



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Expressed in Canadian Dollars

Unaudited



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity's auditor.

"Bahman Yamini"

President and Chief Executive Officer

"Kerry Spong"

Vice President, Finance & CFO

August 22, 2017

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CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars

Unaudited

ASSETS	June 30, 2017	December 31, 2016
Current		
Cash and cash equivalents	\$ 1,008,378	\$ 2,265,376
Marketable securities <i>(Note 3)</i>	1,071,000	1,659,000
Receivables	94,648	47,230
Prepaid expenses	43,665	11,381
	<u>2,217,691</u>	<u>3,982,987</u>
Reclamation bonds	40,000	28,000
Property and equipment	46,716	47,187
	<u>\$ 2,304,407</u>	<u>\$ 4,058,174</u>

LIABILITIES

Current

Accounts payable and
accrued liabilities

\$ 61,678 \$ 137,597

SHAREHOLDERS' EQUITY

Share capital *(Note 5)*

21,437,985 21,437,985

Contributed surplus

6,514,588 6,257,759

Accumulated other comprehensive income

688,132 1,199,692

Deficit

(26,397,976) (24,974,859)

2,242,729 3,920,577

\$ 2,304,407 \$ 4,058,174

Nature and continuance of operations *(Note 1)*

Commitments *(Note 8)*

Subsequent event *(Note 10)*

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 (Notes 5,6)	Convertible Debenture (Note 4)	Contributed Surplus (Note 6)	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
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
Share issuance costs	-	(202,834)	-	-	-	-	(202,834)
Finders' warrants issued	-	(43,943)	-	43,943	-	-	-
Exercise of warrants	3,000,000	300,000	-	-	-	-	300,000
Exercise of stock options	50,000	3,000	-	-	-	-	3,000
Fair value of options exercised	-	1,436	-	(1,436)	-	-	-
Convertible debenture forfeited without repayment	-	-	(4,323,549)	4,323,549	-	-	-
Share-based compensation	-	-	-	64,997	-	-	64,997
Comprehensive loss for the period	-	-	-	-	1,136,062	(385,519)	750,543
Balance – June 30, 2016	101,809,872	21,408,536	-	6,214,765	1,157,062	(24,098,742)	4,681,621
Exercise of stock options	87,500	17,250	-	-	-	-	17,250
Fair value of options exercised	-	12,199	-	(12,199)	-	-	-
Convertible debenture advances	-	-	55,193	-	-	-	55,193
Convertible debenture forfeited without repayment	-	-	(55,193)	55,193	-	-	-
Comprehensive loss for the period	-	-	-	-	42,630	(876,117)	(833,487)
Balance – December 31, 2016	101,897,372	21,437,985	-	6,257,759	1,199,692	(24,974,859)	3,920,577
Share-based compensation	-	-	-	256,829	-	-	256,829
Comprehensive loss for the period	-	-	-	-	(511,560)	(1,423,117)	(1,934,677)
Balance – June 30, 2017	101,897,372	\$ 21,437,985	\$ -	\$ 6,514,588	\$ 688,132	\$ (26,397,976)	\$ 2,242,729

- See Accompanying Notes -

CANASIL RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars

Unaudited

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Expenses				
Accounting and audit	\$ 12,018	\$ 19,165	\$ 20,859	\$ 26,854
Depreciation	1,309	1,267	2,400	2,533
Director fees	12,000	-	24,000	-
Exploration and evaluation (Note 4)	210,939	124,117	758,769	383,509
Foreign exchange loss	18,338	9,621	11,204	21,235
Interest income	(2,383)	(230)	(6,340)	(905)
Investor relations and promotions	-	4,166	1,877	6,640
Legal fees	491	483	6,696	2,124
Listing and filing fees	4,800	-	11,600	7,261
Management fees	37,500	19,500	75,000	39,000
Office rent, services and supplies	19,837	17,228	38,373	35,344
Salaries, wages and consulting	61,005	38,388	119,949	83,405
Shareholder communications	5,654	11,202	16,811	17,257
Share-based compensation (Note 6)	-	-	256,829	64,997
Transfer agent fees	2,456	3,222	4,560	5,300
Travel and accommodation	-	3,092	4,090	7,383
Total operating expenses	(383,964)	(251,221)	(1,346,677)	(701,937)
Gain on sale of marketable securities (Note 3)	-	-	-	143,524
Loss for the period before taxes	(383,964)	(251,221)	(1,346,677)	(558,413)
Deferred income tax (expense) recovery (Note 3)	(67,795)	138,320	(76,440)	172,894
Loss for the period	(451,759)	(112,901)	(1,423,117)	(385,519)
Other comprehensive income (loss)				
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)	(453,705)	925,680	(511,560)	1,279,586
Comprehensive income (loss) for the period	\$ (905,464)	\$ 812,779	\$ (1,934,677)	\$ 750,543
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted-average shares Outstanding – basic and diluted	101,897,372	91,145,586	101,897,372	88,878,553

- See Accompanying Notes -

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30

Expressed in Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2017	2016
Operating activities		
Loss for the period	\$ (1,423,117)	\$ (385,519)
Items not involving cash		
Depreciation	2,400	2,533
Gain on sale of marketable securities	-	(143,524)
Deferred income tax expense (recovery)	76,440	(172,894)
Share-based compensation	256,829	64,997
Changes in non-cash working capital		
Receivables	(47,418)	49,988
Prepaid expenses	(32,284)	(15,192)
Accounts payable and accrued liabilities	(75,919)	(133,921)
	<u>(1,243,069)</u>	<u>(733,532)</u>
Investing activities		
Proceeds on sale of marketable securities	-	213,480
Purchase of equipment	(1,929)	-
Reclamation bonds	(12,000)	-
	<u>(13,929)</u>	<u>213,480</u>
Financing activities		
Shares issued for cash	-	4,065,000
Share issuance costs	-	(202,834)
Due to related parties, net of repayments	-	(519,000)
	<u>-</u>	<u>3,343,166</u>
Change in cash for the period	(1,256,998)	2,823,114
Cash position - beginning of period	<u>2,265,376</u>	<u>203,294</u>
Cash position - end of period	\$ 1,008,378	\$ 3,026,408

**Supplemental schedule of non-cash investing
and financing transactions**

Finders' warrants issued	\$ -	\$ 43,943
Fair value of stock options exercised	\$ -	\$ 1,436
Convertible debenture transferred to contributed surplus <i>(Note 4)</i>	\$ -	\$ 4,323,549
Unrealized (losses) gains on marketable securities	\$ (588,000)	\$ 1,239,000

- See Accompanying Notes -

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Expressed in Canadian Dollars

Unaudited

1. NATURE AND CONTINUANCE 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.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2017 the Company had working capital of \$2,156,013, which it considers adequate to fund its budgeted overhead and currently planned exploration activities for the ensuing twelve months. However, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred operating losses since inception and as at June 30, 2017 had an accumulated deficit of \$26,397,976.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These 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, 2016. All financial information presented herein is unaudited. The Company's board of directors approved these financial statements for issue on August 22, 2017.

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.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

2. SIGNIFICANT ACCOUNTING POLICIES - continued**Principles of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp. ("CRD"), 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 foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

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

3. 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 June 30 are as follows:

	Shares 2017	Cost 2017	Fair Value 2017	Fair Value 2016
Orex Minerals Inc.	700,000	\$ 69,956	\$ 91,000	\$ 136,500
Barsele Minerals Corp.	1,400,000	210,088	980,000	1,456,000
		\$ 280,044	\$ 1,071,000	\$ 1,592,500

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

	2017	2016
Fair value – beginning of period	\$ 1,659,000	\$ 371,000
Proceeds on sale – 700,000 Orex shares	-	(213,480)
Change in fair value	(588,000)	1,452,480
Fair value – end of period	\$ 1,071,000	\$ 1,610,000

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 recorded unrealized losses of \$511,560, net of deferred income tax impact of \$76,440, through accumulated other comprehensive income.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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Unaudited

4. EXPLORATION AND EVALUATION

The Company expenses costs relating to the exploration and evaluation of its mineral properties in the period incurred. A description of the Company's mineral interests follows:

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 could 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. In January 2017, Orex advised the Company that it had completed the required expenditures of US\$2,000,000 to earn a 55% interest in the project.

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 based on a schedule of payments, of which US\$225,000 has been paid to date, and subject to a net smelter returns royalty ("NSR"). In April 2017, the Company renegotiated the terms of this agreement such that the Company can acquire a 100% interest in 900 hectares within the project area with a final payment of US\$25,000 bringing the total paid for these claims to US\$250,000. The claims will be subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

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 a total of \$500,000 in cash payments from MAG during the term of the agreement.

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. 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.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

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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 was purchased by the Company in 2016 for US\$15,000. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and from 2006 to 2010, the Company added further claims by direct staking to increase the size of 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 projects.

Mineral title

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

Expenditures for the periods ending June 30, by activity, are as follows:

	2017	2016
Administration	\$ 81,131	\$ 110,502
Assays	27,465	-
Consulting	-	22,351
Drilling	346,365	-
Field costs	20,388	15,696
Geological	100,557	46,104
Land holding costs	122,608	178,292
Legal	2,755	461
Mapping and surveying	31,938	1,953
Road building	19,613	-
Transportation and rentals	5,949	8,150
	<u>\$ 758,769</u>	<u>\$ 383,509</u>

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION - *continued***Expenditures for the periods ended June 30 and cumulative expenditures to June 30, 2017 are as follows:**

	Expenditures 2017	Expenditures 2016	Cumulative 2017
Brenda, Canada	\$ 8,852	\$ -	\$ 2,352,039
- Expenditure recoveries	-	-	(206,329)
Vega, Canada	4,795	12,840	249,175
- Expenditure recoveries	-	-	(20,574)
Other, Canada	2,310	6,114	141,233
- Expenditure recoveries	-	-	(14,115)
Sandra-Escobar, Mexico	43,194	29,568	1,829,649
- Expenditure recoveries	-	-	(86,609)
- Option payments received	-	-	(500,000)
Salamandra, Mexico	32,763	181,621	6,006,872
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
La Esperanza, Mexico	626,900	64,512	2,373,263
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Other, Mexico	39,955	88,854	3,355,159
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	<u>\$ 758,769</u>	<u>\$ 383,509</u>	<u>\$ 13,874,932</u>

5. SHARE CAPITAL

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

Private placements

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.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

5. SHARE CAPITAL – continued**Private placements - continued**

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 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.

6. STOCK OPTIONS AND WARRANTS

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

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 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, December 31, 2016	4,194,250	\$ 0.50	7,162,500	\$ 0.10
Issued/granted	-	\$ -	735,000	\$ 0.20
Outstanding, June 30, 2017	4,194,250	\$ 0.50	7,897,500	\$ 0.11
Exercisable, June 30, 2017	4,194,250	\$ 0.50	7,897,500	\$ 0.11

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS - *continued*

At June 30, 2017, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	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
	1,175,000	\$ 0.20	January 20, 2022 <i>(i)</i>
	<u>735,000</u>	\$ 0.20	January 26, 2022
	<u>7,897,500</u>		
Warrants	762,500	\$ 0.50	June 21, 2018
	<u>3,431,750</u>	\$ 0.50	June 29, 2018
	<u>4,194,250</u>		

(i) On January 20, 2017, these options were amended to extend their expiry date from January 20, 2017 to January 20, 2022 with all other terms remaining unchanged.

At June 30, 2017, the weighted-average remaining life for the outstanding stock options was 3.55 years and 1.00 year for the outstanding warrants.

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers, employees, and consultants of the Company during the periods ended June 30. Share-based compensation is recorded over the vesting period.

	2017	2016
Total options granted/extended	<u>1,910,000</u>	<u>450,000</u>
Average exercise price	\$ 0.20	\$ 0.21
Estimated fair value of options granted/extended	\$ 256,829	\$ 64,997
Estimated fair value per option	\$ 0.13	\$ 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:

	2017	2016
Risk-free interest rate	1.14%	0.66%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	95%	89%
Expected forfeiture rate	0.00%	0.00%
Expected option life in years	<u>5.00</u>	<u>5.00</u>

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS – continued

The Company has recorded share-based compensation as follows:

	2017	2016
Number of options vested in period	1,910,000	450,000
Compensation recognized in period	\$ 256,829	\$ 64,997

7. 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:

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

	2017	2016
Salary	\$ 112,500	\$ 75,000
Management fees	75,000	39,000
Director fees	24,000	-
Legal fees	7,707	2,982
	\$ 219,207	\$ 116,982

In addition, the Company recorded share-based compensation of \$197,415 (2016 - \$nil), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 6.

8. COMMITMENTS

The Company has a lease agreement for office premises that expires on September 30, 2018. As at June 30, 2017, monthly payments were \$3,318 and include basic rent and common operating costs.

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

	Amount
2017	\$ 20,141
2018	30,560
	\$ 50,701

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate monthly compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2017**

Expressed in Canadian Dollars

Unaudited

9. 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:

June 30, 2017	Canada	Mexico	Total
Property and equipment	\$ 7,389	\$ 39,327	\$ 46,716

December 31, 2016	Canada	Mexico	Total
Property and equipment	\$ 6,573	\$ 40,614	\$ 47,187

10. SUBSEQUENT EVENT

Subsequent to June 30, 2017, the Company announced its intention to undertake a spin-off transaction to segregate its British Columbia properties into a separate company, Canmine Minerals Inc. ("Canmine"). Shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. It is proposed that the transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia) subject to shareholder, regulatory, and court approvals as well as the conditional listing of the shares of Canmine on the TSX Venture Exchange.



Interim Management's Discussion and Analysis Quarterly Highlights For the Six Months Ended June 30, 2017

The Company has elected to provide "Quarterly Highlights" as provided for a venture issuer by Section 2.2.1 of National Instrument 51-102F1.

INTRODUCTION

Canasil Resources Inc. ("Canasil" or the "Company") is a mineral exploration company listed under the trading symbol "CLZ" on the TSX Venture Exchange. The Company is engaged in the exploration and development of mineral properties with prospects for silver, gold, copper, zinc and lead in Durango and Zacatecas States, Mexico, and in British Columbia, Canada. The Company's project portfolio includes seven silver-focused projects in Mexico, and four projects in British Columbia, two of which are prospective for hosting copper-gold porphyry mineralized systems.

This Interim Management's Discussion and Analysis ("MD&A") is dated August 22, 2017 and provides information on the Company's activities for the three and six months ended June 30, 2017, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's June 30, 2017 condensed interim consolidated financial statements, 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.

Effective with the first quarter of its 2017 fiscal year, the Company elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2016 MD&A and audited consolidated financial statements, available for viewing at www.sedar.com.

HIGHLIGHTS

Highlights of the Company's activities during the period under review are as follows:

- completed a 2,452-metre drill program at its La Esperanza project in Durango and Zacatecas States, Mexico and completed a comprehensive review of the drill data;
- undertook a surface sampling program at La Esperanza;
- received notice from Orex Minerals Inc. ("Orex") advising that it had completed the required expenditures to earn a 55% interest in the Sandra-Escobar project in Durango State, Mexico, and would forego the second option to earn an additional 10% interest in the project;
- renegotiated the terms of the option agreement on the central 900 hectares of its Salamandra project in Durango State, Mexico;
- continued progress on its comprehensive review and update of the data bases on its BC projects;
- announced its intention to transfer the BC projects to a new public company.

Canasil Resources Inc. - Interim Management's Discussion and Analysis
Quarterly Highlights for the Six Months Ended June 30, 2017

OUTLOOK

Market Conditions

Following a protracted downturn in precious metal and commodity prices and the resource sector from mid-2011 to the end of 2015, gold, silver and metal prices staged a marked recovery in 2016. Silver traded up to US\$20 per ounce by June/July 2016, up from US\$14 per ounce at the beginning of the year. However, during the second half of 2016 silver prices were volatile and gradually declined back to US\$16 per ounce by December 2016. This was mainly due to prospects of higher interest rates in the United States and the increase in the value of the U.S. dollar following the U.S. elections in November 2016. In 2017 to the date of this report, silver prices have continued to be volatile, increasing to over US\$18 per ounce in February and April 2017, only to go back to below US\$16 per ounce in early July. The silver price has trended up in July and August to just over US\$17 per ounce at the time of this report. This has dampened some of the earlier optimism for the resource and exploration sectors seen in the first half of 2016. The Company managed to use this window in 2016 to significantly strengthen its working capital which continues to assist management in considering initiatives such as the drill program completed at the La Esperanza project with positive results.

Corporate Outlook

Larger and mid-tier mining companies remain interested in opportunities to advance exploration projects and in acquiring new projects, which are positive factors given the Company's strong portfolio of exploration projects.

The Company has reviewed the recent encouraging drill results from the La Esperanza project, and completed further surface sampling over the La Esperanza vein area to investigate blind extensions along strike in both directions. This data is being evaluated to plan further drilling at La Esperanza. The Company also intends to advance its other exploration projects in Mexico to define additional targets.

In British Columbia, the prospecting and airborne magnetics survey completed at the Vega project in late 2016, and the review of the Brenda project database in late 2016 and 2017 have highlighted the potential of these projects for hosting multiple targets for copper-gold porphyry mineralization.

The Company plans to transfer the BC projects to a new public company. The transaction is intended to unlock value for shareholders by allowing the market to independently value these projects. It will also improve the prospects of financing these projects with flow-through funding without dilution of shareholders' interests in the Company's Mexico projects.

The more positive resource environment presents opportunities for concluding financing and cooperation arrangements to actively advance the Company's projects. in Mexico and British Columbia.

FINANCIAL CONDITION

As at June 30, 2017, the Company had working capital of \$2,156,013, compared to working capital of \$3,845,390 at December 31, 2016. As the Company had no financing activities during the period, the decrease in working capital is due to the resources used for operations, changes in fair values of marketable securities, and an increase in reclamation bonds. The Company's working capital consists of the following:

	June 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 1,008,378	\$ 2,265,376
Marketable securities (i)	1,071,000	1,659,000
Receivables	94,648	47,230
Prepaid expenses	43,665	11,381
Accounts payable and accrued liabilities	(61,678)	(137,597)
Working capital	\$ 2,156,013	\$ 3,845,390

- (i) At June 30, 2017, the Company held 700,000 shares of Ores and 1,400,000 shares of Barsele Minerals Inc. with market values of \$91,000 and \$980,000, respectively. As at the date of this report, the market values of these shares were \$101,500 and \$770,000 respectively.

The Company had no short or long-term debt at June 30, 2017.

Canasil Resources Inc. - Interim Management's Discussion and Analysis
Quarterly Highlights for the Six Months Ended June 30, 2017

Liquidity and Financial 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) to finance acquisitions, exploration and development of mineral properties, and meet general and administrative expenses. While the Company currently has sufficient working capital to fund its operations for the ensuing twelve months, 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.

During the current six-month period, the Company incurred cash administrative expenses of \$328,679 and cash exploration and evaluation expenses of \$758,769. Exploration costs include \$346,365 in drilling costs incurred at La Esperanza. This drill program was completed in April 2017 and therefore such costs would only be incurred in future if further drill programs are undertaken. The administrative budget and 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.

The Company currently has sufficient working capital to meet its budgeted overhead and planned exploration and land holding requirements for the ensuing twelve months

Commitments

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company. The Company has a lease agreement for its office premises that expires on September 30, 2018 and currently requires payments of \$3,318 per month.

FINANCIAL PERFORMANCE

Loss

The Company's loss for the current and comparative quarters includes the following:

	2017	2016
General and administrative expenses	\$ 173,025	\$ 127,104
Exploration and evaluation expenditures	210,939	124,117
Total operating expenses	383,964	251,221
Deferred income tax expense (recovery)	67,795	(138,320)
Loss for the quarter	\$ 451,759	\$ 112,901

The Company's loss for the current and comparative six-month periods includes the following:

	2017	2016
General and administrative expenses	\$ 587,908	\$ 318,428
Exploration and evaluation expenditures	758,769	383,509
Total operating expenses	1,346,677	701,937
Gain on sale of marketable securities	-	(143,524)
Deferred income tax expense (recovery)	76,440	(172,894)
Loss for the period	\$ 1,423,117	\$ 385,519

The Company was significantly more active both corporately and in the field during the period compared to the comparative period, which resulted in higher administrative and exploration costs. General and administrative costs include increases in salaries and wages, management fees, a reinstatement of director fees, and share based compensation as detailed below. Exploration and evaluation expenditures include drilling, geological, and assay costs incurred on the drill program conducted at the La Esperanza project. Due to a shortage of working capital, and exploration activities being conducted under an option agreement with Orex, the Company had relatively low direct exploration expenditures on its mineral properties during the comparative period.

Canasil Resources Inc. - Interim Management's Discussion and Analysis
Quarterly Highlights for the Six Months Ended June 30, 2017

General and administrative expenses for the current and prior six-month periods include share-based compensation, a non-cash item, of \$256,829 and \$64,997 respectively. Accordingly, general and administrative expenses, excluding share-based compensation, were \$331,079 in the current period, and \$253,431 for the comparative period.

No marketable securities were sold in the period. In the comparative period, the Company sold marketable securities and realized a gain of \$143,524.

Comprehensive Income (Loss)

The Company's comprehensive income (loss) for the current and comparative quarters includes the following:

	2017	2016
Loss for the quarter	\$ (451,759)	\$ (112,901)
Other comprehensive income (loss)	(453,705)	925,680
Comprehensive income (loss) for the quarter	\$ (905,464)	\$ 812,779

During the 2017 quarter, the Company experienced unrealized losses on its marketable securities of \$521,500, less deferred income tax expense of \$67,795, whereas in the comparative quarter, the Company experienced unrealized gains of \$1,064,000, less deferred income tax recovery of \$138,320.

The Company's comprehensive income (loss) for the current and comparative six-month periods includes the following:

	2017	2016
Loss for the period	\$ (1,423,117)	\$ (385,519)
Other comprehensive income (loss)	(511,560)	1,136,062
Comprehensive income (loss) for the period	\$ (1,934,677)	\$ 750,543

During the 2017 period, the Company experienced unrealized losses on its marketable securities of \$588,000, less deferred income tax expense of \$76,440, whereas in the comparative period, the Company experienced unrealized gains of \$1,308,956, less deferred income tax recovery of \$172,894.

Cash Flows

Cash used for operating activities during the quarter, before changes in non-cash working capital items, was \$382,655 and compares to \$249,954 used in the comparative quarter. The increase in cash used for operations reflects the increase in the Company's activities and is due to an increase in cash general and administrative expenses of \$45,879 and cash exploration costs of \$86,822 for the current quarter.

Cash used for operating activities during the six-month period, before changes in non-cash working capital items, was \$1,087,448 and compares to \$634,407 used in the comparative period. The increase in cash used for operations is due to an increase in cash general and administrative expenses of \$77,781 and cash exploration costs of \$375,260 for the current six-month period. The increase in exploration costs is due primarily to the drill program conducted at La Esperanza. Cash used in investing activities includes a \$12,000 increase in reclamation bonds required on the BC projects. In the comparative period, proceeds of \$213,480 were received from the sale of 700,000 Orex shares. There were no financing activities during the current period – during the first six months of 2016 the Company completed three private placements for net proceeds of \$3,862,166 and repaid \$519,000 in loan advances from related parties.

Canasil Resources Inc. - Interim Management's Discussion and Analysis
Quarterly Highlights for the Six Months Ended June 30, 2017

MAJOR OPERATING MILESTONES

During the period under review, the Company completed a drill program at its La Esperanza project, received notice from Orex advising that it would be electing to earn a 55% interest in the Sandra-Escobar project, renegotiated the terms of the underlying option agreement on a portion of its Salamandra project, and announced its intention to transfer the BC projects into a new public company. The Company did not complete any equity financings or issue any shares from treasury during the period.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company relies heavily on its directors and officers for many of its administrative and professional services. Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the six-month periods ended June 30 is as follows:

	2017	2016
Salaries – chief executive officer	\$ 112,500	\$ 75,000
Management fees – chief financial officer	75,000	39,000
Director fees	24,000	-
Legal fees – law firm in which an officer is a partner	7,707	2,982
	<u>\$ 219,207</u>	<u>\$ 116,982</u>

In addition, the Company recorded share-based compensation of \$197,415 (2016 - \$nil), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 6 to the June 30, 2017 condensed interim consolidated financial statements.

There were no related party balances as at June 30, 2017.

OUTSTANDING SHARE DATA

Details of the Company's outstanding shares, options, and warrants is as follows:

	August 22 2017	June 30 2017	December 31 2016
Shares issue and outstanding	101,897,372	101,897,372	101,897,372
Outstanding stock options	7,897,500	7,897,500	7,162,500
Outstanding warrants	4,194,250	4,194,250	4,194,250
Diluted shares outstanding	<u>113,989,122</u>	<u>113,989,122</u>	<u>113,254,122</u>

During the current six-month period, the Company granted 735,000 new stock options and extended 1,175,000 existing options for a further five years. Notes 5 and 6 to the Company's June 30, 2017 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the period.

MINERAL PROPERTY SUMMARY

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

Durango and Zacatecas, Mexico:	British Columbia, Canada
<ul style="list-style-type: none"> • Sandra silver-gold project – 100%, and Escobar silver-gold claims – 40%, subject to option agreement with Ores • Salamandra zinc-silver project – 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% 	<ul style="list-style-type: none"> • Brenda, gold-copper property – 100% • Vega, gold-copper property – 100% • Granite, gold property – 100% • LIL, silver property – 100%

During the period under review, the Company completed a drill program and a sampling program at its La Esperanza project, continued with the compilation and review of the data bases on its BC projects, and announced its intention to spin-off the BC projects into a new public company.

La Esperanza

The 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. Prior drilling 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 grams per tonne ("g/t") silver ("Ag"), 0.71% zinc ("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 system 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 gold ("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.

Additional occurrences of silver-lead-zinc vein mineralization have also 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. On December 20, 2016, the Company commenced a drill program to test the La Esperanza vein along strike and to depth from previous drill intercepts, planned for 1,500 to 2,000 metres in four to five drill holes. The Company increased the program to eight drill holes for 2,452 metres, which have now all been completed in April 2017, within the originally planned budget. All eight drill holes intercepted the La Esperanza vein extending the confirmed envelope to over 400 metres along strike and 425 metres to depth. Results have been received for all eight drill holes and were announced in news releases dated February 9, March 23, April 5, and May 2, 2017.

Results from the 2016-17 drill program are particularly encouraging as they extend the La Esperanza vein mineralization along strike to the southeast and to the northwest, as well as to depth. Furthermore, drill hole ES-17-19 returned the highest gold values recorded to date from the La Esperanza vein together with high silver values. These results open the La Esperanza vein for further expansion by drilling in both directions along strike and to depth. The surface alteration envelope of the La Esperanza vein zone has been encountered in scattered outcrops that appear to coincide with the general projection of the vein for over five kilometres along strike to the southeast. The target is coincident with a much larger magnetic anomaly detected during an airborne ZTEM survey over this area. Together with the drill results to date, this suggests the potential for additional mineralized targets associated with the La Esperanza vein for further evaluation.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis
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Results from the 2016 – 17 La Esperanza drill program are listed in the table below:

La Esperanza 2016-17 Drill Program – December 2016 to May 2017										
Hole ES-16-12										
	Interval - Metres		Width – Metres		Gold	Silver	Zinc	Lead	Copper	Silver Eq*
	From	To	Interval	True	Au g/t	Ag g/t	Zn %	Pb %	Cu %	Ag Eq g/t
	347.36	348.94	1.58	1.36	0.08	23.0	1.98	1.31	0.04	192
Including	347.36	347.83	0.47	0.41	0.08	16.5	4.81	2.89	0.02	398
And	348.47	348.94	0.47	0.41	0.16	57.9	1.74	1.45	0.11	251
	368.40	370.07	1.67	1.44	0.11	5.0	3.60	0.75	0.03	309
Including	369.45	370.07	0.62	0.54	0.27	8.9	9.64	2.00	0.00	584
	387.16	390.73	3.57	3.08	0.14	21.0	2.63	0.82	0.08	211
Including	387.16	389.87	2.71	2.34	0.17	26.0	2.17	1.07	0.09	206
Including	387.71	388.71	1.00	0.86	0.10	35.0	2.63	0.78	0.14	227
Including	387.71	388.01	0.30	0.26	0.12	38.2	3.57	1.43	0.14	308
And	388.01	388.35	0.34	0.29	0.08	51.5	3.31	0.66	0.20	278
And	389.36	389.87	0.51	0.44	0.54	33.2	4.38	3.64	0.13	469
<i>Bit fused unable to complete hole, may not have intersected entire vein structure</i>										
Hole ES-17-13										
	421.38	422.20	0.82	0.71	0.30	131	0.64	0.23	0.84	281
<i>Hole lost in cavity, may not have intersected or recovered entire vein structure</i>										
Hole ES-17-14										
HW Vein	176.30	179.50	3.20	2.13	0.01	38	0.50	0.14	0.02	70
La Esp	187.40	190.40	3.00	2.51	0.01	63	0.50	0.15	0.03	98
<i>Vein intercept close to fault, broken and soft material, low recoveries</i>										
Hole ES-17-15										
	202.90	208.32	5.42	4.14	0.10	33	1.06	0.63	0.02	122
Including	202.90	204.95	2.05	1.56	0.05	51	1.90	1.38	0.03	215
<i>Vein intercept close to fault, broken and soft material, low recoveries</i>										
Hole ES-17-16										
	139.41	145.35	5.94	4.92	0.01	257	0.64	0.63	0.03	321
Including	143.00	145.35	2.35	1.95	0.03	628	0.90	1.52	0.08	750
Including	144.20	145.35	1.15	0.95	0.06	1,133	1.56	2.98	0.16	1,362
Hole ES-17-17										
HW 1 Vn	240.15	242.48	2.33	2.02	0.00	89	1.82	1.00	0.01	228
HW 2 Vn	248.33	248.60	0.27	0.23	0.04	236	0.28	8.43	0.06	618
HW 3 Vn	250.02	252.00	1.98	1.71	0.03	225	1.30	0.59	0.12	332
Including	250.02	251.21	1.19	1.03	0.03	277	2.01	0.81	0.19	438
Main Vn	258.70	265.41	6.71	5.81	0.10	204	1.83	1.46	0.07	376
Including	259.25	260.60	1.35	1.17	0.03	233	0.98	1.03	0.08	338
And	261.84	262.75	0.91	0.79	0.11	347	2.98	2.20	0.02	606
And	264.51	265.41	0.90	0.78	0.10	244	3.00	2.04	0.03	498
FW Vein	272.60	272.72	0.12	0.10	0.12	30	3.61	1.84	0.04	310
Holes ES-17-18										
	257.49	265.31	7.82	6.77	0.04	79	0.68	0.53	0.03	141
Including	257.49	259.65	2.16	1.87	0.03	231	1.19	1.38	0.03	357
Including	258.98	259.65	0.67	0.58	0.04	358	0.70	1.85	0.03	479
Hole ES-17-19										
	296.44	309.41	12.97	11.23	0.74	219	0.90	0.43	0.05	382
HW Vein	296.44	298.83	2.39	2.07	0.04	261	2.09	0.92	0.15	406
Main Vein	298.33	302.01	3.18	2.75	2.76	552	1.16	0.63	0.08	850
Including	300.73	302.01	1.28	1.11	6.39	1,281	2.23	1.25	0.18	1,938
FW Vein	306.88	308.62	1.74	1.51	0.39	256	1.68	0.74	0.02	406
<i>*Silver equivalents calculated assuming 100% recoveries (for Ag Eq calculation only – may not reflect actual recoveries) and Ag US\$17/oz, Au US\$1,250/oz, Cu US\$2.50/lb, Zn US\$1.30/lb, and Pb US\$1.00/lb</i>										

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Sandra-Escobar

The Sandra silver-gold project covers 6,333 hectares, located 200 kilometres northwest of the City of Durango. The Company 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 veins.

The Company's previous exploration programs included geological mapping and surface sampling, a 420 line-km 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 a 11.8 line-kilometre ground IP survey. These programs suggest a large hydrothermal system centred on an intrusive source, and identified five 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 (completed). Upon vesting its 55% interest, Orex could 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. On January, 10, 2017, Orex advised the Company that it would be electing to earn a 55% interest in the Sandra-Escobar project to form a 55:45 joint venture and to forego the option to earn up to 65% in the project. Orex reported expenditures of approximately US\$2,100,000 under the option agreement.

To date Orex has completed extensive surface sampling including 3,652 soil samples and 381 chip samples, geological mapping over an area of 3,880 hectares, and a helicopter borne radiometric survey over an area of 2,400 hectares. Orex also completed four phases of core drilling for a total of 65 holes and 9,953 metres of drilling in the southeast part of the project area. These drill programs 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 25 metres to 45 metres (the "Main Zone"). The highest-grade intercept from the drill program was SA-15-001 returning a 61-metre core length (43.1 metres true thickness) grading 359 g/t Ag, starting from surface. The drill program returned consistently wide mineralized intercepts starting close to surface. Typical of these intercepts were SA-16-019 returning 49.15 metres true thickness with 205 g/t Ag, SA-16-023 returning 40.50 metres true thickness grading 218 g/t Ag, and 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. Several drill holes reported high-grade intervals within the overall mineralized intercept, such as SA-15-001 with 6.36 metres of 1,204 g/t Ag, SA-16-005 with 10.86 metres of 374 g/t Ag, SA-16-006 with 12.68 metres of 596 g/t Ag, SA-16-009 with 8.44 metres of 678 g/t Ag and SA-16-019 with 12.29 metres of 375 g/t Ag (all of these high-grade intervals are true widths). 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. Step-out holes drilled in adjacent zones to the west and northwest of the Main Zone indicated potential for additional mineralized zones in these areas.

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.

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The technical report containing the foregoing Resource Estimate is available on SEDAR (www.sedar.com). The report titled "Sandra-Escobar Project Technical Report, Boleras Mineral Resource Estimate", dated December 1, 2016 (the "Technical Report") was prepared for Orex by J.M. Collins, P. Geo., A. Fowler, MAusIMM CP (Geo), and S. Butler, P. Geo., of Mining Plus Canada consulting Ltd. Messrs. Collins, Fowler and Butler are qualified persons as defined under National Instrument 43-101 of the Canadian Securities Administrators – Standards of Disclosure for Minera Projects.

On December 15, 2016, Orex announced that metallurgical testing using conventional methods returned very low recoveries from composite samples prepared to represent the average grades reported in the Boleras deposit. Silver mineralization in the Boleras deposit 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. The Boleras deposit is located on a very small area of less than 1.0 square kilometre in the southeast of the property, which itself covers over 60.0 square kilometres. There are several other prospective zones and mineralized targets within the project area which were not tested by the Orex exploration program to date that could be investigated in future programs.

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 an option agreement to purchase a 100% interest in the central 900 hectares of claims based on a schedule of payments of which US\$225,000 has been paid to date, and subject to a net smelter returns royalty ("NSR"). In April 2017, this agreement was renegotiated to provide for the Company to acquire a 100% interest in the 900 hectares within the project area by making a final payment of US\$25,000, for a total of US\$250,000 over the term of the agreement. These claims will be subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

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% 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 reported to be 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 completed between 2013 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;

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- 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;

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.

Brenda

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, 20 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., located approximately 15 kilometres southeast of the Brenda property.

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.

In late 2016 and early 2017, the Company undertook a comprehensive technical review of the Brenda project data. All historical data has been reviewed and checked prior to modelling and analysis using modelling software. Detailed analysis of the data has identified targets for further exploration including additional mapping and sampling, deeper sensing ground and airborne geophysics and drill testing. The Company is preparing a detailed report covering the results of this work and proposed exploration programs, and has applied for a five-year exploration permit including 10,000 metres of drilling. There has been increasing interest in copper-gold porphyry systems in British Columbia from larger mining and exploration companies. The recent favourable ruling on the Environmental Assessment for the neighbouring Kemess Underground deposit of AuRico Metals Inc. has also drawn added attention to the area. The Brenda project remains an attractive prospect based on the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid, year-round airfield, and mining facilities including accommodations for employees. 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.

Vega

The Vega project is located in north-central British Columbia, approximately 300 kilometres northwest of Prince George, BC, with access via the Omineca Mines Access Road and logging roads. The project covers 9,002 hectares on the Quesnel trough trend running through central British Columbia and hosting the Mount Milligan, Chuchi, Kwanika, Lorraine and Cat porphyry deposits. There are several showings in the eastern and western sectors of the Vega property prospective for hosting copper-gold porphyry mineralization. Most of the past exploration work done by Canasil has been focused on the eastern Vega showings where there are historical workings and adits with high gold and copper samples, as well as zones of anomalous gold and copper geochemistry identified from surface sampling. More recent work has identified additional gold/copper showings on the western side of the property, most notably the Pluto showing.

In September 2016, the Company carried out prospecting field work on the Pluto and Vega showings. This work confirmed past observations on the Vega showing, and in particular highlighted the Pluto showing identifying the surface signature typical of the upper levels of porphyry copper-gold mineralized systems. The Company conducted an airborne magnetics geophysical survey covering the Vega property area in November 2016. This survey returned very encouraging results highlighting structural corridors which are prospective for hosting porphyry mineralized systems both in the east and west of the project area.

The Company plans to follow up on this work in the 2017 field season with further surface sampling and evaluation of these zones to define drill targets. Total expenditures on the Vega property in 2016 amounted to \$70,977, which included staking of additional claims to cover prospective ground.

Technical

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.

Cautionary Note

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 – Quarterly Highlights. 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