income (loss) for the period	$ 638,431	$ (616,924)	$ 1,388,974	$ (1,144,945)
Loss per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted-average shares Outstanding – basic and diluted	101,839,356	83,857,698	93,230,356	82,002,729

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30

Expressed in Canadian Dollars
Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2016	2015
Operating activities		
Loss for the period	$ (611,868)	$ (1,298,945)
Items not involving cash		
Depreciation	3,799	4,978
Gain on sale of marketable securities	(143,524)	-
Deferred income tax recovery	(302,114)	-
Share-based compensation	64,997	-
Changes in non-cash working capital		
Receivables	51,604	70,425
Prepaid expenses	(7,044)	(1,650)
Accounts payable and accrued liabilities	(106,838)	611,306
Accounts payable and accrued liabilities – related parties	(89,805)	38,381
	(1,140,793)	(575,505)
Investing activities		
Proceeds on sale of marketable securities	213,480	-
Purchase of marketable securities	-	(350,000)
Purchase of equipment	-	(1,122)
	213,480	(351,122)
Financing activities		
Shares issued for cash	4,082,250	170,026
Share issuance costs	(202,834)	-
Convertible debenture	55,193	1,135,210
Due to related parties, net of repayments	(519,000)	135,000
	3,415,609	1,440,236
Change in cash for the period	2,488,296	513,609
Cash position - beginning of period	203,294	125,226
Cash position - end of period	$ 2,691,590	$ 638,835

Supplemental schedule of non-cash financing transactions		
Finders' warrants issued	$ 43,943	$ -
Fair value of stock options exercised	$ 13,635	$ -
Convertible debenture transferred to contributed surplus *(Note 7)*	$ 4,378,742	$ -

- See Accompanying Notes -

1. NATURE OF OPERATIONS

Canasil Resources Inc. (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 economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("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 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, 2015. All financial information presented herein is unaudited. The Company's board of directors approved these financial statements for issue on November 23, 2016.

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 available-for-sale financial assets, 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 wholly-owned Canadian subsidiary, CRD Minerals Corp. ("CRD"), and its wholly owned Mexican subsidiaries, Minera Canasil S.A. de C.V. and Minera CRD S.A. de C.V. ("Minera CRD"). All significant inter-company transactions, balances, and unrealized translation gains or losses have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include cash balances held through current operating bank accounts and guaranteed investment certificates at major financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in nominal value.

Expressed in Canadian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currency translation

The presentation and 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. MARKETABLE SECURITIES

Concurrently with entering into an option agreement with Orex Minerals Inc. ("Orex") on the Sandra-Escobar project *(Note 4)*, in September 2015 the Company acquired 1,400,000 common shares of Orex under a private placement at a cost of $350,000. On September 25, 2015, Orex and Barsele Minerals Corp. ("Barsele") completed a plan of arrangement such that each old share of Orex was exchanged for one new share of Orex plus one common share of Barsele. In February 2016, the Company sold 700,000 Orex shares. These shares are designated as available-for-sale securities. Details as at September 30 are as follows:

	Shares 2016		Cost 2016		Fair Value 2016		Fair Value 2015
Orex Minerals Inc.	700,000	$	69,956	$	700,000	$	224,000
Barsele Minerals Corp.	1,400,000		210,088		1,904,000		280,000
		$	280,044	$	2,604,000	$	504,000

Changes in the fair value of these securities for the periods ended September 30 are as follows:

		2016		2015
Fair value – beginning of period	$	371,000	$	-
Shares acquired		-		350,000
Sold – 700,000 Orex shares		(213,480)		-
Change in fair value		2,446,480		154,000
Fair value – end of period	$	2,604,000	$	504,000

The Company's available-for-sale securities are carried at fair value measured using a Level 1 fair value measurement whereby the carrying value is determined by using the quoted closing price of the security as at the balance sheet date.

During the period, the Company sold 700,000 Orex shares for net cash proceeds of $213,480 and a gain on sale of $143,524. The Company also recorded unrealized gains of $2,000,842, net of deferred income tax impact of $302,114, through accumulated other comprehensive income.

4. EXPLORATION AND EVALUATION

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. The Company's principal mineral interests include:

Sandra-Escobar project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which form the Sandra-Escobar project.

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn up to a 65% interest in the project. Orex can earn an initial 55% interest by paying the Company $500,000 (received) and incurring US$2,000,000 in exploration expenditures over a three-year period. Orex can earn an additional 10% interest by paying the Company $500,000 in cash or shares, at Orex's option, and incurring an additional US$2,000,000 in exploration expenditures within two years.

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to a net smelter returns royalty ("NSR") of 2% of which 1% may be purchased by the Company for US$1,000,000. To acquire the claims under option, the Company can make payments based on a specific schedule that totals US$600,000 over a period of eight years from 2012 to 2019, of which US$175,000 has been paid to date.

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the project. In February 2016, MAG withdrew from the agreement without earning an interest. The Company received cash payments from MAG totalling $500,000 during the term of the agreement.

The Salamandra property is held by Minera CRD, a wholly-owned subsidiary of CRD, a wholly-owned subsidiary of the Company. Under the agreement, MAG had the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds would be used to incur expenditures on the property by Minera CRD. The agreement provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture to the Company without repayment *(Note 7)*.

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION *- continued*

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, subject to an NSR of up to 1%, which can be purchased by the Company for US$100,000. The claims are located in Zacatecas State, Mexico. The Company acquired these claims by making option payments of US$160,000 over a four-year period to May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

Other projects

The Company has staked other claims located in Durango State, Mexico which include the Colibri, Carina, Victoria, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

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 unreliable 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.

Expenditures for the periods ending September 30 are as follows:

	2016	2015
Acquisition and option payments	$ 12,161	$ 96,542
Administration	158,500	140,948
Assays	10,967	117,046
Consulting	29,493	152,404
Drilling	-	580,044
Field costs	25,010	44,510
Geological	87,355	72,179
Land holding costs	285,771	398,012
Legal	811	71,551
Mapping and surveying	2,837	6,996
Roadbuilding	-	2,439
Transportation and rentals	28,894	39,068
Expenditure recoveries	(36,479)	(10,646)
Option payments received	-	(700,000)
	$ 605,320	$ 1,011,093

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION *- continued*

Expenditures for the period and cumulative expenditures as at September 30 are as follows:

2016	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 7,584	$ 7,584	$ 2,338,937
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	60,244	60,244	339,929
- Expenditure recoveries	-	(2,256)	(2,256)	(34,689)
Sandra-Escobar, Mexico	12,161	96,065	108,226	1,760,506
- Option payments received	-	-	-	(500,000)
- Expenditure recoveries	-	(34,223)	(34,223)	(86,609)
Salamandra, Mexico	-	221,827	221,827	5,969,478
- Expenditure recoveries	-	-	-	(223,652)
- Option payments received	-	-	-	(553,989)
La Esperanza, Mexico	-	105,171	105,171	1,596,297
- Expenditure recoveries	-	-	-	(262,373)
- Option payments received	-	-	-	(300,000)
Other, Mexico	-	138,747	138,747	3,296,091
- Expenditure recoveries	-	-	-	(131,346)
- Option payments received	-	-	-	(133,471)
	$ 12,161	$ 593,159	$ 605,320	$ 12,868,780

2015	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ -	$ -	$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	7,672	7,672	268,699
- Expenditure recoveries	-	(10,646)	(10,646)	(32,433)
Sandra and Escobar, Mexico	5,573	147,749	153,322	1,590,624
- Option payments received	(500,000)	-	(500,000)	(500,000)
Salamandra, Mexico	90,969	1,146,683	1,237,652	5,678,481
- Expenditure recoveries	-	-	-	(223,652)
- Option payments received	(200,000)	-	(200,000)	(553,989)
La Esperanza, Mexico	-	180,244	180,244	1,478,745
- Expenditure recoveries	-	-	-	(260,939)
- Option payments received	-	-	-	(300,000)
Other, Mexico	-	142,849	142,849	3,153,886
- Expenditure recoveries	-	-	-	(131,346)
- Option payments received	-	-	-	(133,471)
	$ (603,458)	$ 1,614,551	$ 1,011,093	$ 12,159,629

5. SHARE CAPITAL

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

Private placements

In August 2015, the Company closed a private placement by issuing 3,000,000 units at a price of $0.05 per unit for cash proceeds of $150,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company at a price of $0.10 for a period of one year.

In August 2015, the Company also closed a private placement by issuing 600,000 shares at a price of $0.045 per share for cash proceeds of $27,000.

In February 2016, the Company completed a private placement of 2,000,000 shares at a price of $0.15 per share for gross proceeds of $300,000. The Company paid legal and filing fees of $3,108 in respect of this private placement.

In March 2016, the Company completed a private placement of 4,100,000 shares at a price of $0.22 per share for gross proceeds of $902,000. The Company paid a 6% finder's fee of $33,000 for a portion of the shares placed. The Company also paid a due diligence fee of $15,190 and filing fees of $5,260 in respect of this private placement.

In June 2016, the Company completed a private placement of 8,000,000 units at a price of $0.32 per unit for gross proceeds of $2,560,000. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.50 for a period of two years. The Company paid finders' fees on a portion of the placement, which consisted of 6% in cash and 3% in warrants, with each finder's warrant having the same terms as the placement warrants. The Company paid total finders' fees of $124,320 and issued 194,250 warrants to qualified finders. The fair value of the finders' warrants was estimated at $43,943 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.54%, expected dividend yield of 0.00%, estimated stock price volatility of 115%, and expected option life of two years. In addition, the Company paid $21,956 in legal and filing fees in respect of the placement. The warrants are subject to an accelerated exercise clause such that after four months following the closing of the placement, the Company has the right to accelerate the expiry date of the warrants upon 20 days written notice should the trading price of the Company's shares exceed $0.80 for a period of 20 consecutive trading days.

Expressed in Canadian Dollars

6. STOCK OPTIONS AND WARRANTS

Stock option and share purchase warrant activity is summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2014	144,850	$	0.10	4,675,000	$	0.21
Issued/granted	3,000,000	$	0.10	5,000,000	$	0.06
Expired	(144,850)	$	0.10	(2,625,000)	$	0.22
Outstanding, December 31, 2015	3,000,000	$	0.10	7,050,000	$	0.10
Issued/granted	4,194,250	$	0.50	450,000	$	0.21
Exercised	(3,000,000)	$	0.10	(137,500)	$	0.15
Expired	-	$	-	(200,000)	$	0.35
Outstanding, September 30, 2016	4,194,250	$	0.50	7,162,500	$	0.10
Exercisable, September 30, 2016	4,194,250	$	0.50	7,162,500	$	0.10

At September 30, 2016, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares		Exercise Price	Expiry Date
Options	1,175,000	$	0.20	January 20, 2017
	262,500	$	0.18	October 29, 2017
	375,000	$	0.10	January 4, 2019
	4,950,000	$	0.06	December 21, 2020
	400,000	$	0.21	March 1, 2021
	7,162,500			
Warrants	762,500	$	0.50	June 21, 2018
	3,431,750	$	0.50	June 29, 2018
	4,194,250			

At September 30, 2016, the weighted-average remaining life of the outstanding stock options was 3.38 years; 1.74 years for the outstanding warrants.

Expressed in Canadian Dollars

6. STOCK OPTIONS AND WARRANTS *- continued*

Share-based compensation

Details of incentive stock options granted to directors, officers and consultants of the Company during the periods ended September 30 are as follows:

	2016	2015
Total options granted	450,000	-
Average exercise price	$ 0.21	$ -
Estimated fair value of options granted	$ 64,997	$ -
Estimated fair value per option	$ 0.14	$ -

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:

	2016	2015
Risk-free interest rate	0.66%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	89%	-
Expected forfeiture rate	0.00%	-
Expected option life in years	5.00	-

Share-based compensation is recorded over the vesting period of each option grant. The Company has recorded share-based compensation during the period as follows:

	2016	2015
Number of options vested in period	450,000	-
Compensation recognized in period	$ 64,997	$ -

During the period, 137,500 stock options (2015 – nil) were exercised for proceeds of $20,250. The proceeds and the related fair value of $13,635 recognized upon grant have been recorded as share capital.

Expressed in Canadian Dollars

7. CONVERTIBLE DEBENTURE

Under the terms of its option agreement on the Salamandra project *(Note 4)*, MAG funded certain exploration expenditures on the Salamandra project by advancing funds to CRD under an unsecured, non-interest bearing convertible debenture. Funds received under the debenture were used for incurring such qualifying exploration expenditures on the Salamandra project. In February 2016, MAG withdrew from the agreement without earning an interest in the project. During the term of the agreement, MAG advanced a total of $4,378,742 under the convertible debenture.

The terms of the option agreement provided MAG with the right to convert the debenture into common shares of CRD such that MAG would hold up to a 70% interest in CRD upon exercise of the option. The agreement also provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture. Since the convertible debenture would either be converted into shares or forfeited without repayment, it has been treated as an equity instrument in these financial statements. Accordingly, upon MAG's withdrawal from the agreement, the balance of the convertible debenture has been reclassified to contributed surplus within shareholders' equity.

8. 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 as follows:

- accounts payable and accrued liabilities – related parties includes $8,327 (December 31, 2015 – $18,132) in legal fees due to a law firm in which an officer of the Company is a partner and $nil (December 31, 2015 – $80,000) in management fees due to the chief financial officer;
- due to related parties consists of loan advances totaling $nil (December 31, 2015 – $519,000) made to the Company by a director, an officer, and a company with a director in common. The loan advances were unsecured, non-interest bearing, and had no fixed terms of repayment;
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the periods ended September 30 is as follows:

	2016	2015
Salaries and wages	$ 112,500	$ 112,500
Management fees	58,500	45,000
Legal fees	10,938	17,716
	$ 181,938	$ 175,216

Expressed in Canadian Dollars

9. COMMITMENTS

The Company has entered into a three-year lease agreement for office premises that expires on September 30, 2018. As at September 30, 2016, monthly payments are $3,210 and include basic rent and common operating costs.

Minimum future annual lease payments (based on current common operating costs) are as follows:

		Amount
2016	$	9,862
2017		39,681
2018		30,283
	$	79,826

The Company has signed employment and management agreements with its chief executive officer and chief financial officer. These contracts for aggregate monthly compensation totalling $19,000 per month also provide for severance provisions should the contracts be terminated without cause, should there be a change of control of the Company, or should the Company sell all or substantially all of its assets.

10. 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:

September 30, 2016		Canada		Mexico		Total
Property and equipment	$	5,698	$	41,105	$	46,803

December 31, 2015		Canada		Mexico		Total
Property and equipment	$	6,921	$	43,681	$	50,602

This Interim Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("Canasil" or "the Company") is dated November 23, 2016, and provides information on the Company's activities for the nine months ended September 30, 2016, and subsequent activity to the date of this report. The following discussion and analysis of the financial position and performance of the Company should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended September 30, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the audited annual financial statements and MD&A for the year ended December 31, 2015. Additional information about the Company can be found on SEDAR at www.sedar.com.

Overview

The Company is engaged in the exploration and development of mineral properties with prospects for gold, silver, copper, zinc and lead in Durango and Zacatecas States, Mexico, and in British Columbia, Canada.

On September 15, 2015, the Company signed an option agreement with Orex Minerals Inc. ("Orex") on the Sandra-Escobar project providing Orex with an option to earn up to a 65% interest in the project. To date, Orex has completed three phases of core drilling for a total of 62 holes and 8,372 metres of drilling. Results for these programs have been released through and subsequent to the end of the period to the date of this report. On October 31, 2016, Orex announced an initial resource estimate for the Boleras Deposit in the southeastern area of the Sandra-Escobar project for an Inferred Resource of 9.8 million tonnes grading 106 g/t silver for a total of 33.3 million ounces of silver at a "Base Case" of 45 g/t silver cut-off *(see "Mineral Properties - Sandra-Escobar". Note: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. The Mineral Resource was estimated by Mining Plus Consultants with an Effective Date of October 25, 2016).* Orex has also announced that metallurgical testing is in progress and on November 7, 2016, announced the start of a 4,000-metre Phase-4 core drilling program at the project.

In February 2016, after completing three phases and 14,382 metres of drilling at the Salamandra project, MAG Silver Corp. ("MAG") elected not to continue with the Salamandra option and as a result the Company retains its 100% interest in this project.

In Mexico and British Columbia, all core mineral claims were maintained in good standing and the Company continued discussions on potential cooperation agreements and funding possibilities to advance its projects. In November 2016, the Company received a drill permit for the la Esperanza project and is preparing for the start of a drill program to test the La Esperanza vein. The Company carried out prospecting work on its Vega, Granite and Lil projects in September 2016, and in November 2016 completed airborne magnetic surveys on the Vega and Granite projects.

Concurrent with the option agreement with Orex, the Company acquired shares in Orex and Barsele Minerals Corp. ("Barsele") for $350,000 (see *"Liquidity and Capital Resources"*). In February 2016, the Company sold half of its Orex shares for $213,480 and as at the date of this report, the remaining shares are valued at $1,673,000. During the period, the Company also completed three private placements for net cash proceeds of $3,559,166, and received $320,250 in proceeds from the exercise of warrants and options.

Jerry Blackwell, P. Geo. British Columbia and Advisor to the Board of Canasil is the Company's designated Qualified Person in accordance with National Instrument 43-101 in relation to data provided with regard to exploration programs undertaken by the Company. On projects under option with MAG and Orex, the Company has also relied on the Qualified Persons at these companies who are responsible for the exploration programs under the terms of option agreements.

Outlook

Since December 2015, gold, silver and metal prices have staged a marked recovery with silver trading up to over US$20 per ounce by June/July 2016, up from US$14 per ounce at the beginning of the year. Since then, and to the date of this report, precious metal prices have gradually declined, with silver currently trading below US$17 per ounce, due to prospects of higher interest rates in the United States and increasing value of the U.S. dollar, as well as concerns for weaker global economic growth and uncertainty following the U.S. elections on November 8, 2016. This has dampened some of the earlier optimism for the resource and exploration sectors, and contributed to a decrease in the Company's share price and market capitalization since the end of the last quarter. However, larger and mid-tier mining companies are still interested in agreements to advance exploration projects and in acquiring new projects, which are positive factors given the Company's strong portfolio of exploration projects.

The sale of Orex shares, the completion of three private placements, and proceeds from the exercise of warrants and options in 2016 has significantly strengthened the Company's working capital and will assist management in considering new initiatives. The results from the drill programs and initial resource estimate completed by Orex at the Company's Sandra-Escobar project are encouraging and results from metallurgical testing and Phase-4 drill program will be coming in as these programs are completed. The Company continues to evaluate possibilities for additional high quality joint venture partners for its drill-ready projects to advance these projects without additional share dilution. Discussions are currently in progress with interested parties for agreements to create value for shareholders and enhance the value of the Company's assets. In addition the Company is advancing its early-stage exploration projects to define additional targets, and is planning selective focused drill programs on its more advanced drill-ready projects, such as La Esperanza. The generally more positive resource environment presents opportunities for concluding option and cooperation agreements on favourable terms.

Mineral Properties

The Company has the following mineral exploration projects in Mexico and Canada:

Durango and Zacatecas, Mexico:	British Columbia, Canada
• Sandra silver-gold project – 100%, and Escobar silver-gold claims – 40%, subject to option agreement with Orex • Salamandra zinc-silver project – 100% in part, plus option to earn 100% • La Esperanza silver-zinc-lead project – 100% • Carina silver project – 100% • Colibri silver-zinc-lead-copper project – 100% • Vizcaino silver-gold project – 100% • Victoria zinc-silver project – 100% • Nora silver-gold-copper project – 100%	• Brenda, gold-copper property – 100% • Vega, gold-copper property – 100% • Granite, gold property – 100% • LIL, silver property – 100%

Exploration Projects in Mexico

Sandra-Escobar

The 100%-owned Sandra silver-gold project covers 6,333 hectares, and is located 200 kilometres northwest of the City of Durango. The Company also has a 40% interest in the adjoining 634-hectare Escobar claims of Pan American Silver Corp., earned under an option agreement with Pan American between 2008 and 2012. The project hosts a high level silver-gold system centered on a large altered rhyolite dome complex, with widespread silver, gold, and base metal mineralization, indicating potential for disseminated mineralization, as well as several high-grade silver-gold-base metal veins.

The Company's previous exploration programs have included extensive geological mapping and surface sampling, a 420 line-kilometre ZTEM airborne geophysical survey, petrographic analysis of surface samples, high resolution satellite imaging and topographic mapping surveys, a 1,848-metre diamond drill program in eleven drill holes, ASTER satellite alteration imaging survey and an 11.8 line-kilometre ground IP survey. These programs suggest a large hydrothermal system centred on an intrusive source, and have identified five significant silver-gold-base metal drill targets over an area of 25 square kilometres. The results indicate a similar geologic setting to other significant silver and gold deposits in northern Durango State such as Silver Standard Resources' La Pitarrilla deposit and Argonaut Gold's San Agustin deposit.

In September 2015, the Company signed an option agreement providing Orex with the right to earn up to a 65% interest in the project. Orex can earn an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period. The first year expenditure requirement of US\$675,000 is a firm commitment with optional minimum annual expenditures of US\$500,000 in subsequent years. Upon vesting its 55% interest, Orex can earn an additional 10% interest by paying the Company \$500,000 in cash or shares, at Orex's option, and incurring an additional US\$2,000,000 in exploration expenditures within two years. The Company has a Director in common with Orex.

To date Orex has completed three phases of core drilling for a total of 62 holes and 8,372 metres of drilling in the southeast of the project area. These drill programs have delineated an area with disseminated near surface silver mineralization over a strike distance of approximately 750 metres and a width of approximately 250 metres in a tabular body with a thickness varying between approximately 25 metres to 45 metres (the "Main Zone"). The highest grade intercept from the Phase-1 program of 17 holes was drill hole SA-15-001 returning a 61-metre core length (43.1 metres true thickness) grading 359 grams per tonne ("g/t") silver ("Ag"), starting from surface. The lowest grade intercept was SA-16-014 returning 29 metres (true thickness 28.01 metres) grading 63 g/t Ag. The consistency of grades within the mineralized intervals of the Main Zone is favourable, with continuous silver mineralization throughout the mineralized zone and within individual drill intercepts.

Results for the 21 Phase-2 drill holes were released on May 9, May 24, and May 31, 2016. These drill holes included infill drill holes to test the continuity of mineralization between sections drilled in the Phase-1 program, step-outs to the south along previously drilled sections to extend the width of the mineralized zone, and some exploratory step-outs to the west and northwest of the Main Zone. The best results from the infill drill holes were SA-16-019 which returned 49.15 metres true thickness with 205 g/t Ag, and SA-16-023 which returned 40.50 metres true thickness grading 218 g/t Ag. All the drill holes within the Main Zone returned significant intercepts of disseminated silver mineralization confirming the consistency and continuity of mineralization in this zone. The two step-out holes drilled on the flank of a hill located to the northwest of the Main Zone, SA-16-027 and 028, intersected 25.46 metres true thickness of 39 g/t Ag and 22.98 metres true thickness of 32 g/t Ag. These holes indicate a favourable target for a potentially new zone of silver mineralization. In addition, two drill holes collared 350 metres west of the Main Zone, SA-16-037 and 038, intersected 13.50 metres true thickness of 101 g/t Ag and 26.00 metres of 156 g/t Ag respectively.

Results from the 24-hole Phase-3 drill program were announced on August 29, September 12 and 28, and October 19, 2016. These drill holes again included both infill holes in the Main Zone as well as exploratory holes in immediately surrounding targets. Among the best intercepts in the Main Zone was SA-16-041 returning 67.00 metres (true width 58.02 metres) of 192 g/t Ag. Drilling to the west and south of the Main Zone returned generally lower grade intercepts such as SA-16-048 with 65.00 metres (56.00 metres true width) of 114 g/t Ag and SA-16-057 with 41.00 metres (33.58 metres true width of 108 g/t Ag.

On October 31, 2016, Orex released the results of an initial resource estimate completed by Mining Plus Consultants focused on the Main Zone for an Inferred Resource of 9.8 million tonnes grading 106 g/t Ag for a total of 33.3 million ounces Ag at a "Base Case" of 45 g/t Ag cut-off, as detailed in the table below and in Canasil and Orex news releases dated October 31, 2016.

Boleras Silver Deposit – Inferred Resource Estimate by Cut-Off Grade					
Cut-off Grade	Tonnes	Grade	Grade	Silver	Silver
Ag (g/t)		Ag (g/t)	Ag (oz/t)	(M-g)	(oz)
15	12,100,000	92	3.0	1,120	35,800,000
30	11,500,000	96	3.0	1,100	35,400,000
45	**9,800,000**	**106**	**3.4**	**1,040**	**33,300,000**
60	8,000,000	118	3.8	950	30,400,000
75	6,400,000	131	4.2	840	26,900,000
90	5,000,000	145	4.7	720	23,100,000

Note: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
The Mineral Resource was estimated by Mining Plus Consultants with an Effective Date of October 25, 2016.

Orex has also announced that metallurgical testing is in progress and on November 7, 2016, announced the start of a 4,000-metre Phase-4 core drilling program at the project.

Silver mineralization in the current drill zone is hosted along the flank of a rhyolite volcanic dome in an area of the project where prior to December 2015 there had been no drilling. Mineralization is hosted in an altered and highly permeable volcanoclastic unit, with disseminations of silver bearing minerals and broadly spaced stockwork veinlets. Orex's working model has the porphyritic rhyolite unit acting as an impermeable cap, which may have focused mineralizing fluids into the host permeable volcanoclastic unit. Geochemical analyses indicate no significant gold, lead, zinc, arsenic and antimony associated with the silver mineralization.

Salamandra

The Salamandra zinc-silver project is located in Durango State, 35 kilometres northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares, and was acquired through staking of claims and entering into an option agreement to purchase a 100% interest in the central 900 hectares of claims, subject to a net smelter returns royalty of 2%. The Company can make option payments based on a specific schedule of payments that total US$600,000 over a period of eight years from 2012 to 2019, of which US$175,000 has been paid to date.

Past exploration by Canasil at Salamandra includes geological mapping and surface sampling, 3D-IP ground geophysics, ZTEM airborne geophysics and twelve diamond drill holes for a total of 3,595 metres. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones, including high grade silver and zinc intercepts of up to 12.00% zinc ("Zn") over 7.45 metres and 102 g/t Ag over 9.85 metres within wider mineralized sections. The ZTEM airborne geophysics and detailed surface sampling identified a large electromagnetic signature over an area of 3.5 kilometres by 2.5 kilometres, a vein exposure where a 0.90 metre sample returned 2,150 g/t Ag, 5.39% copper ("Cu") and 1.89% Zn, and significant silver-copper-zinc-lead as well as arsenic-antimony geochemical anomalies providing indications of the potential for a buried intrusive hosted mineralized system. The principal target at Salamandra is centred upon a funnel-shaped granitic intrusive and dyke complex that cuts highly folded mudstones, greywacke and limestone. The older sedimentary rocks have been contact metamorphosed by the intrusive complex, resulting in limestone converting to skarn and the older units becoming hornfels. The geology and style of mineralization observed at Salamandra are similar to the San Martin-Sabinas silver-base metal mines, located 80 kilometres southeast of the project.

In May 2013, the Company signed an option agreement with MAG on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement without earning an interest in the project and as a result Canasil retains a 100% interest in Salamandra. The Company received cash payments totaling $500,000 from MAG during the period of the agreement.

MAG reported completion of $5.8 million in cumulative qualifying expenditures to December 31, 2015. The exploration programs included surface sampling and data review in 2013, followed by Phase-1, Phase-2, and Phase-3 diamond drill programs for a total of 14,382 metres in 23 drill holes in 2013, 2014 and 2015. The surface sampling and data review identified indications of large carbonate replacement deposits at Salamandra. The drill programs reported encouraging high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and finally, an interesting interval of gold-tungsten mineralization.

Highlights of the MAG drill programs at Salamandra included the following drill holes:

- SA14-15 intersected high-grade silver-copper mineralization over 7.89 metres, assaying 166 g/t Ag and 1.2% Cu, including 2.3 metres grading 393 g/t Ag and 3.6% Cu with anomalous lead and zinc;
- SA13-13 cut 31.72 metres grading 3.5% Zn including 17.72 metres grading 5.0% Zn with no other anomalous metals. Notably, SA13-13 contained zinc mineralization for almost its entire length, with 810 metres averaging 0.6% Zn including several thick zones grading over 1.5% Zn;
- SA14-14 returned two intercepts, one with 0.48 metres of 197 g/t Ag, 0.4% Cu and 1.1% Zn, and the second with 0.42 metres of 108 g/t Ag, 0.5% Cu, and 0.6% Zn;
- SA14-20 cut 0.63 metres grading 258 g/t Ag with 0.27% Cu lying immediately above 9.9 metres grading 2.3% Zn;
- SA14-19, 22, and 24 all cut significant widths of zinc mineralization; hole SA14-28 cut 173.46 metres of 1.0% Zn starting 20 metres below the surface;
- SA14-25 and SA14-18, were drilled away from the intrusive centre to test under a cover of young basalt flows that flank the entire project area; both cut major faults interpreted to be the reactivated western margin of the Central Mexico Basin, the principal regional structural control on several major CRD-skarn systems;
- SA-15-32, 34 and 35 cut appreciable widths of strongly anomalous zinc mineralization, with the best dispersed zinc interval in hole SA15-34 with 28 metres grading 1.43% Zn, and the best narrow high-grade zinc zone in hole SA15-31 with 0.79 metres grading 7.79% Zn;
- SA15-35 cut two zones of coherent gold mineralization at 895–931 metres downhole depth: 9.33 metres grading 1.01 g/t gold ("Au") including 0.88 metres grading 3.6 g/t Au and 8.07 metres grading 1.36 g/t Au, including 2.31 metres grading 2.96 g/t Au. These zones occur in hornfels that extend from approximately 650 to 931 metres. The highest grade tungsten is 0.9 metres of 0.38%. A broad zone of dispersed zinc mineralization (29.9 metres grading 0.5% Zn) lies just above the gold zone.

Salamandra manifests signs of an extensive, complex system with a strong metals endowment. Pervasive zinc mineralization intersected in most of the drill holes, the high-grade silver-copper intercepts and deeper gold and tungsten intercepts indicate the potential for a large metalliferous system at Salamandra. This system remains open for expansion through additional drilling.

Qualified Person, Quality Assurance and Control: The above results were compiled and provided by MAG; for details regarding the Qualified Person and Quality Assurance and Control procedures, please refer to the MAG news release dated March 17, 2014 for the Phase-1 results, and July 21, 2014, for the Phase-2 results, and December 17, 2015, for the Phase-3 results.

La Esperanza

The 100% owned La Esperanza silver-zinc-lead project claims cover 14,916 hectares and are located on the border of Durango and Zacatecas States, 100 kilometres south-southeast of the City of Durango. The project is located in a prolific mining district on the major Fresnillo silver trend, 80 kilometres northwest of the Fresnillo mine, and approximately 35 kilometres from Pan American Silver's la Colorada mine, and First Majestic Silver's La Parrilla and Del Toro mines. Systematic and comprehensive exploration programs have been conducted on the project, including satellite imaging and high resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and 7,728 metres of drilling in 32 diamond drill holes. Drilling to date has returned wide high-grade silver-lead-zinc intercepts from the La Esperanza vein, which is open in all directions. The highest grade and widest intercept was from ES-06-05 which returned 10.30 metres true width of 396 g/t Ag, 0.71% Zn and 1.96% lead ("Pb"). Drilling below a blind section approximately 100 metres northwest of the La Esperanza vein outcrop intersected the higher levels of the vein with increasing widths and grades with depth. The lowest intercept approximately 250 metres below surface intersected 8.20 metres true width with 98 g/t Ag, 0.19 g/t Au, 1.16% Pb and 2.42% Zn, which included 1.96 metres grading 278 g/t Ag, 0.17 g/t Au, 2.84% Pb and 5.82% Zn.

Four high-grade silver-lead-zinc vein occurrences have been identified in the northwest of the project area. Two of these have been tested with initial drill programs, which indicated potential for significant silver-lead-zinc mineralization. In November 2016, the Company received a drill permit covering up to 30 drill holes in the La Esperanza vein area. The Company plans to proceed with a drill program to test the La Esperanza vein along strike and to depth from previous drill intercepts as soon as possible.

Other projects, Mexico

All key project claims remain in good standing. The Company maintains a full time exploration team based in Durango, Mexico, and is evaluating new areas within its mineral claims in Mexico to identify new prospective targets as part of its exploration program.

Exploration projects in British Columbia, Canada

Brenda gold-copper project

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, 25 kilometres northwest of the past producing Kemess South Mine. Cumulative exploration expenditures of over $3.8 million to date include satellite surveys, airborne and ground geophysics, extensive geological mapping and sampling and 11,000 metres of diamond drilling in 64 drill holes. These programs highlight the potential for a deep-seated porphyry gold-copper system at the Brenda project, possibly similar in style to mineralization found at the nearby Kemess Underground (North Kemess) deposit being advanced by AuRico Metals Inc.

Two deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of five intercepts above a depth of 450 metres returning 0.48 g/t Au and 0.079% Cu over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t Au and 0.116% Cu over a combined intercept length of 93 metres. The mineralized system averages 300 to 400 metres in width, and has been traced along a strike length of 400 metres by drilling, with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in a 3-Dimensional Induced Polarization geophysical survey. In August 2013 a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-97-04 from 504 metres to 572 metres, and the intercepts below 570 metres returned no significant gold-copper mineralization with only low copper and gold values over certain intervals. The mineralized intercepts and post mineral intrusions observed in drilling to date reflect the characteristic signature observed in large porphyry systems. Further review will be required to determine the structural setting based on the prior data and deeper penetrating geophysical surveys are needed to define prospective mineralized zones.

There was no field work carried out on the Brenda project during the period. Assessment filings based on exploration work completed to date at the Brenda project have extended the claim validity on all Brenda claims to May 30, 2024.

Other projects in British Columbia, Canada

In British Columbia, the mineral claims remain in good standing. The Company carried out prospecting work on its Vega, Granite and Lil projects in September 2016, with a total budget of $40,000. In November 2016, airborne magnetic surveys were completed on the Vega and Granite projects. The Vega project claims where subsequently increased through staking of additional claims to cover prospective trends surrounding the project area.

Mineral Properties – Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the periods ending September 30, by activity, are as follows:

	2016	2015
Acquisition and option payments	12,161	96,542
Administration	158,500	140,948
Assays	10,967	117,046
Consulting	29,493	152,404
Drilling	-	580,044
Field costs	25,010	44,510
Geological	87,355	72,179
Land holding costs	285,771	398,012
Legal	811	71,551
Mapping and surveying	2,837	6,996
Road building	-	2,439
Transportation and rentals	28,894	39,068
Expenditure recoveries	(36,479)	(10,646)
Option payments received	-	(700,000)
	605,320	1,011,093

Mineral Properties – Exploration and Evaluation Expenditures *- continued*

The Company expenses exploration and evaluation expenditures in the period incurred. A summary of the Company's exploration and evaluation expenditures for the periods ended September 30 follows:

	2016	2015
Mexico		
Sandra-Escobar Project		
Acquisition and option payments	12,161	5,573
Administration	38,686	38,108
Assays	5,465	-
Consulting	2,800	-
Field costs	1,845	2,534
Geological	12,943	23,015
Land holding costs	33,173	83,761
Legal	811	-
Mapping and surveying	262	-
Transportation and rentals	80	331
Expenditure recoveries	(34,223)	-
Option payments received	-	(500,000)
	74,003	(346,678)
Salamandra Project		
Acquisition and option payments	-	90,969
Administration	32,091	21,942
Assays	-	117,046
Consulting	20,351	152,404
Drilling	-	580,044
Field costs	13,257	39,750
Geological	20,076	12,346
Land holding costs	128,095	115,560
Legal	-	71,551
Transportation and rentals	7,957	36,040
Option payments received	-	(200,000)
	221,827	1,037,652
La Esperanza Project		
Administration	39,499	44,979
Consulting	3,560	-
Field costs	914	1,852
Geological	16,530	25,599
Land holding costs	44,575	105,214
Road building	-	2,439
Transportation and rentals	93	161
	105,171	180,244
Other Projects		
Administration	48,224	35,919
Assays	5,502	-
Consulting	2,782	-
Field costs	1,092	374
Geological	20,427	11,219
Land holding costs	59,753	92,801
Mapping and surveying	893	-
Transportation and rentals	74	2,536
	138,747	142,849
Balances carried forward	539,748	1,014,067

Mineral Properties – Exploration and Evaluation Expenditures *- continued*

	2016	2015
Balances brought forward	539,748	1,014,067
Canada		
Brenda Project		
Field costs	5,084	-
Geological	2,500	-
	7,584	-
Other Projects		
Field costs	2,818	-
Geological	14,879	-
Land holding costs	20,175	676
Mapping and surveying	1,682	6,996
Transportation and rentals	20,690	-
Expenditure recoveries	(2,256)	(10,646)
	57,988	(2,974)
Total costs for period	605,320	1,011,093

Results of Operations

The Company had a loss for the current nine-month period of $611,868, which compares to a loss of $1,298,945 for the comparative period in 2015. Significant items included in loss for the period are as follows:

	2016	2015
Accounting and audit	35,995	22,934
Exploration and evaluation	605,320	1,011,093
Foreign exchange loss	30,371	9,762
Management fees	58,500	45,000
Office rent, services and supplies	54,752	54,894
Salaries, wages and consulting	123,032	116,946
Share-based compensation	64,997	-
Gain on sale of marketable securities	(143,524)	-
Deferred income tax recovery	(302,114)	-

The current loss includes general and administrative expenses of $452,186 (2015 - $287,852) and exploration and evaluation expenditures of $605,320 (2015 - $1,011,093). General and administrative expenses include share-based compensation, a non-cash item, of $64,997 (2015 - $nil) – the Company granted 450,000 incentive stock options during the current period; no options were granted in the prior period. During the period, the Company experienced a foreign exchange loss of $30,371 due to a weakening Mexican peso, which compares to a loss of $9,762 in the prior period. The increased financing activities and an increase in exploration activity during the period resulted in higher general and administrative costs, specifically in shareholder communications (increase of $17,300) and investor relations (increase of $19,600). The Company sold marketable securities during the period and realized a gain of $143,524. Included in loss for the period is a deferred income tax recovery of $302,114 relating to unrealized gains of $2,302,956 on the Orex and Barsele shares (see *"Liquidity and Capital Resources"*), which have been designated as available-for-sale marketable securities.

Exploration and evaluation expenditures totalled $605,320 (2015 - $1,011,093), which are net of option payments received of $nil (2015 - $700,000) and expenditure recoveries of $36,479 (2015 - $10,646). Total gross exploration and evaluation expenditures of $641,799 were lower than the $1,721,739 incurred in 2015 primarily due to a decrease in costs relating to the Salamandra project due to MAG's withdrawal from the project. Exploration and evaluation costs include $221,827 (2015 - $1,237,652) that were incurred on the Salamandra project; the majority of the 2015 costs were funded by advances from MAG under its convertible debenture (see *"Liquidity and Capital Resources"*). Exploration expenditures on the Company's other projects totalled $419,972 (2015 - $484,087).

The Company had other comprehensive income of $2,000,842 (2015 - $154,000) during the period from unrealized gains on marketable securities, net of deferred income taxes otherwise payable of $302,114. Comprehensive income for the current period totalled $1,388,974, which compares to a comprehensive loss of $1,144,945 for the prior period.

Net cash used for operating activities during the period, before changes in non-cash working capital items, was $988,710 (2015 - $1,293,967), which includes $605,320 (2015 - $1,011,093) in net exploration and evaluation expenditures, and $383,390 (2015 - $282,874) in general and administrative expenses. Changes in non-cash working capital items for the current period include a decrease in receivables of $51,604, which relates primarily to the recovery of value-added taxes in Mexico, and a reduction in accounts payable of $196,643. Cash provided by investing activities totalled $213,480 and consists of the proceeds from the sale of 700,000 Orex shares. Net cash provided by financing activities during the period was $3,415,609 as a result of the Company completing three private placements for net proceeds of $3,559,166, receiving $320,250 in proceeds upon the exercise of warrants and options, repaying $519,000 in loan advances from related parties, and receiving $55,193 in advances from MAG under the convertible debenture.

Discussion of Current Quarter

The loss for the current quarter includes general and administrative expenses of $133,758 (2015 - $105,278) and exploration and evaluation expenditures of $221,811 (2015 - $665,646), which are net of option payments received of $nil (2015 - $500,000) and expenditure recoveries of $36,479 (2015 - $10,646). Total gross exploration and evaluation expenditures of $258,290 were significantly lower than the $1,176,292 incurred in 2015 primarily due to a decrease in costs relating to the Salamandra project. Exploration and evaluation costs include $40,206 (2015 - $957,682) that were incurred on the Salamandra project. The Company incurred expenditures totalling $218,084 (2015 - $218,610) on its other projects.

Net cash used for operating activities during the quarter, before changes in non-cash working capital items, was $354,303 (2015 - $769,209), which includes $221,811 (2015 - $665,646) in net exploration and evaluation expenditures. The decrease in cash used for current operations is primarily due the receipt of the $500,000 option payment received from Orex in 2015, offset by higher exploration costs incurred in 2015 compared to 2016. Significant changes in non-cash working capital items for the current quarter include a reduction in accounts payable of $62,722. Cash provided by financing activities was $72,443, which includes a $55,193 advance from MAG under the convertible debenture and proceeds of $17,250 received for the exercise of options.

Summary of Quarterly Information

The following table provides selected financial information of the Company for each of the last eight quarters presented in accordance with IFRS:

Year	2016			2015				2014
Quarter ended:	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Revenue	-	-	-	-	-	-	-	-
Exploration and evaluation expenses	$221,811	$124,117	$259,392	$103,831	$1,165,646	$233,222	$312,225	$619,382
Option payments received	-	-	-	-	$500,000	$200,000	-	-
Share-based compensation expense	-	-	$64,997	$143,635	-	-	-	-
Gain on sale of marketable securities	-	-	$143,524	-	-	-	-	-
Deferred income taxes (recovery)	$(129,220)	$(138,320)	$(34,574)	-	-	-	-	-
Loss for the period	$226,349	$112,901	$272,618	$342,048	$770,924	$147,778	$380,243	$723,081
Other comprehensive loss (income)	$(864,780)	$(925,680)	$(210,382)	$133,000	$(154,000)	-	-	-
Comprehensive loss (income) for the period	$(638,431)	$(812,779)	$62,236	$475,048	$616,924	$147,778	$380,243	$723,081
Loss per share: basic and diluted	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01	$0.00	$0.01
Weighted-average shares outstanding	101,839,356	91,145,586	86,611,520	84,659,872	83,857,698	81,059,872	81,059,872	79,635,525

Discussion of Quarterly Information

During the fourth quarter of 2014, analytical and interpretive work continued at Salamandra with costs of $548,088 being incurred; work on the Company's other properties was limited as it endeavoured to conserve cash.

During the first quarter of 2015, the Company conducted minimal exploration work except for modelling and interpretative work on its Salamandra project in preparation for the Phase-3 drill program. The Company maintained its principal properties in good standing. During the second quarter of 2015, the Company continued with modelling and interpretative work on its Salamandra project in preparation for the Phase-3 drill program, which began in July 2015. The Company received the second-anniversary option payment of $200,000 from MAG on the Salamandra project in May 2015. In the third quarter of 2015, the Company incurred $957,682 in exploration costs on its Salamandra project relating primarily to the Phase-3 drill program overseen by MAG. In September 2015, the Company received the initial option payment of $500,000 from Orex under its option agreement on the Sandra-Escobar project. During the fourth quarter of 2015, the Company continued to conserve cash while it monitored Orex's progress at Sandra-Escobar and awaited further results from the Phase-3 drill program at Salamandra, which were received in mid-December. The Company granted 5,000,000 incentive stock options during the quarter and recorded share-based compensation of $143,635.

During the first quarter of 2016, the Company continued to monitor Orex's progress at Sandra-Escobar. The Company sold marketable securities and realized a gain of $143,524. During the second quarter of 2016, the Company continued to monitor progress at its Sandra-Escobar project and conducted a surface sampling program at its Nora project. Having raised significant equity financing in the first half of 2016, during the third quarter of 2016, the Company continued with sampling programs in Mexico and completed a field program on its Vega, Lil, and Granite projects in BC.

Other comprehensive loss (income) for the quarters presented relates to unrealized gains on changes in fair value of the Company's marketable securities, net of deferred income taxes (recoveries).

Liquidity and Capital Resources

The Company has no income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by option, joint venture or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties, and meet general and administrative expenses. During the current period, the Company significantly improved its working capital position through equity financings, the exercise of warrants and options, and the sale and price appreciation of its marketable securities. In the long-term, there can be no assurance that it will be successful in securing the financing required to continue operations and advance its mineral projects.

The Company's working capital position consists of the following:

	September 30, 2016	December 31, 2015
Cash	2,691,590	203,294
Marketable securities	2,604,000	371,000
Receivables	110,702	162,306
Prepaids	14,398	7,354
Accounts payable and accrued liabilities	(94,671)	(201,509)
Accounts payable and accrued liabilities – related parties	(8,327)	(98,132)
Due to related parties	-	(519,000)
Working capital (deficiency)	5,317,692	(74,687)

At December 31, 2015, the Company owned 1,400,000 shares of Orex and 1,400,000 shares of Barsele with market values of $210,000 and $161,000, respectively. In February 2016, the Company sold 700,000 Orex shares for cash proceeds of $213,480. As at September 30, 2016, the market values of the 700,000 Orex shares and 1,400,000 Barsele shares were $700,000 and $1,904,000, respectively. As at the date of this report, the market values of these shares were $301,000 and $1,372,000 respectively.

During the period ending September 30, 2016, the Company repaid all short-term debt, consisting of loan advances due to related parties, and all accounts payable due to related parties.

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the Salamandra agreement, MAG had the option to incur qualifying expenditures on the property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds were used to incur expenditures on the property by Minera CRD. Were MAG to have earned an interest in the Salamandra property, the convertible debenture would have been converted into common shares of CRD such that MAG would have held up to a 70% interest in CRD. The agreement also provided that should MAG withdraw from the agreement prior to earning an interest, MAG would forfeit its interest in the convertible debenture without repayment. In February 2016, MAG withdrew from the agreement without earning an interest in the project. To September 30, 2016, the Company had received $4,378,742 in advances under the convertible debenture with MAG. Accordingly, upon MAG's withdrawal from the agreement, the balance of the convertible debenture has been reclassified to contributed surplus within shareholders' equity.

The Company has an underlying option agreement on certain of the Salamandra claims that requires scheduled future cash payments to maintain its interest, however, these payments may be made at the discretion of the Company and are not firm commitments. Land holding costs are incurred at management's discretion.

In January 2016, the Company signed employment and management agreements with its chief executive officer and chief financial officer. These contracts for aggregate monthly compensation totalling $19,000 per month also provide for severance provisions should the contracts be terminated without cause, should there be a change of control of the Company, or should the Company sell all or substantially all of its assets.

The Company has signed a lease agreement for office premises that expires on September 30, 2018; current payments required under the lease are $3,210 per month.

During the current period, the Company incurred cash administrative expenses of approximately $383,000 and cash exploration and evaluation expenses of approximately $605,000. As at September 30, 2016, the Company had sufficient working capital to meet its current overhead and minimum exploration and land holding requirements for the ensuing twelve months. The administrative budget and the exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources.

Given the Company's large portfolio of prospective projects, management is focused on arranging further option and joint venture agreements to advance its exploration projects through the coming year in a non-dilutive manner as far as possible. In addition the Company is advancing its early-stage exploration projects to define additional targets, and is planning selective focused drill programs on its more advanced drill-ready projects, such as La Esperanza.

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 as follows:

At September 30, 2016, accounts payable included $8,327 (December 31, 2015 - $18,132) in legal fees due to a firm at which an officer of the Company is a partner.

At December 31, 2015, accounts payable included $80,000 in management fees due to the chief financial officer and due to related parties included loan advances totalling $519,000 made to the Company by a director, an officer, and a company with a director in common. The loan advances were unsecured, non-interest bearing, and had no fixed terms of repayment. All such balances owing to related parties were paid in the current period;

Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the periods ended September 30 is as follows:

	2016	2015
Salaries and wages – chief executive officer	112,500	112,500
Management fees – chief financial officer	58,500	45,000
Legal fees – law firm in which an officer is a partner	10,938	17,716
	181,938	175,216

The Company relies heavily on its directors and officers for many of its administrative and professional services.

Changes in Accounting Policies

There were no changes in accounting policies during the period ended September 30, 2016. A detailed listing of the Company's significant accounting policies and recent pronouncements is provided in Notes 2 to the December 31, 2015 audited consolidated financial statements and the September 30, 2016 unaudited condensed interim consolidated financial statements.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates.

The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets, the determination of assumptions used to estimate share-based compensation, and the determination of functional currency.

The Company has not recognized its deferred tax assets as management does not currently consider it probable that these assets will be recovered.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of highly subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are typically denominated in either the Mexican peso or the U.S. dollar, the subsidiaries have no revenues from operations and are entirely dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

Financial Instruments

The Company's financial instruments consist of the following:

	September 30, 2016	December 31, 2015
Cash		
Cash on deposit	187,261	63,396
Guaranteed investment certificate	2,504,329	-
Cash restricted	-	139,898
	2,691,590	203,294
Marketable securities	2,604,000	371,000
Receivables		
Value-added taxes	93,840	152,690
Goods and services tax and other	16,862	9,616
	110,702	162,306
Reclamation bonds	28,000	28,000
Accounts payable and accrued liabilities		
Accounts payable	78,248	175,558
Accrued audit, legal, exploration and other	24,750	124,083
	102,998	299,641
Due to related parties	-	519,000

Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. Marketable securities are classified as available-for-sale financial assets and carried at fair value measured using a Level 1 fair value measurement. The Company's receivables and reclamation bonds are classified as loans and receivables and carried at amortized cost; the Company's accounts payable and due to related parties are classified as other financial liabilities. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties, which were repaid during the period, were non-interest bearing and had no fixed terms of repayment.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All of the Company's Canadian cash and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through major banks in Mexico and used to fund its foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk in respect of value-added tax refunds receivable from the government of Mexico. Management continues to use its best efforts to obtain such refunds.

The Company is exposed to market risk, which is the risk that the fair value of financial instruments will fluctuate with changes in market prices. A significant market risk to which the Company is exposed is currency risk. The cash balances, receivables, and payables that are denominated in pesos and U.S. dollars are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso/U.S. dollar. At September 30, 2016, the Company held the equivalent of $23,846 in cash, $93,840 in receivables, and $31,055 in accounts payable, all of which are denominated in pesos. The Company also held the equivalent of $70,669 denominated in U.S. dollars. During the period, the Mexican peso weakened against the Canadian dollar by approximately 16% and the U.S. dollar weakened by approximately 5%. Based on the Company's peso denominated net monetary assets as at September 30, 2016, each 10% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of $8,663; each 10% fluctuation in the U.S. dollar exchange rate would result in a gain or loss of $7,067. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration and evaluation expenditures. Accounts payable denominated in foreign currencies are settled in a timely manner.

The Company's marketable securities are subject to market downturns and declines in share prices and therefore the Company is exposed to significant market risk in respect of these financial instruments. As at the date of this report, the total market value of these marketable securities was $1,673,000.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate risk in respect of these financial instruments. The carrying value of the financial assets recorded in these financial statements, totalling $5,434,292, represents the Company's maximum exposure to credit and market risk as at September 30, 2016.

Due to the nature of the junior mineral exploration industry, from time to time the Company is exposed to liquidity risk due to limited cash resources such that it may not be able to meets its obligations under its financial instruments as they fall due. The Company manages this risk by maintaining cash balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future.

Proposed Transactions

The Company is currently in various discussions with other companies with respect to the funding and advancement of its projects, however, it does not have any proposed transactions as at the date of this report.

Disclosure for Venture Issuers without Significant Revenue

The Company has no source of operating revenue. The Company's condensed interim consolidated financial statements for the period ended September 30, 2016 provide a breakdown of the general and administrative expenses for the period under review and an analysis of the exploration and evaluation expenses incurred on its mineral properties.

Outstanding Share Data

Shares

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at September 30, 2016 and the date of this report, the Company had 101,897,372 common shares issued and outstanding (diluted – 113,254,122) compared to 84,659,872 common shares issued and outstanding (diluted – 94,709,872) as at December 31, 2015.

During the period, the Company completed non-brokered private placements of 2,000,000 common shares, 4,100,000 common shares, and 8,000,000 units with each unit consisting of one common share and one-half of one share purchase warrant. In addition, the Company issued 194,250 warrants to finders under the private placement of units and granted 450,000 incentive stock options to employees and consultants; 3,000,000 warrants and 137,500 stock options were exercised, and 200,000 options expired unexercised during the period. Notes 5 and 6 to the Company's September 30, 2016 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the period.

Options

As at September 30, 2016 and the date of this report, a total of 7,162,500 incentive stock options were outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
1,175,000	$ 0.20	January 20, 2017
262,500	$ 0.18	October 29, 2017
375,000	$ 0.10	January 4, 2019
4,950,000	$ 0.06	December 21, 2020
400,000	$ 0.21	March 1, 2021
7,162,500		

As at September 30, 2016 and the date of this report, the Company had 4,194,250 warrants outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
762,500	$ 0.50	June 21, 2018
3,431,750	$ 0.50	June 29, 2018
4,194,250		

Investor Relations

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations. During the period the Company attended the PDAC Conference in March 2016 and exhibited at the Sprott Natural Resource Symposium in Vancouver in July 2016.

General Conditions Affecting the Company's Operations

General Trends

The principal business of the Company is the acquisition, exploration and, if warranted, development of natural resource properties of merit. The Company is not geographically limited to any particular region but in recent years has focused attention on mineral resource properties in Canada and Mexico.

The volatility in the resource sectors following the global financial crisis of 2008 resulted in a loss of confidence among investors and resulted in a general decline in the share prices of resource companies, and in particular for junior explorers, and presented significant constraints on funding exploration companies and programs. However during 2016 there has been a gradual recovery, particularly in the prices for gold and silver. In addition to this modest recovery in precious metal prices, there has been a marked change in market sentiment, particularly with regards to precious metals mining and exploration companies. Many mid-tier silver miners, royalty companies and exploration companies with recognized assets have seen their share prices increase substantially since mid-January 2016. This more positive sentiment has resulted in renewed interest in the exploration sector and in the acquisition and funding of high quality precious metals exploration projects. This has been a positive development given the Company's large 100% owned portfolio of high quality precious and base metals exploration projects.

Competitive Conditions

The outlook for acquisition and development of mineral resource projects has improved markedly since January 2016, following a prolonged period of decline since early March 2011 due to lower metal prices and slowing growth rates, particularly in Europe and Asia. The general forecast is for these conditions and market conditions for the resource sector and the mining industry to improve, which is being driven by the need to replace reserves that have been depleted due to the extended downturn in the industry and cut-backs in exploration and replacement of reserves over the past five years. The mineral industry is intensely competitive and there are inherent risks in all its phases. The Company competes with other companies, many of which have greater financial resources and experience.

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 affecting its operations.

Number of Employees

As of September 30, 2016, the Company had one employee in Canada and five employees in Mexico. Significant administrative, management, and certain geological services are provided to the Company by directors, officers, and consultants, or companies controlled by related parties. The Company, through its wholly-owned Mexican subsidiary, Minera Canasil SA de CV., maintains a full-time operating office with geological and support staff in Durango, Mexico.

Acquisition and Disposition of Mineral Properties

During the period ended September 30, 2016, the Company did not acquire or dispose of any mineral properties. Due to limited funding in previous years, the Company has allowed certain claim payments on non-core properties to fall into arrears and may allow certain claims to lapse. Given the Company's recent improvement in capital resources, management is reviewing all of its properties and certain claims may or may not be re-instated depending on the circumstances.

Risk Factors relating to the Company's Business

The Company's ability to generate revenue and profit from its mineral 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 Company's ability to finance its mineral property acquisition, exploration and eventual development is dependent upon the market price of certain precious and base metals. The price of such metals has fluctuated widely and is affected by numerous economic and political factors, consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and productivity, metal substitutes and stock levels. These fluctuations 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. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries limited liability insurance, and potential liabilities arising from its operations 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 exploration properties are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any commercially viable discoveries.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and 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.

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. 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 and requiring stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent 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 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 and which have been caused by previous or existing owners or operators of the properties.

Title to Assets

Although the Company has or may 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.

Foreign Operations

The Company operates in Mexico and has acquired mineral properties through staking and option agreements to acquire interests in mineral claims. The Company is currently engaged in exploration activities on these properties.

Management and Directors

The Company is dependent on a small number of directors and officers and operating personnel in Mexico: Alvin Jackson, Michael McInnis, Arthur Freeze, Bahman Yamini, Iain MacPhail, Kerry Spong, Graham Scott, and Erme Enriquez. The loss of any of these persons could have an adverse effect on the Company. Jerry Blackwell and Gary Nordin are members of the Company's advisory board. The Company does not maintain key person insurance on any members of its management.

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.

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 September 30, 2016, the Company's accumulated deficit was $24,325,091.

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 period, and to the date of this report, the price of the Company's shares fluctuated from a low of $0.035 to a high of $0.73 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance - Dilution

As at the date of this report, a total of 101,897,372 common shares of the Company are issued and outstanding. There are 7,162,500 stock options and 4,194,250 share purchase 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.

Forward Looking Statements

Certain statements made and information contained in this MD&A and elsewhere constitute "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors in each management discussion and analysis. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long-term price of precious and base metals, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment, sufficient labour and subcontractors, and that the political environment within the Company's operating jurisdictions will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Interim MD&A. A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at www.sedar.com, and on the Company's website at www.canasil.com .