



QUARTERLY REPORT

For the Nine Months ended September 30, 2005

*Suite 888, 700 West Georgia Street, Vancouver, B.C. V7Y 1G5
Tel: (604) 708-3788 Fax: (604) 708-3728*



FINANCIAL STATEMENTS

**FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2005**

(UNAUDITED)



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

"Bahman Yamini"

President and Chief Executive Officer

"Iain MacPhail"

Vice President, Finance & CFO

November 29, 2005

CANASIL RESOURCES INC.
INTERIM BALANCE SHEET
SEPTEMBER 30, 2005
(UNAUDITED)

	Sept. 30 2005	December 31 2004
ASSETS		
Current		
Cash and cash equivalents	\$ 298,275	\$ 681,818
Receivables	53,323	30,058
Prepaid expenses	2,866	191
	354,464	712,067
Reclamation bond	13,000	13,000
Resource properties	1,783,434	1,650,561
Capital assets	3,552	2,240
	\$ 2,154,450	\$ 2,377,868
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	\$ 30,487	\$ 21,947
Stockholders' equity		
Capital stock	5,762,048	5,762,048
Contributed surplus	449,081	414,403
Deficit	(4,087,166)	(3,820,530)
	2,123,963	2,355,921
	\$ 2,154,450	\$ 2,377,868

On behalf of the Board:

"Bahman Yamini" Director *"Alvin Jackson"* Director

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

CANASIL RESOURCES INC.
STATEMENT OF OPERATIONS AND DEFICIT
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2005	2004	2005	2004
EXPENSES				
Accounting and audit	\$ 3,640	\$ 4,389	\$ 9,379	\$ 10,877
Amortization	157	119	470	361
Directors fees	4,500	4,500	13,500	12,000
Foreign exchange loss / (gain)	4,512	1,272	17,008	1,595
General exploration	7,769	-	97,185	6,096
Investor relations	267	-	17,936	16,566
Legal	-	5,292	11,145	12,756
Management fees	15,000	15,000	45,000	45,000
Office services and supplies	2,583	3,616	8,965	11,079
Registrations, license and filing	802	595	8,086	11,215
Stock based compensation	1,191	-	34,678	33,487
Stock transfer fees	1,114	910	2,839	4,280
Telephone	1,043	1,180	3,365	3,127
Travel and conferences	113	224	5,519	3,743
	42,691	37,097	275,075	172,183
Interest income	(2,067)	(5,339)	(8,439)	(17,212)
Loss for the period	(40,624)	(31,758)	(266,636)	(154,970)
Deficit at beginning of period	(4,046,542)	(3,721,365)	(3,820,530)	(3,598,153)
Deficit at end of period	\$ (4,087,166)	\$ (3,753,123)	\$ (4,087,166)	\$ (3,753,123)
Loss per share	\$ 0.002	\$ 0.002	\$ 0.014	\$ 0.008
Weighted average number of shares	18,432,342	18,432,342	18,432,342	18,432,342

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

CANASIL RESOURCES INC.
STATEMENT OF CASH FLOWS
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for period	\$ (40,624)	\$ (31,758)	\$ (266,636)	\$(154,970)
Items not affecting cash				
Amortization	157	119	470	361
Stock based compensation	1,191	-	34,678	33,487
	(39,276)	(31,639)	(231,488)	(121,122)
Net change in non-cash working capital items:				
(Increase) decrease in receivables	(2,325)	(11,987)	(23,266)	(23,561)
(Increase) decrease in prepaid expenses	1,193	767	(2,675)	1
Increase (decrease) in accounts payable	(768)	(47,234)	8,541	(81,457)
Net cash used in operating activities	(41,176)	(90,093)	(248,888)	(226,139)
CASH FLOWS FROM INVESTING ACTIVITIES				
Resource property costs and deferred exploration expenditures	(50,147)	(21,168)	(132,873)	(109,830)
Resource property option proceeds				5,000
Capital asset additions	-	(286)	(1,782)	(286)
	(50,147)	(21,454)	(134,655)	(105,116)
CASH FLOWS FROM FINANCING ACTIVITIES				
	-	-	-	-
Increase (decrease) in cash and cash equivalents	(91,323)	(111,547)	(383,543)	(331,255)
Cash and cash equivalents - beginning of period	389,598	1,041,364	681,818	1,261,072
Cash and cash equivalents - end of period	\$298,275	\$929,817	\$298,275	\$ 929,817

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

CANASIL RESOURCES INC.
SCHEDULE OF CONSOLIDATED DEFERRED EXPLORATION EXPENDITURES
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)

	Brenda Claims, Canada	Vega Claims, Canada	Tres Marias and Cebollas, Mexico	Other Mexico Properties	Total
Total as at December 31, 2003	\$ 1,301,652	\$ -	\$ 27,067	\$ -	\$ 1,328,719
Acquisition costs	-	-	30,777	-	30,777
Assays	-	-	9,773	-	9,773
Drilling	-	-	159,485	-	159,485
Geological services and field costs	-	-	6,532	-	6,532
Geological consulting	-	-	66,086	-	66,086
Geophysics	-	-	3,929	-	3,929
Mapping and surveying	-	-	18,556	-	18,556
Tenure and land	-	-	23,700	-	23,700
Transportation and other	-	-	8,004	-	8,004
Option payments received	(5,000)	-	-	-	(5,000)
Incurred during the year	(5,000)	-	326,842	-	321,842
Total as at December 31, 2004	1,296,652	-	353,909	-	1,650,561
Administration	-	-	-	5,901	5,901
Assays	-	-	3,636	1,534	5,170
Drilling	-	-	33,768	-	33,768
Geological services and field costs	-	-	-	2,418	2,418
Geological consulting	4,195	-	3,279	33,166	40,640
Mapping and surveying	9,273	-	441	-	9,714
Tenure and land	-	1,441	4,000	21,208	26,649
Transportation and other	-	-	140	8,473	8,613
Incurred during the period	13,468	1,441	45,264	72,700	132,873
Totals as at September 30, 2005	\$ 1,310,120	\$ 1,441	\$ 399,173	\$ 72,700	\$ 1,783,434

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

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005
(UNAUDITED)

1. BASIS OF PRESENTATION

These financial statements do not contain all the information required for annual financial statements and should be read in conjunction with the most recent annual financial statements.

2. NATURE OF OPERATIONS

Canasil Resources Inc. (the "Company") is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Company's ability to fulfil its property acquisition and exploration obligations is dependent on its ability to secure additional financing. The company will require additional equity financing or joint ventures with third parties to finance its projects, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

3. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus	Total
Authorized 50,000,000 common voting shares, no par value				
Common shares issued				
Balance, December 31, 2004	18,432,342	\$ 5,762,048	\$ 414,403	\$ 6,176,451
Stock-based compensation (see note 4)	-	-	34,678	34,678
Balance September 30, 2005	18,432,342	\$ 5,762,048	\$ 449,081	\$ 6,211,129

CANASIL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005
(UNAUDITED)

3. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options

At September 30, 2005, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
100,000	\$ 0.23	April 17, 2007
650,000	\$ 0.26	November 6, 2008
150,000	\$ 0.10	August 31, 2010
<u>900,000</u>		

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

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2004	1,050,000	\$ 0.27
Expired during period	(300,000)	\$ 0.32
Granted during period	150,000	\$ 0.10
<u>Balance, September 30, 2005</u>	<u>900,000</u>	<u>\$ 0.23</u>
Exercisable, December 31, 2004	887,500	\$ 0.27
Expired during period	(300,000)	\$ 0.32
Vested during period	200,000	\$ 0.23
<u>Exercisable, September 30, 2005</u>	<u>787,500</u>	<u>\$ 0.25</u>

Stock-based compensation

During the period, the Company granted incentive stock options to a consultant to acquire up to 150,000 common shares at an exercise price of \$0.10 per share for a period of five years. One quarter of these options (37,500) vested during the current period resulting in stock based compensation expense under the Black Scholes option pricing model of \$1,191. This amount was also recorded as contributed surplus on the balance sheet.

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

Warrants

As at December 31, 2004, the Company had 2,250,000 outstanding share purchase warrants, enabling the holders to acquire 2,250,000 common shares at an exercise price of \$0.35 per share on or before June 30, 2005. The share purchase warrants expired during the period. At September 30, 2005, the Company had no share purchase warrants outstanding.

3. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock Options

Black-Scholes valuation

The following weighted average assumptions were used for the Black-Scholes valuation of stock options that vested during the current and previous fiscal periods:

	2005	2004
Risk-free interest rate	3.04% - 3.30%	3.04% - 3.30%
Expected life of options/warrants	1 - 2 years	1 - 2 years
Annualized volatility	133.80%	133.80%
Dividend rate	0.00%	0.00%

4. RELATED PARTY TRANSACTIONS (cont'd...)

The Company entered into the following transactions with related parties:

- Paid or accrued \$36,000 (September 30, 2004 - \$36,000) for management fees to a company controlled by a director.
- Paid or accrued \$7,044 (September 30, 2004 - \$8,232) for legal services, property acquisition costs and share issuance costs to a law firm in which an officer of the Company is a partner.
- Paid or accrued \$13,500 (September 30, 2004 - \$12,000) to a director and to two companies each controlled by a director for directors' fees.
- Paid or accrued \$ nil (September 30, 2004 - \$7,500) for geological consulting fees to a director and a company controlled by a director.
- Paid or accrued \$10,962 (September 30, 2004 - \$9,951) to a company controlled by an officer of the Company for management and accounting fees.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at September 30, 2005 is \$nil (September 30, 2004 - \$7,381) in respect of amounts due to directors, to companies controlled by directors, and to a law firm in which an officer of the Company is a partner.

5. SEGMENTED INFORMATION

The Company conducts its operations in Canada and Mexico in one business segment, being the exploration and development of resource properties.



**MANAGEMENT DISCUSSION AND ANALYSIS
FORM 51-102F1**

For the Nine Months ended September 30, 2005

*Suite 888, 700 West Georgia Street, Vancouver, B.C. V7Y 1G5
Tel: (604) 708-3788 Fax: (604) 708-3728*

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the nine months ended September 30, 2005

1.1 Date and Period Covered:

This Management Discussion and Analysis for Canasil Resources Inc. ("the Company") is dated November 29, 2005. It is being filed with the quarterly report for the nine months ended September 30, 2005, and follows the reporting guidelines required under form 51-102F1.

The following discussion and analysis of the financial position of the Company should be read in conjunction with the unaudited interim financial statements for the nine months ended September 30, 2005, the audited annual financial statements and the MD&A for the year ended December 31, 2004. The details below update the information contained in the MD&A for the year ended December 31, 2004, and the MD&A for the six month period ended June 30, 2005.

1.2 Operating Performance:

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

In January 2005, the Company completed 3 diamond drill holes for a total of 388 metres on the Tres Marias and Cebollas projects, as part of the diamond drill program on these properties comprising a total of 8 drill holes for 1,219 metres, completed between November 2004 and January 2005. Exploration expenditures on these projects during the period were \$45,264, and total expenditures to date have been \$399,173. The Company's obligations under the agreements with Wheaton River and Luismin have been fulfilled to October 2006.

The Company's Mexican subsidiary, Minera Canasil SA de CV (Minera Canasil), was actively engaged in reviewing a number of silver-gold acquisition targets during the period. More than 14 different projects were visited for evaluation in the States of Durango, Zacatecas, Juanguato, Sinaloa and Sonora. During the period four projects were acquired through staking of claims – the Los Azules project in Sinaloa, the Sandra, San Francisco and Colibri projects in Durango State. Letters of intent were signed for the acquisition of the El Terco project in Sonora and La Esperanza project in Zacatecas. Following a visit to the El Terco project in June 2005, the Company decided not to continue with the El Terco acquisition. The Company now has a significant portfolio of seven silver-gold exploration projects in Mexico, covering over 19,000 hectares and located within convenient access from Minera Canasil's operating base in Durango.

In British Columbia, Canada, the Company maintained its wholly owned Brenda, Lil, Granite and Vega mineral projects. A satellite imaging survey was completed and further work done to organise and compile the extensive data base on the Brenda property, which is an advanced gold-copper porphyry exploration project in the Kemess-Toodoggone district. The Company has identified a number of significant targets for further exploration work, including diamond drilling, on the Brenda project. The completion of the Brenda project database and evaluation of prospective target zones continued through the third quarter of 2005.

All other mineral claims in British Columbia have been maintained in good standing. The Lil silver mineral claims in British Columbia were expanded from 500 hectares to 1,500 hectares with the addition of 2 new claims. The Vega gold-copper mineral claims were expanded from 1,300 hectares to 5,500 hectares with the addition of 8 new claims. The Vega project is located close to the Jajay-Lorraine project of Lysander Minerals and Eastfield Resources, which are under option to Teck Cominco. There has been extensive claim staking in the area and the new claims cover the area surrounding the original Vega claims.

The Company exhibited at the Vancouver Resource Investment Conference on Jan. 23 and 24, and at the Vancouver Mineral Exploration Roundup on Jan. 26 and 27, 2005. The Company advertised in the Resource World Magazine March 2005 issue to coincide with the Prospectors and Developers Association Convention in Toronto on March 6 – 9, 2005. Total investor relations expenditures during the period were \$17,936.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the nine months ended September 30, 2005

1.3 Financial Condition, Results of Operations and Cash Flows:

The Company's working capital as at September 30, 2005, was \$323,977 (December 31, 2004 - \$690,120). The Company has sufficient working capital to meet current operating requirements and planned expenditures for exploration and maintenance of its mineral property interests. Over the period operating expenditures were \$275,075 (2004 - \$172,183) and the Company earned interest income of \$8,439 (2004 - \$17,212). The increase in operating expenditures during the period was primarily due to an increase in general exploration expenditures of \$97,185 (2004 - \$6,096) and foreign exchange losses of \$17,008 (2004 - \$1,595). Net cash used for operating activities was \$248,888 compared to \$226,139 for the same period in 2004. Cash used for deferred exploration expenditures and acquisition costs on resource properties during the period was \$132,873 (2004 - \$109,830), comprised of \$37,768 for diamond drilling and claim maintenance costs incurred on the Tres Marias and Cebollas projects in Mexico, \$54,374 for the acquisition and evaluation of new projects in Mexico, \$13,468 for mapping, data compilation and satellite surveys for the Brenda project in British Columbia. There were no financings completed during the current or period or the comparable period for the prior year.

1.4 Mineral Properties:

Under option and joint venture agreements signed with Wheaton River and Luismin, the Company holds an option to earn up to a 75% interest in the Tres Marias and Cebollas silver-gold properties in the San Dimas District, Durango State, Mexico. During the period the Company acquired 4 new silver-gold exploration projects in Mexico, the Sandra, San Francisco, Los Azules and Colibri projects, through staking of claims.

The Company holds 100% interest in the following mineral properties located in the Omineca Mining District, in North-central British Columbia, Canada:

- Brenda, gold-copper prospect
- Vega, gold-copper prospect
- Granite, gold prospect
- Lil, silver prospect

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

The Tres Marias and Cebollas properties cover 3,163 hectares, located 150 km west of the city of Durango and 14 km southeast of Luismin's San Dimas/Tayoltita mine.

In October 2003, the Company signed option and joint venture agreements with Wheaton River Minerals (Wheaton River) and Luismin S.A. de C.V. (Luismin) to acquire up to a 75% interest in these projects. Canasil can earn an initial 51% interest in the properties by issuing 50,000 shares to Wheaton/Luismin and incurring US\$1,000,000 in exploration expenditures over five years. Canasil's interest may be increased to 75% in the sixth year by incurring a further US\$ 700,000 in exploration expenditures. Wheaton/Luismin retains an option to buy back a 35% interest in the properties for US\$1,700,000 after Canasil has acquired a 75% interest.

In 2005 the Company completed 3 diamond drill holes for a total of 388 metres on the Tres Marias and Cebollas projects, as part of the diamond drill program on these properties comprising a total of 8 drill holes for 1,219 metres, completed between November 2004 and January 2005. Deferred exploration expenditures on these projects during the period were \$45,264 (2004 - \$83,661). Deferred exploration expenditures and acquisition costs on these projects to date have been \$399,173 (2004 - \$109,830).

A discussion of the results from the drill program is included in the annual MD&A for the year ended December 31, 2004 and the quarter ended March 31, 2005. The Company's obligations under the agreements with Wheaton River and Luismin for the acquisition of these projects have been fulfilled to October 2006.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the nine months ended September 30, 2005

Sandra, San Francisco, Colibri and Los Azules properties, Durango and Sinaloa States, Mexico

The **Sandra** property originally covered 500 hectares, located 40 km north of the community of Tepehuanes, within easy access from Canasil's operating base in Durango, and with excellent infrastructure provided by paved roads, power lines and water access in the district. The mineralisation consists of low sulphidation veins hosting silver and gold, possibly in a transition between epithermal and mesothermal formations. The host rocks are composed of andesites, rhyolites and intrusive bodies, possibly of andesitic composition. The Maria Fernanda vein on the property has been traced over a strike length of over 500 metres. Initial surface samples collected over the vein alteration zone to test the system returned gold values up to 10.93 g/t and silver values up to 686 g/t. During a field visit to the property in June 2005, a number of veins were observed fanning out from the footwall of the Maria Fernanda vein. These veins dip under younger volcanic formations, which cover part of the southeast extensions of the veins.

During the third quarter the claim area was expanded by 700 hectares to 1,200 hectares to cover the extensions of the vein system observed towards the south and west of the original claims. A detailed geologic mapping and surface sampling program was completed during the period. This program identified a number of veins over a distance of approximately 2,000 metres in the central area of the Sandra claims. Surface samples from these veins returned encouraging grades in gold, silver, copper and lead, as outlined in the news release dated November 2, 2005.

The **San Francisco** property covers 500 hectares located 104 km West of the city of Durango, and approximately 12 km south of the Company's Tres Marias and Cebollas silver-gold projects, located 14 km southeast of the Tayoltita mine in the San Dimas mining district of Durango. The claims are within view of the community of San Francisco. The access road cuts through the centre of the property, as does the main power line supplying the Tayoltita mine.

Mineralisation observed on the San Francisco property consists of epithermal low sulphidation quartz veins hosted by volcanic rocks of the Upper Volcanic Group. Veins observed at surface over a strike length of over 400 metres range between 4 metres to 20 metres in width. Surface samples returned high values of Mercury (between 1,000 ppb to 7,000 ppb) indicating the higher levels of a potential mineralized system. The project will require a program of geologic mapping and surface sampling to identify and establish drill targets over the wide structure observed.

The **Colibri** claims cover a total of 6,000 hectares, and have been acquired through direct staking of the claim blocks, giving the Company 100% title. The Colibri district covered by the claims is on the eastern border of Sierra Madre Occidental volcanic province, and hosts a number of prospects with epithermal-mesothermal vein type mineralization carrying silver, lead, zinc and gold. The project site is located 70 km southeast of the city of Durango with a travel time of approximately 1:30 hours. The infrastructure at the property is excellent with access to power, water and all required services. The climate and topography are moderate and typical of the high plateau areas on the Eastern edge of the Sierra Madre Occidental volcanic province at an elevation of 1,700 m to 2,500 m.

The geology of the area consists of Lower Volcanic Group Eocene andesites and scarce intercalated rhyolites. These units are overlain by Upper Volcanic Group Oligocene rhyolitic tuffs and ignimbrites. The Lower Volcanic Group formations are intruded by grandiorites and diorites. A number of mineralized structures are observed in the project area, occurring in epithermal to mesothermal fault controlled veins with silver sulphides, and lead and zinc minerals. Historical records indicate samples from these structures carried significant silver, lead and zinc values with gold credits. Observations during the initial project evaluation visits also indicate the possibility for disseminated silver mineralization. There has been no recent systematic exploration in the project area and the Company plans to compile all available historical data, followed by a program of geological mapping and sampling to evaluate the numerous mineralized structures.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the nine months ended September 30, 2005

The **Los Azules** claims originally covered 2,000 hectares, located on the new Mazatlan-Escuinapa highway, 15 km north of the historic El Rosario gold mine and town. The mineralization consists of epithermal low sulphidation veins with gold, silver and copper mineralization, hosted by volcanic and intrusive rocks of Tertiary age. The area has shown possibilities for the occurrence of Tourmaline-gold breccias. Samples previously collected to evaluate and define the boundaries of the claims returned encouraging results in gold, silver and copper, with grades up to 2.71 g/t gold, 60 g/t silver and 4.49% copper observed in various samples with widths of 1.0 – 1.5 metres.

During the period, the Company applied for and obtained the necessary approvals to expand the Los Azules claims by 6,000 hectares to a total of 8,000 hectares. This large claim package now covers the northwest extensions and outcrops observed over a distance of 3.4 km from an exploratory trench showing vein structures in the southeast of the property. The new claim area includes the western part of the district, which hosts a number of quartz veins and tourmaline breccias. These formations are usually associated with gold, silver and copper mineralization. The Company is planning a program to map and sample these structures in order to evaluate the potential of this project.

The Company's wholly owned Mexican subsidiary, Minera Canasil S.A. de C.V. (Minera Canasil), has signed a letter agreement providing Minera Canasil with an option to acquire the **La Esperanza** silver lead zinc project in Zacatecas State, Mexico. The agreement provides for a period of three months for property evaluation and due diligence, following which Minera Canasil will decide whether or not to proceed with an agreement to acquire 100% interest in the project. The property hosts epithermal veins with silver lead zinc and gold mineralization. There is a history of past mining activity at La Esperanza with direct shipments of reportedly high-grade ore to local smelters. The Company is currently in the process of evaluating this project.

These the Mexican exploration projects are located within convenient access from the Company's operating base in Durango. Total expenditures on these projects during the period were \$72,700.

Brenda gold/copper property, British Columbia, Canada

The Company holds 100% interest in the Brenda property, 178 claim units covering 4,450 hectares (44.5 square kilometres) located in the core of the Kemess-Toodoggone porphyry copper-gold district in the Omineca Mining Division, approximately 450 kilometres northwest of Prince George, B.C. All claims are currently in good standing to May 30, 2015.

The Brenda property is an advanced gold-copper exploration project located centrally in the highly prospective Kemess-Toodoggone district. There has been over \$3,000,000 in cumulative exploration expenditures on the Brenda project, including geophysics, geochemistry and over 8,000 metres of diamond drilling in 58 drill holes.

The Company has undertaken a review of the exploration data for the Brenda property and concluded that there are at least two large potential target zones (1,000m x 300m and 1,000m by 600m), and possibly a third target zone, defined by past drilling, geochemistry and geophysics, which have not been tested.

During the period the Company completed compilation and organisation of the data and mapping for the project, and undertook satellite surveys for the Brenda project. Expenditures during the period were \$13,468. There were also discussions with interested parties regarding cooperation agreements for further exploration of the Brenda project.

Vega, Lil and Granite properties, BC, Canada

There was no significant exploration work on these projects during the period. The area covered by the Lil claims was expanded from 500 hectares to 1,500 hectares through the addition of 2 new adjacent mineral claims. The area covered by the Vega claims has been expanded from 1,300 hectares to 5,500 hectares through the addition of 8 new claims. There was no activity on the Granite project during the period.

CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the nine months ended September 30, 2005

Acquisition and Disposition of Resource Properties

During the period ended September 30, 2005, the Company acquired the Los Azules claims in Sinaloa State, Mexico, and subsequently extended the area covered by this project from 2,000 hectares to 8,000 hectares by staking additional claims. The Company also acquired the Sandra, San Francisco and Colibri projects in Durango State, Mexico, through staking of claims. The area covered by the Sandra project was increased from 500 hectares to 1,200 hectares through addition of adjacent claim blocks.

These projects are early stage exploration targets offering a combination of high upside potential with low acquisition and maintenance costs. The Company will be conducting the initial phase of geologic evaluation and sampling to define drill targets and determine the potential for these projects. At the same time the Company is also actively continuing to pursue the acquisition of more advanced, drill ready silver-gold projects in Mexico.

1.5 Selected Quarterly Information:

The following tables set forth selected financial information of the Company for each of the last eight quarters ending at the end of the most recently completed financial period:

Year	2005			2004			2003	
	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Loss before extraordinary Items	(40,624)	(60,676)	(104,831)	(60,676)	(31,758)	(81,019)	(42,194)	(60,676)
Loss per share Basic & fully diluted	(0.0022)	(0.0033)	(0.0057)	(0.0033)	(0.0018)	(0.0043)	(0.0023)	(0.0033)
Total Loss for the quarter	(40,624)	(60,676)	(104,831)	(60,676)	(31,758)	(81,019)	(42,194)	(60,676)
Total Loss per share, basic & fully diluted	(0.0022)	(0.0033)	(0.0057)	(0.0033)	(0.0018)	(0.0043)	(0.0023)	(0.0033)
Shares Issued	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342	18,432,342

1.6 Liquidity and capital resources:

The Company has sufficient financial resources to undertake currently planned exploration programs and operating expenditures. Future exploration and subsequent development of the Company's properties beyond currently planned expenditures will depend on the Company's ability to obtain additional financing.

The Company had working capital at September 30, 2005 of \$323,977 (Dec. 31, 2004 - \$690,120). The Company had no material income from operations. As at September 30, 2005, the Company had no long-term debt.

For the period ended September 30, 2005, the Company experienced negative cash flow of \$383,543 (2004 - \$331,255) from operating, investing and financing activities. This reflects a higher level of cash used in operating activities of \$248,888 (2004 - \$226,139) resulting from the active general exploration and acquisition programs in Mexico with expenditures of \$97,185 (2004 - \$6,096) during the period.

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1.7 Related Party Transactions:

During the period, the Company paid or accrued a total of \$67,506 (2004 - \$73,683) to related parties covering Directors' and management fees and geological and legal services.

1.8 Financial Instruments:

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The carrying value of cash and cash equivalents, marketable securities, sundry receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

1.9 Outstanding Share Data as at September 30, 2005

- (a) Authorized and issued shares as at September 30, 2005 were as follows:

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

- (b) As at September 30, 2005, a total of 900,000 incentive stock options were outstanding and exercisable.

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
100,000	0.23	April 17, 2007
650,000	0.26	November 26, 2008
150,000	0.10	August 31, 2010
900,000		

- (c) As at December 31, 2004, the Company had 2,250,000 outstanding share purchase warrants, enabling the holders to acquire 2,250,000 additional common shares at a process of \$0.35 per share on or before June 30, 2005. These warrants expired on June 30, 2005
- (d) No shares are subject to escrow or pooling arrangements.

1.10 Accounting Policies:

The Company's current accounting policies are stated in the notes attached to the audited annual financial statements for the year ended December 31, 2004.

1.11 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 exhibited at the Vancouver Resource Investment Conference on Jan. 23 and 24, and at the Vancouver Mineral Exploration Roundup on Jan. 26 and 27, 2005. The Company advertised in the Resource World Magazine March 2005 issue to coincide with the Prospectors and Developers Association Convention in Toronto on March 6 – 9, 2005. Total investor relations expenditures during the period were \$17,936 (2004 - \$16,566). The Company does not have any contracts for the provision of investor relations services.

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1.12 Other Information:

Detailed information on the Company and its operations is available on the Company's website at www.canasil.com and on SEDAR at www.sedar.com.

1.13 Forward-Looking Statements:

Any statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results and developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration results, availability of capital and financing, and general economic, market and business conditions.

1.14 General Factors Affecting the Business of the Company

Annual comparative financial information and a discussion of General Factors Affecting the Business of the Company are presented in the audited annual financial statements and MD&A filed for the year ending December 31, 2004.

BY ORDER OF THE BOARD

"Bahman Yamini"

Bahman Yamini
President, CEO, & Director

"Alvin Jackson"

Alvin Jackson
Director