QUARTERLY REPORT

For the three months ended March 31, 2007

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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 financial statements by an entity's auditor.

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

May 30, 2007

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CANASIL RESOURCES INC.
Consolidated Balance Sheets
(Unaudited)

	March 31 2007	December 31 2006
ASSETS		
Current		
Cash and cash equivalents	$ 1,552,142	$ 211,763
Receivables	185,962	144,254
Prepaid expenses	6,734	13,592
	1,744,838	369,609
Equipment (note 4)	35,042	34,283
Resource properties (note 5)	3,287,313	2,674,816
Reclamation bond	20,000	20,000
	$ 5,087,193	$ 3,098,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 167,284	$ 192,426
Shareholders' equity		
Share capital (note 6)	8,994,732	6,572,265
Subscriptions received in advance (note 6)	8,000	335,000
Contributed surplus (note 6)	601,405	496,413
Deficit	(4,684,228)	(4,497,396)
	4,919,909	2,906,282
	$ 5,087,193	$ 3,098,708

Nature and continuance of operations (note 1)
Subsequent events (note 10)

On behalf of the Board:

"Alvin Jackson" Director *"Michael McInnis"* Director

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

CANASIL RESOURCES INC.
Consolidated Statements of Operations and Deficit
(Unaudited)

	Three Months Ended March 31 2007	Three Months Ended March 31 2006
EXPENSES		
Accounting and audit	$ 5,500	$ 4,913
Amortization	2,808	1,397
Conferences and conventions	16,113	10,055
Directors fees	7,500	4,500
Foreign exchange (gain) loss	6,345	(323)
General exploration	6,272	8,631
Investor relations and promotions	15,911	6,817
Legal fees	3,396	1,206
Listing and filing fees	5,703	3,160
Management fees	28,500	15,000
Office services and supplies	7,207	9,780
Shareholder communications	2,037	4,237
Stock-based compensation (note 7)	76,686	20,674
Transfer agent fees	3,380	257
Travel and accommodation	2,674	8,906
Loss before other item	(190,032)	(99,210)
OTHER ITEM		
Interest income	3,200	759
Loss for the period	(186,832)	(98,451)
Deficit, beginning of period	(4,497,396)	(4,140,389)
Deficit, end of period	$ (4,684,228)	$ (4,238,840)
Basic and diluted loss per share	$ (0.008)	$ (0.005)
Weighted average number of shares outstanding	24,447,774	18,432,342

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

CANASIL RESOURCES INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31 2007	Three Months Ended March 31 2006
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	$ (186,832)	$ (98,451)
Items not affecting cash:		
Amortization	2,808	1,397
Stock-based compensation	76,686	20,674
	(107,338)	(76,380)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(41,708)	25,944
Decrease (increase) in prepaid expenses	6,858	(3,912)
Increase (decrease) in accounts payable and accrued liabilities	12,608	33,206
Net cash used in operating activities	(129,580)	(21,142)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Resource property costs and deferred exploration costs	(394,889)	(62,000)
Equipment	(3,567)	(28,629)
Net cash used in investing activities	(398,456)	(90,629)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	2,271,071	-
Share issuance costs	(75,656)	-
Subscriptions received in advance	(327,000)	-
Net cash from financing activities	1,868,415	-
Increase (decrease) in cash during the period	1,340,379	(111,771)
Cash and cash equivalents, beginning of period	211,763	204,920
Cash and cash equivalents, end of period	$ 1,552,142	$ 93,149
Supplementary Disclosure of Non-Cash Investing and Financing Activities		
Shares issued for mineral property	$ 247,000	$ -
Warrants issued for mineral property	$ 8,358	$ -
Warrants issued for finder's fee	$ 19,948	$ -
Increase (decrease) in mineral property accounts payable	$ (37,750)	$ 24,463

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is considered to be in the exploration stage with respect to its interest in resource properties. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves.

The recovery of the amounts comprising resource properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development and upon future profitable production.

These financial statements have been prepared 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. The 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.

	March 31 2007	December 31 2006
Deficit	$ (4,684,228)	$ (4,497,396)
Working capital	1,577,554	177,183

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods as our most recent annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's 2006 audited consolidated financial statements.

These interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Financial Instruments – Recognition and Measurement *(Section 3855)*

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

Hedging *(Section 3865)*

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not have any hedges.

Comprehensive Income *(Section 1530)*

This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize them into net earnings. This standard requires the presentation of comprehensive income, and its components, in a separate financial statement that is displayed with the same prominence as the other financial statements.

There was no material effect on these financial statements as a result of applying these new standards.

4. EQUIPMENT

	March 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automobile	$ 27,730	$ 5,927	$ 21,803	$ 27,730	$ 4,159	$ 23,571
Computer	8,790	1,924	6,866	5,584	1,256	4,328
Furniture and equipment	16,232	10,026	6,206	15,871	9,709	6,162
Software	444	277	167	444	222	222
	$ 53,196	$ 18,154	$ 35,042	$ 49,629	$ 15,346	$ 34,283

5. RESOURCE PROPERTIES

Title to resource 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 resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties is in good standing.

Tres Marias and Cebollas properties, Mexico

During 2003, the Company entered into an option agreement with a subsidiary of Goldcorp Inc. to earn a 51% interest in the Tres Marias and Cebollas gold-silver properties located in Durango State, Mexico.

In accordance with the terms of the agreement, the Company issued 50,000 common shares at a value of $8,000 and must also incur exploration expenditures of US$1,000,000 over five years. The Company's interest may be increased to 75% in the sixth year by incurring an additional US$700,000 in exploration expenditures. Goldcorp Inc. may buy back a 35% interest in the properties for US$1,700,000 after the Company has acquired a 75% interest. The property is subject to a 3% net smelter returns royalty (“NSR”).

Sandra and Nora project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico.

5. RESOURCE PROPERTIES (continued)

Los Azules project, Mexico

During 2005, the Company staked claims in Sinaloa State, Mexico.

San Francisco project, Mexico

During 2005, the Company staked claims in Durango State, Mexico.

La Esperanza project, Mexico

During 2005, the Company entered into an option agreement to purchase a 100% interest in the La Esperanza project, subject to a NSR of up to 1.5%. The claims are located in Zacatecas State, Mexico. Under the terms of a subsequent definitive agreement, the Company has the right to acquire these claims by making option payments over a period of three years totaling US$150,000.

Colibri project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico.

During the quarter ended March 31, 2007, the Company acquired 100% interest in several claims located Durango State, Mexico from Oremex Resources Inc ("Oremex"). The Company issued 650,000 common shares of the Company and 75,000 share purchase warrants in consideration (note 6c).

Salamandra project, Mexico

During 2006, the Company entered into an option to purchase a 100% interest in the Salamandra project, subject to a NSR of 2%. In accordance with the terms of the agreement, the Company has the right to acquire these claims, by making option payments over a period of three years totaling US$500,000.

The Salamandra project is located in Durango State, Mexico. The Company has staked additional claims in the area.

Other projects, Mexico

During 2006, the Company staked additional claims located in Durango State, Mexico surrounding the Salamandra and Colibri project areas.

CANASIL RESOURCES INC.
Notes to the Consolidated Financial Statements
March 31, 2007 and 2006
(Unaudited)

5. RESOURCE PROPERTIES (continued)

Schedule of Deferred Exploration Expenses

	Brenda Claims Canada	Lil Claims Canada	Vega Claims Canada	Tres Marias and Cebollas Mexico	Los Azules Mexico	Sandra and Nora Mexico	San Francisco Mexico	Esperanza Mexico	Colibri Mexico	Salamandra Mexico	Other Mexico	Total
Total as at Dec. 31, 2005	$ 1,313,705	$ 441	$ 1,441	$ 410,477	$ 18,078	$ 38,996	$ 2,497	$ 25,024	$ 16,341	$ -	$ -	$ 1,827,000
Administration	-	-	-	-	832	2,395	-	7,473	2,259	1,874	2,369	17,202
Assays	441	-	-	35	2,731	12,922	-	11,568	13,293	6,293	301	47,584
Drilling	-	-	-	-	-	-	-	184,353	41,246	-	-	225,599
Geological and field costs	96,463	348	-	315	25,350	43,027	223	120,254	68,155	75,303	7,872	437,310
Land holding costs	-	-	9,242	-	12,271	3,022	994	2,802	4,794	6,184	9,209	48,518
Mapping and surveying	7,898	-	4,980	-	-	-	-	-	-	-	-	12,878
Road building	12,080	-	-	-	-	-	-	8,236	-	-	-	20,316
Storage	-	-	-	-	-	573	-	2,450	573	156	-	3,752
Transportation and rentals	-	-	-	-	3,656	5,511	-	13,388	4,854	7,248	-	34,657
Total expenditures - 2006	116,882	348	14,222	350	44,840	67,450	1,217	350,524	135,174	97,058	19,751	847,816
Total as at Dec. 31, 2006	1,430,587	789	15,663	410,827	62,918	106,446	3,714	375,548	151,515	97,058	19,751	2,674,816
Acquisition and option payments (note 6)	-	-	-	-	-	-	-	-	258,577	3,876	-	262,453
Administration	-	-	-	-	114	-	-	780	12,705	1,373	761	15,733
Assays	-	-	-	-	-	-	-	2,174	20,181	4,243	-	26,598
Consulting	600	-	-	-	-	1,308	-	187	31,988	562	-	34,645
Drilling	-	-	-	-	-	-	-	-	113,055	33,170	-	146,225
Field costs	-	-	-	-	-	19	-	31	6,511	2,675	-	9,236
Geology	-	-	-	104	817	1,135	92	1,362	19,567	12,553	44	35,674
Land holding costs	-	-	6,561	-	-	-	-	-	39,312	1,121	2,332	49,326
Legal	-	-	-	-	68	68	68	70	68	1,206	136	1,684
Mapping and surveying	65	-	-	-	-	-	-	-	28	585	-	678
Road building	-	-	-	-	-	-	-	4,263	17,547	-	-	21,810
Transportation and rentals	-	-	-	-	-	58	-	3,500	3,988	106	-	7,652
Travel and accommodation	-	-	-	-	-	-	-	-	764	19	-	783
Total expenditures - 2007	665	-	6,561	104	999	2,588	160	12,367	524,291	61,489	3,273	612,497
Total as at Mar. 31, 2007	$ 1,431,252	$ 789	$ 22,224	$ 410,931	$ 63,917	$ 109,034	$ 3,874	$ 387,915	$ 675,806	$ 158,547	$ 23,024	$ 3,287,313

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
As at December 31, 2005	18,432,342	$ 5,762,048	$ 449,081
Private placement (a)	3,303,000	825,750	-
Share issuance costs	-	(15,533)	-
Stock-based compensation	-	-	47,332
As at December 31, 2006	21,735,342	6,572,265	496,413
Private placements (b)	5,500,000	1,975,000	-
Share issuance costs	-	(95,604)	19,948
Acquisition of property (c)	650,000	247,000	8,358
Warrants exercised (d)	845,917	296,071	-
Stock-based compensation	-	-	76,686
Balance, March 31, 2007	28,731,259	$ 8,994,732	$ 601,405

(a) In June 2006, the Company issued 3,303,000 units at a price of $0.25 per unit for gross proceeds of $825,750. Each unit consisted of one common share and one share purchase warrant exercisable at $0.35 per share until June 14, 2007.

(b) In January 2007, the Company issued 1,500,000 units at a price of $0.25 per unit for gross proceeds of $375,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.35 per share until January 11, 2008. Share subscriptions of $335,000 were received prior to December 31, 2006.

In March 2007, the Company issued 4,000,000 units at a price of $0.40 per unit for gross proceeds of $1,600,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at $0.55 until March 15, 2008. The Company paid cash commissions of $51,870, legal and issuance costs of $23,786, and issued 99,675 broker warrants with the same terms as the private placement warrants. The fair value of the broker warrants was estimated at $19,948 using the Black-Sholes Option-Pricing Model.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) For the claims acquired from Oremex (note 5), the Company issued 650,000 common shares of the Company and 75,000 share purchase warrants. Each warrant entitles Oremex to acquire one additional common share of the Company at a price of $0.50 until January 30, 2008. The fair value of the warrants was estimated at $8,358 using the Black-Scholes Option-Pricing Model. A former officer of the Company is also a director of Oremex.

(d) During the three months ended March 31, 2007, 845,917 warrants that were issued in June 2006 were exercised for gross proceeds of $296,071 (note 10).

(e) During the three months ended March 31, 2007, the Company received stock option proceeds of $8,000 pursuant to the exercise of 40,000 options. The related 40,000 shares were issued subsequent to March 31, 2007 (note 10).

7. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth for such plans by the TSX Venture Exchange ("TSX-V") in that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers and employees of the Company and its subsidiaries to purchase common shares of the Company. The stock options may be issued at the discretion of the Board of Directors and may be exercisable during a period not exceeding five years. Stock options granted under the Plan will vest in equal quarterly tranches over a period of not less than 18 months.

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

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2005	-	$	-	900,000	$	0.23
Granted	3,303,000		0.35	1,025,000		0.20
Outstanding, December 31, 2006	3,303,000		0.35	1,925,000		0.21
Exercised	(845,917)		0.35	-		-
Granted	3,674,675		0.47	865,000		0.50
Outstanding, March 31, 2007	6,131,758	$	0.42	2,790,000	$	0.31
Currently exercisable	6,131,758	$	0.42	1,781,250	$	0.25

7. STOCK OPTIONS AND WARRANTS (continued)

At March 31, 2007 the Company had outstanding stock options and warrants, enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	100,000	$ 0.23	April 17, 2007
	650,000	$ 0.26	November 6, 2008 (1)
	150,000	$ 0.10	August 31, 2010
	800,000	$ 0.20	March 6, 2011 (2)
	150,000	$ 0.20	October 27, 2011
	75,000	$ 0.20	November 21, 2011
	865,000	$ 0.50	March 20, 2012
Warrants	2,457,083	$ 0.35	June 14, 2007
	1,500,000	$ 0.35	January 11, 2008
	75,000	$ 0.50	January 24, 2008
	2,099,675	$ 0.55	March 15, 2008

(1) A total of 100,000 of these options now expire on September 30, 2007 due to the resignation of an officer in fiscal 2006.
(2) A total of 40,000 of these options now expire on September 30, 2007 due to the resignation of an officer in fiscal 2006.

Stock-based compensation

During the three months ended March 31, 2007, the Company granted incentive stock options to directors, officers and consultants of the Company to acquire up to 865,000 common shares with a weighted average fair value of $0.25 per share. The fair value of compensatory options granted is estimated on grant date using the Black-Scholes Option-Pricing Model and recorded over the vesting period. The Company recognized stock-based compensation expense of $76,686 (March 31, 2006 - $20,674) as a result of stock options that vested in the period.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	March 31 2007	December 31 2006
Risk-free interest rate	4.01%	4.01%
Expected life of options	2 years	2 years
Annualized volatility	90%	95%
Dividend rate	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

(a) Paid or accrued $24,000 (March 31, 2006 - $12,000) for management fees to a company controlled by a director.

(b) Paid or accrued $16,699 (March 31, 2006 - $1,206) for legal services and disbursements to a law firm in which an officer of the Company is a partner.

(c) Paid or accrued $7,500 (March 31, 2006 - $4,500) to a director and to two companies each controlled by a director.

(d) Paid or accrued $4,500 (March 31, 2006 - $4,912) to an officer of the Company for accounting and management 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 March 31, 2007 is $57,049 (December 31, 2006 - $54,975) due to directors and officers or to companies controlled by directors and officers.

9. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of resources properties.

The Company's assets are located in the following geographic locations:

	March 31 2007	December 31 2006
Canada	$ 2,003,865	$ 1,425,886
Mexico	1,318,490	1,253,213
	$ 3,322,355	$ 2,709,099

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2007, the Company issued 40,000 common shares for proceeds of $8,000 pursuant to the exercise of stock options; 150,000 common shares for proceeds of $15,000 pursuant to the exercise of stock options; and 1,175,093 common shares for proceeds of $411,279 pursuant to the exercise of warrants.

This Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("the Company") is dated May 30, 2007 and provides information on the Company's activities for the quarter ended March 31, 2007 and to the date of this report. The following discussion and analysis of the financial position of the Company should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2006, and the unaudited financial statements for the quarter ended March 31, 2007.

Business of the Company

The Company was incorporated in 1984 and is engaged in the exploration and development of mineral properties hosting copper-gold, gold, silver, copper, zinc and lead prospects located in Durango, Sinaloa and Zacatecas States, Mexico, and in British Columbia, Canada. During the quarter, the company actively advanced exploration programs, including geological mapping, surface sampling, and diamond drilling on its mineral projects in Mexico, and continued to evaluate and acquire new prospective projects. In January 2007, the Company closed a private placement of $375,000, completed a private placement of $1,600,000 in February/March 2007, and also received $296,071 from the exercise of warrants during the quarter. The Company exhibited at a number of industry conferences during the quarter. The successful implementation of an expanded exploration program, including diamond drilling at the Colibri and Salamandra projects, coupled with a stronger financial position and more active corporate communications continued to result in higher share prices, share trading volumes and market capitalization.

Overall Performance

The Company's focus in Mexico was to implement the planned diamond drill programs at the Colibri silver-copper-zinc and Salamandra zinc-silver projects, as well as geological mapping and sampling to define additional drill targets at the Colibri project. The Company also acquired a large regional claim area surrounding the Salamandra project. The well managed and experienced local technical and administrative team at our wholly-owned operating subsidiary, Minera Canasil S.A. de C.V. in Durango, Mexico, provided the capability to implement this active exploration and acquisition program, at a time when many other companies faced difficulties in completing planned programs due to shortages of equipment and technical personnel.

During the quarter, the Company completed 711 metres of diamond drilling in 6 holes as part of the Phase 1 diamond drill program at the Colibri silver-copper-zinc project, and started the Phase 1 diamond drill program at the Salamandra project, both in Durango State, Mexico. Subsequent to the first quarter, an expanded Phase 1 diamond drill program of 2,300 metres in 8 drill holes (originally planned for 1,500 metres) has been completed at the Salamandra project. Both drill programs have returned encouraging results. A wider geological mapping and surface sampling program at the Colibri project identified several new vein structures, which now cover a total surface strike length of over 14 kilometres. These veins present additional targets for drill testing. The area covered by the Company's project portfolio was increased significantly with the completion of the acquisition of the Mezquital claims, covering 161 hectares within the Colibri project area, from Oremex Resources Inc., the addition of 10,000 hectares through staking of claims to the Colibri project, and the acquisition by staking of claims covering 100,000 hectares surrounding the Salamandra project, named the Victoria project. Deferred exploration and acquisition expenditures on the projects in Mexico during the quarter amounted to $612,497 (Q1 2006 - $82,451).

There was no significant exploration activity on the Company's projects in British Columbia, Canada, during the quarter. The Vega claims were maintained in good standing and extended for a total payment of $6,561 (Q1 2006 - $4,012).

The Company exhibited at the Vancouver Resource Investment Conference and Mineral Exploration Roundup in January 2007, at the Prospectors and Developers Association Conference in Toronto in March 2007, and at the Calgary Resource Investment Conferences in April 2007. The Company continued with the investor relations contract with Kerr Consulting (signed in November 2006 for a term of six months at $1,000 per month and 75,000 options at $0.20). Investor relations and conferences and conventions expenditures during the quarter were $32,024 (Q1 2006 – $16,872). Subsequent to the end of the quarter, the Company also entered into investor relations agreements with Garth MacTavish in Calgary, Alberta, and with Pro-Edge Investor Relations in Toronto, Ontario.

In January 2007 the Company closed a non-brokered private placement of 1,500,000 units at $0.25 per unit for proceeds of $375,000, for which subscriptions of $335,000 had been received by December 2006. In March 2007, the Company closed a non-brokered private placement of 4,000,000 units at $0.40 per unit for gross proceeds of $1,600,000. During the quarter the company received $296,071 from the exercise of 845,917 warrants at $0.35 per share. Subsequent to the end of the quarter and to the date of this report, the Company has received a further $411,279 from the exercise of 1,175,083 warrants at $0.35 per share. The funds will be used for the Company's exploration programs and for working capital.

In March 2007, Mr. Arthur Freeze agreed to join the Company's Board of Directors as a Director. Mr. Freeze is a well recognized figure in the mineral exploration industry and his contributions will have a significant impact on the Company's future exploration and development programs.

Financial Condition, Results of Operations and Cash Flows

The Company's working capital as at March 31, 2007, was $1,577,554 (Dec. 31, 2006, $177,183). The Company is well funded to undertake currently planned expenditures for exploration and maintenance of its mineral property interests through 2007. Operating expenditures during the quarter were $190,032 (Q1 2006 - $99,210) and the Company earned interest income of $3,200 (Q1 2006 - $759). The operating expenditures for the quarter include non-cash Stock Based Compensation of $76,686 (Q1 2006 - $20,674). During the quarter Management and Directors fees increased to $36,000 (Q1 2006 - $19,500) and expenditures on Investor Relations and Conferences and Conventions increased to $32,024 (Q1 2006 - $16,872).

Net cash used for operating activities during the quarter was $129,580 (Q1 2006 - $21,142). Accounts receivable increased by $41,708 (Q1 2006 decrease of $25,944), and accounts payable decreased by $25,142 (Q1 2006 increase of $57,669). Cash used for deferred exploration expenditures and acquisition costs on resource properties during the quarter increased significantly to $394,889 (Q1 2006 – $62,000). These expenditures were incurred primarily for exploration programs at the Colibri project of $268,933 (Q1 2006 - $15,670), excluding $247,000 for the issuance of 650,000 shares at $0.38, and $8,358 for 75,000 warrants for the purchase of additional shares at $0.50, for the acquisition of the Mezquital claims from Oremex. Exploration expenditures recorded on the Salamandra project for the start of the Phase 1 drill program were $61,489 (Q1 2006 - Nil). Cash flow from financing activities during the quarter was $1,868,415 (Q1 2006 - $Nil) reflecting $1,600,000 proceeds of the private placement of 4,000,000 units at $0.40 per share in March 2007 and $296,071 proceeds from the exercise of 845,917 warrants at $0.35, less share issuance costs.

Mineral Properties

The Company acquired the following mineral exploration projects in Mexico during 2005 and 2006 and to the date of this report:

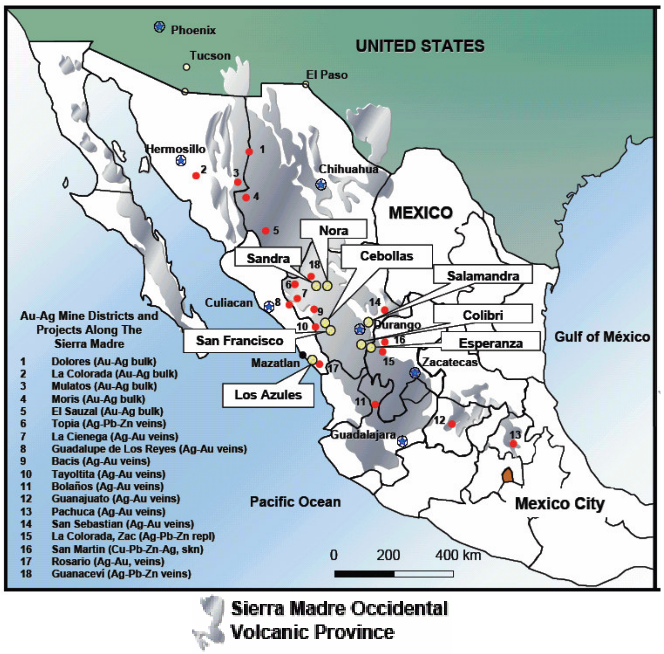
- La Esperanza silver zinc lead project – option to earn 100%
- Colibri silver zinc lead copper project – 100%
- Salamandra zinc silver project (March 2006) – option to earn 100%
- Sandra and Nora gold silver project – 100%
- Los Azules copper gold project – 100%
- San Francisco gold silver project – 100%
- Victoria zinc silver project (March 2007) – 100%

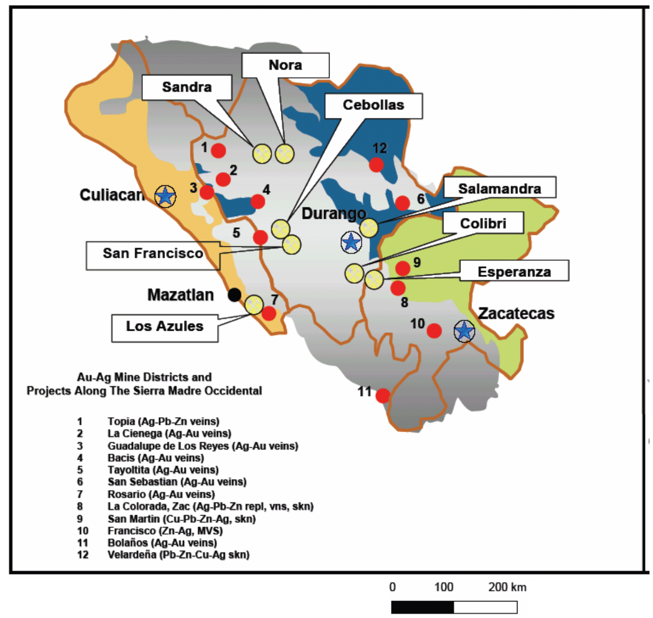
Under option and joint venture agreements signed in 2003 with Goldcorp and Luismin, the Company holds an option to earn up to a 75% interest in the Tres Marias and Cebollas silver-gold properties in the San Dimas District, Durango State, Mexico.

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 property
- Vega, gold-copper property
- Granite, gold property
- LIL, silver property

Exploration projects in Mexico





La Esperanza silver-zinc-lead project, Zacatecas State, Mexico

The Company has an option agreement to purchase a 100% interest in the La Esperanza project, subject to a Net Smelter Return royalty of up to 1.5%. Under the terms of the agreement, the Company has the right to acquire these claims by making option payments over a period of three years totalling $174,000 (US$150,000). The La Esperanza project, covering 435 hectares, is located in the state of Zacatecas, 100 km south-southeast of the city of Durango. The project area is easily accessible from the Company's operating base in Durango and is well served with power lines, water access and services for supporting exploration and mining operations.

Results from a geological mapping and surface sampling program carried out in 2005 and first quarter of 2006 defined drill targets. A Phase 1 diamond drill program consisting of 8 drill holes for a total of 1,182 metres was completed between August and October 2006. The Phase 1 diamond drill program has outlined a mineralized panel with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with vein widths of up to 10.30 metres carrying high-grade silver mineralization. Seven drill holes intersected the main La Esperanza vein (LE) and a hanging wall vein (HW) over significant widths The weighted average grade of mineralization intersected in the La Esperanza vein is 330 g/t (9.62 oz/ton) silver, 0.93% zinc and 1.57% lead over an average width of 4.21 metres. This vein includes several intercepts with very high silver grades of up to 2,144 g/t (62.53 oz/ton) silver over 0.75 metres. A Phase 2 diamond drill program of 2,000 metres is planned for 2007 to test for extensions of the La Esperanza vein system along strike and at depth. There was no significant work on the La Esperanza project during the quarter and expenditures were $12,367 (Q1 2006 - $12,793).

Colibri gold-silver-zinc-copper-lead project, Durango State, Mexico

The Company acquired the Colibri claims, covering a total of 6,413 hectares, through direct staking of the claim blocks, giving the Company 100% title. There are a number of mineralized structures in the project area carrying silver, zinc and lead as well as gold and copper. The project site is located 70 km southeast of the city of Durango with a travel time of approximately 1.5 hours. The infrastructure at the property is excellent with access to power, water and all required services. In January 2007 completed an agreement with Oremex Resources Inc. to acquire three additional claims covering 161 hectares within the Colibri claim area. In April 2007, the Company added 9,500 hecatres to the Colibri claim area through the staking of additional claims.

The Company started the Phase 1 diamond drill program at the Colibri project in December 2006, and continued the program through the quarter, completing 10 drill holes for a total of 1,053 metres, of which 4 drill holes for a total of 342 metres had been completed in December 2006. Expenditures on the Colibri claims during the quarter were $524,291 (Q1 2006 - $15,670), including $255,358 for the issuance of shares and warrants to Oremex for the Mezquital claims.

The Phase 1 diamond drill program returned a high-grade mineralized intercept from the Linda vein containing copper, silver and zinc, and a second intercept containing gold, silver and cobalt. Drill hole CO-07-09 cut the vein with a width of 6.50 metres (true width 4.97 metres) with an average grade of 2.04% copper, 65 g/t silver and 1.40% zinc. The intercept included 3.70 metres (true width 2.83 metres) with an average grade of 3.49% copper, 98 g/t silver and 1.96% zinc. A higher-grade segment of the vein returned 7.46% copper, 177 g/t silver and 0.30% zinc over 1.00 metre (true width 0.76 metres). Drill hole CO-07-08 intercepted the Linda vein 100 metres to the southeast along strike from CO-07-09 at approximately 50 metres higher elevation, and returned 1.24 g/t gold, 46 g/t silver and 0.077% cobalt over 4.35 metres (true width 3.33 metres), including 1.50 metres (true width 1.15 metres) carrying 1.53 g/t gold, 79 g/t silver and 0.083% cobalt.

Further geological mapping and surface sampling carried out in March and April 2007 has outlined significant extensions of existing veins and identified a number of new veins with combined surface strike length of over 14 kilometres. Assay results from 50 surface samples with over 150 g/t silver returned silver grades from 151 g/t to 867 g/t, gold grades from 0.01 g/t to 3.07 g/t, copper grades from 0.02% to 13.02%, zinc grades from 0.01% to 10.4%, and lead grades form 0.05% to 25.3%. A majority of the samples collected returned consistently high silver grades with varying levels of the other metals. These programs have outlined multiple targets for further drill testing at the Colibri project. The Company plans to continue diamond drilling to test the Linda vein along strike and at depth.

Salamandra zinc-silver project, Durango State, Mexico

In March 2006, the Company signed a letter of intent to enter into an option agreement to purchase a 100% interest in the Salamandra project, subject to a Net Smelter Return royalty of 2%. Under the terms of the proposed agreement, the Company has the right to acquire these claims by making option payments over a period of three years totaling US$500,000. The Salamandra silver-zinc project, covering 900 hectares in Durango State, is located 35 km northeast of the city of Durango, with good access via paved and gravel roads. The Company acquired a further 2,000 hectares by staking ground surrounding the original claims, increasing the total claim area covered by the project to 2,900 hectares. The access, infrastructure, climate, and topography at Salamandra provide favourable conditions for exploration and development. A 3-Dimensional Induced Polarization geophysical survey, as well as a geological mapping and surface sampling program were completed from September to November 2006 to investigate potential mineralized structures. The surveys defined prominent drill targets for investigation.

A planned Phase 1 drill program of 1,500 metres was started in March 2007, and increased to 2,300 metres in 8 drill holes. The Company is in the process of completing the last drill hole of this program, SA-07-08, at the date of this report. Initial results from drill hole SA-07-02 indicate two mineralized zones, with an upper intercept of 9.85 metres, from 7.40 metres to 17.25 metres, with an average grade of 102 g/t silver, and a lower intercept of 7.45 metres, from 27.65 metres to 35.10 metres, with high grade zinc mineralization with an average grade of 12.0% zinc and 50 g/t silver. Expenditures on the Salamandra project during the quarter were $158,547 (Q1 2006 – $ Nil).

Victoria zinc-silver claim area, Durango, Mexico

The Company has also evaluated the region surrounding the Salamandra project for other prospective areas. As a result a regional claim covering 100,000 hectares has been acquired in March 2007, named the Victoria claim. The Company plans a regional evaluation program to select potential target areas within the Victoria Claim region.

Sandra and Nora silver-gold project, Durango State, Mexico

The Sandra project covers 1,200 hectares, located 183 km north of the city of Durango in Durango State, Mexico, and benefits from excellent infrastructure and access. The Company has 100% title to the Sandra claims, which were acquired by staking and are located immediately south of a large claim group controlled by Pan American Silver Corp. The initial surface sampling and geological mapping program during the third quarter of 2005 identified a number of mineralized veins over an area of approximately 2,000 x 750 metres in the central area of the Sandra claims. Rock and chip samples from these veins returned encouraging grades of up to 9.74 g/t gold, 635 g/t silver, 2.46% copper and 20.06% lead as announced on November 2, 2005.

Trench sampling during the first quarter of 2006 confirmed silver and gold mineralization observed in earlier surface samples from the Barite, Maria Fernanda and Encino veins. Assay results returned silver grades of up to 888 g/t (25.9 oz/t) silver over 0.7 metres at the Barite vein, and up to 9.95 g/t (0.29 oz/t) gold and 365 g/t (10.65 oz/t) silver over 0.5 metres at the Maria Fernanda vein, where trench samples indicate consistent silver/gold mineralization over a strike length of approximately 300 metres. A Phase 1 diamond drill program for a total of 1,000 metres in 10 – 12 drill holes is planned to test these vein systems. Expenditures on the Sandra and Nora project during the quarter were $2,588 (Q1 2006 - $44,514).

Los Azules gold-silver-copper project, Sinaloa State, Mexico

The Company acquired a 100% interest in the Los Azules claims in Sinaloa State, Mexico, covering 7,844 hectares, by direct staking between May and August 2005. The claims host prospects for epithermal low sulphidation vein type mineralization carrying gold, silver and copper. The Los Azules property is located 60 km southeast of the city of Mazatlan. The infrastructure at the property is excellent with the new Mazatlan-Escuinapa highway providing direct and easy access to the city and port facilities of Mazatlan. Power and water are available throughout the district. In July and August 2006 the Company completed a prospecting and sampling program at Los Azules to identify potential mineralized structures. The program identified and outlined several mineralized veins and structures for further sampling and investigation. Expenditures during the quarter at Los Azules were $999 (Q1 2006 - $858).

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

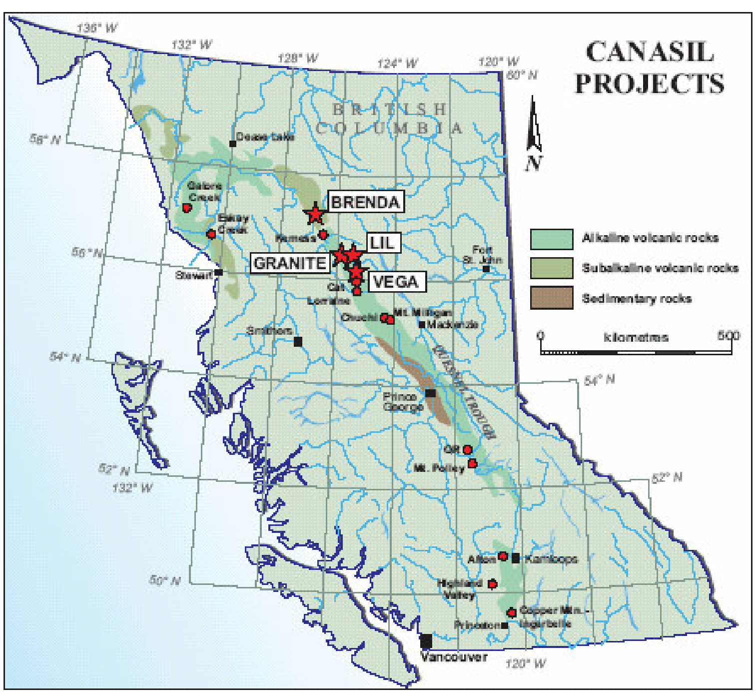
The Tres Marias and Cebollas properties, covering 3,163 hectares, are located 150 km west of the city of Durango and 14 km southeast of Luismin's San Dimas/Tayoltita mine. The Company has an option agreement with Goldcorp Inc. and Luismin to earn up to a 75% interest in these properties by issuing 50,000 shares and incurring US$1,700,000 in exploration expenditures over five years. Goldcorp/Luismin retain an option to buy back a 35% interest in the properties for US$1,700,000 after the Company has acquired a 75% interest. There was no additional exploration work on these projects during the quarter. The Company has fulfilled its obligations under the agreements to October 2006.

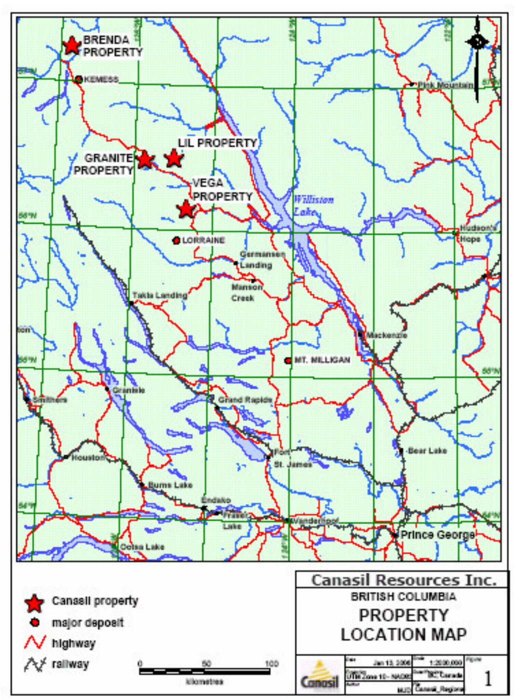
San Francisco gold-silver project, Durango, Mexico

The San Francisco property, covering 500 hectares, is located approximately 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.

There was no exploration work on the San Francisco project during the quarter.

Exploration projects in British Columbia, Canada





Brenda gold-copper property, British Columbia, Canada

The Company holds 100% interest in the Brenda property which consists of 178 claim units, covering 4,450 hectares (44.5 square kilometres). The project is located in the core of the Kemess-Toodoggone porphyry copper-gold district in the Omineca Mining Division, approximately 450 km 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 property, covering geologic mapping, geochemistry, ground and airborne geophysics, satellite imaging and over 8,000 metres of drilling in 58 drill holes. Compilation and review of the data has indicated several large untested target zones for further drilling.

During 2006, the Company continued the data compilation work to define drill targets, and completed a geological mapping program, undertaken by Dr. Andre Panteleyev. This program identified a 1,500 x 750 metre zone with intense high temperature argillic alteration, indicating the higher levels of a porphyry gold-copper mineralized system and a significant target for continued drilling. A 3-Dimensional Induced Polarisation geophysical survey is planned for July 2007 and the Company is also planning a drill program of 2,000 to 2,500 metres of diamond drilling to start in August 2007, depending on drill availability. There were no significant expenditures on the Brenda project during the quarter.

Vega gold-copper property, British Columbia, Canada

The 100% owned Vega claims are located in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George. Access to the property is via the Omineca Mines Access Road and logging roads. The claim area was increased by staking in July 2006 to cover 6,716 hectares. During the quarter the Company maintained the claims in good standing. Expenditures on the Vega project during the quarter were $6,561 (Q1 2006 - $2,808).

LIL property, British Columbia, Canada

The 100% owned LIL claims, covering 875 hectares, are located in the Omineca Mining Division, 350 km northwest of Prince George, British Columbia. Logging roads provide four-wheel drive access to within 2 km of the property. Mineralization on the property consists of narrow high-grade, silver bearing quartz veins and breccia zones, which have been identified over a distance of 300 metres, with grades ranging from 4.3 ounces/ton to 325.54 ounces/ton silver over 0.20 to 0.90 meters. Large silver bearing floats, found downstream in LIL Creek, indicate a possibility of wider mineralized veins on the property.

Tests carried out by BC Research Inc., Vancouver, in September 2001 on a sample of silver ore from the LIL property concluded that the composite sample contained a very high silver grade of over 100 oz/ton and that high percentages of recovery (94% - 98%) were readily obtained through flotation using a very simple processing flow sheet. Potential contaminants such as mercury, cadmium and selenium were well below problem levels.

There was no active exploration work on the LIL project during the quarter.

Granite property, British Columbia, Canada

The 100% owned Granite gold-silver claim, covering 500 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, is located 360 km northwest of Prince George. The Omineca Resource Access Road and auxiliary roads provide four-wheel drive access to the property.

Historical exploration records reported encouraging gold assays from trenches and sampling in the old underground workings. Three mineralized shear zones with gold/silver mineralization have been identified to date on the property and outlined a broad 300 metres by 2.0 kilometres gold soil anomaly. Small diamond drill programs by Hemlo Gold Mines Inc. in 1995, and the Company in 1997, intersected several sections with anomalous gold and silver values, however failed to locate sections corresponding in grade to the many samples recovered from these zones. There was no active exploration on the Granite property during 2006. The project is being reviewed to determine future exploration potential.

A discussion of general conditions, trends, and competitive and environmental factors affecting the Company's business and operations is included following the financial and other information.

Selected Quarterly Information

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

Year	**2007**	**2006**				**2005**		
Quarter ended:	Mar. 31	Dec. 31	Sept . 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Loss	(186,832)	(90,252)	(91,865)	(76,439)	(98,451)	(53,223)	(40,624)	(121,181)
Loss per share: basic and diluted	(0.008)	(0.004)	(0.004)	(0.004)	(0.0053)	(0.0029)	(0.002)	(0.0065)
Shares issued	24,447,774	21,735,342	21,735,342	21,735,342	18,432,342	18,432,342	18,432,342	18,432,342

During the quarter the Company had a higher level of operating losses, primarily due to non-cash Stock-based Compensation expense of $76,686 (Q1 2006 - $20,674) and higher Management and Directors compensation of $36,000 (Q1 2006 - $19,500). There was also a higher level of Investor Relations and Conferences at $32,024 (Q1 2006 - $16,872), as well as Legal, Listing and Filing and Transfer Agent fees of $12,479 (Q1 2006 - $4,623) resulting from share issuance and regulatory expenses related to the higher level of new financing and exercise of warrants during the quarter. The higher operating losses in the second quarter of 2005 reflect the higher General Exploration expenditures for the property evaluation and acquisition program in Mexico during this quarter. The quarterly operating losses in 2006 were reasonably consistent, and reflect the generally higher level of operational expenditures, including Management fees, Accounting, Legal and Regulatory, Investor Relations and Travel and Conferences.

Liquidity and Capital Resources

In January 2007, the Company closed non-brokered private placements of 1,500,000 units at a price of $0.25 per unit for gross proceeds of $375,000, for which subscriptions of $335,000 had been received in December 2006. In January 2007 the Company also issued 650,000 shares at $0.38 and 75,000 warrants at $0.50 to Oremex Resources Inc. in connection with the agreement for the purchase of the Mezquital claims in the Colibri project area. In March 2007 the Company closed a non-brokered private placement of 4,000,000 units at a price of $0.40 per unit for gross proceeds of $1,600,000. During the quarter the Company received $296,071 proceeds from the exercise of 845,917 warrants at $0.35.

Subsequent to the year-end, the Company received $411,279 from the exercise of 1,175,083 warrants at $0.35 per share. With the completion of these private placements and funds received from the exercise of warrants, the Company has sufficient working capital to fund currently planned exploration and operating activities in 2007.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in securing the required financing. The Company had working capital at March 31, 2007 of $1,577,554 (Dec. 31, 2006, $177,183). The Company had no material income from operations. As at March 31, 2007, the Company had no long-term debt.

During the quarter the Company experienced positive cash flow of $1,340,379 (Q1 2006 – negative $111,771) from operating, investing and financing activities. This included net cash used in operating activities of $129,580 (Q1 2006 - $21,142) and net cash used in investing activities of $398,456 (Q1 2006 - $90,629), and net cash provided by financing activities, consisting of private placements and exercise of warrants of $1,868,415 (Q1 2006 – Nil).

In March 2007, 865,000 incentive stock options were granted to directors, officers and consultants of the Company, enabling the holders to acquire 865,000 common shares of the Company at a price of $0.50 per share. All options are subject to vesting requirements according to the Company's stock option plan.

Other Information and Disclosures

Related Party Transactions

During the quarter the Company paid or accrued a total of $52,699 (Q1 2006 - $22,618) to related parties covering director and management fees and geological and legal services. The increase is due to the increased activity, particularly with respect to the increased levels of funding and expenditures as the Company continues to acquire and develop additional properties in Mexico and increasing exploration activities in B.C., Canada. The Company relies heavily on its directors and officers for many of its administrative and professional services.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future. There are no contingent liabilities.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. The most significant accounting estimates for the Company relate to the carrying value of its mineral property assets and accounting for stock-based compensation. The Company's accounting policies are set out in full in note 2 to the consolidated audited financial statements.
Mineral Property Costs

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of mineral interests, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

Stock-based Compensation

The fair value of stock options is determined by the Black-Scholes option pricing model, which requires the input of highly subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the quarter.

Changes in Accounting Policies

Effective January 1, 2007, the company adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the recognition and valuation of certain types of financial instruments. There is no effect on prior periods as a result of adopting these new standards.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or highly liquid nature.

Disclosure for Venture Issuers without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's December 31, 2006 audited financial statements and the unaudited financial statements for the period ending March 31, 2007, provide a breakdown of the general and administrative expenses for the year and quarter under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

Outstanding Share Data

Shares
The Company's authorized share capital consists of an unlimited number of common shares. As at March 31, 2007, the Company had 28,731,259 common shares issued and outstanding (diluted – 37,653,017). As at the date hereof, the Company had 30,096,342 common shares issued and outstanding (diluted – 38,003,017). The increase in the number of shares issued for the intervening period is due to the issuance of shares from the exercise of 1,175,083 warrants and 190,000 options. The increase in the number of diluted shares since March 31, 2007 is due to the granting of 350,000 options to Investor Relations consultants subsequent to the end of the quarter.

Options
As at March 31, 2007, a total of 2,790,000 incentive stock options were outstanding.

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
800,000	$ 0.20	March 15, 2011
150,000	$ 0.20	October 27, 2011
75,000	$ 0.20	November 21, 2011
865,000	$ 0.50	March 20, 2012
2,790,000		

Subsequent to March 31, 2007, the Company granted 350,000 options at $0.75 in connection with Investor Relations agreements entered into in May 2007, and 40,000 options at $0.20 and 150,000 options at $0.10 were exercised.

Warrants
As at March 31, 2007, a total of 6,131,758 share purchase warrants were outstanding, of which 3,957,083 warrants were exercisable into common shares at a price of $0.35, 75,000 warrants were exerciseable at $0.50, and 2,099,675 warrants exerciseable into common shares at a price of $0.55. Subsequent to March 31, 2007, 1,175,083 warrants were exercised at $0.35 per share.

Escrow
There are no shares subject to escrow or pooling arrangements.

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 quarter the Company exhibited at the Vancouver Resource Investment Conference and Vancouver Mineral Exploration Roundup in January 2007, at the Prospectors and Developers Association Conference in Toronto in March 2007, and at the Calgary Resource Investment Conferences in April 2007. The Company continued the investor relations contract entered into with Kerr Consulting in November 2006 with a term of six months at $1,000 per month and 75,000 options at $0.20. Investor relations and conferences and conventions expenditures during the quarter were $32,024 (Q1 2006 – $16,872).

Recent developments

Subsequent to March 31, 2007, the Company continued with geological mapping and surface sampling at the Colibri project, and the Phase 1 diamond drill program at the Salamandra project, both in Durango State, Mexico. The Company also acquired, through staking of claims in April 2007, an additional 9,500 hectares claim area to expand the Colibri project area.

In May 2007, the Company entered into investor relations agreements with Garth McTavish in Calgary, Alberta, for a period of six months at $3,750 per month plus 150,000 incentive stock options, and with Pro-Edge Investor Relations in Toronto, Ontario, also for a period of six months at $5,000 per month plus 200,000 incentive stock options. Subsequent to March 31, 2007, the Company issued issued 1,175,083 shares from treasury for cash proceeds of $411,279 upon the exercise of share purchase warrants at $0.35 per share. The Company issued 190,000 shares from treasury for cash proceeds of $23,000 upon the exercise of 150,000 options at $0.10 per share and 40,000 at $0.20 per share.

General Conditions Affecting the Company's Operations

General Trends

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

There has been a trend towards improving base and precious metal prices over the past year, particularly for gold, silver and copper. The mining and minerals industry is experiencing increased demand for minerals and metals, in particular from economic growth in Asia. This has resulted in greater interest from the financial community in financing mineral exploration and development projects.

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

Environmental Protection

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in government regulations has the potential to reduce the profitability of future operations. To the Company's knowledge, it is in compliance with all environmental laws and regulations affecting its operations.

Number of Employees

As of March 31, 2007, the Company had no employees. All administrative and certain geological services are provided to the Company by consultants or companies controlled by related parties.

Acquisition and Disposition of Resource Properties

During the quarter and to the date of this report, the Company entered completed an agreement with Oremex Resources Inc. to acquire the Mezquital claims covering 161 hectares in the Colibri project area for 650,000 shares and 75,000 share purchase warrants providing for Oremex to acquire 75,000 shares at $0.50. The Company also acquired though staking of claims 100,000 hectares surrounding the Salamandra project area, called the Victoria project, and added 10,000 hectares to the Colibri project area through staking of additional claims.

Risk Factors Relating to the Company's Business

The Company's ability to generate revenue and profit from its natural resource properties, or any other resource property it may acquire, is dependent upon a number of factors, including, without limitation, the following:

Precious and Base Metal Price Fluctuations

The Company's ability to finance its mineral property acquisition, exploration and eventual development is dependent upon the market price of certain precious and base metals. The price of such metals has fluctuated widely and is affected by numerous economic and political factors, consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and productivity, metal substitutes and stock levels. These fluctuations may result in the Company not receiving an adequate return on invested capital or the investment retaining its value.

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries no liability insurance, and any liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

Exploration and Development

There is no known body of commercial ore on the Company's mineral properties. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few exploration properties are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any commercially viable discoveries.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery

There is a degree of uncertainty attributable to the calculation of reserves and mineralization and corresponding grades being mined or dedicated to future production. In addition, there can be no assurance that precious or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Government Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production; price controls; tax increases; maintenance of claims; tenure; and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving and requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Foreign Operations

The Company operates in Mexico and has acquired four mineral properties, through staking, and has option agreements to acquire interests in three other mineral properties. The Company is currently engaged in exploration activities on these properties. Subsequent to the end of the fiscal year, the Company has acquired two additional claim areas surrounding the existing mineral properties.

Management and Directors

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

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of other natural resource companies that acquire interest in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and its shareholders. They are also required to disclose any personal interest in any material transaction, which is proposed to be entered into with the company, and to abstain from voting as a director for the approval of any such transaction.

Limited Operating History - Losses

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of March 31, 2007, the Company's accumulated deficit was $4,684,228 (2006 - $4,238,840).

Price Fluctuations and Share Price Volatility

In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During the quarter ended March 31, 2007, the price of the Company's shares fluctuated from a low of $0.28 to a high of $0.55 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance - Dilution

As at March 31, 2007, a total of 28,731,259 common shares of the Company were issued and outstanding. There were 2,790,000 stock options and 6,131,758 share purchase warrants outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders. Subsequent to March 31, 2007, the Company issued 350,000 incentive stock options allowing the purchase of 350,000 shares at $0.75 per share.

Forward-Looking Statements

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

Corporate Disclosures

The Board of Directors has responsibility for developing and implementing the Company's approach to governance issues. Committees of the Board presently consist of an Audit Committee and a Management Compensation Committee. The Audit Committee consists of two unrelated, outside directors and one related director. The role of the audit committee is to oversee the Company's financial reporting obligations, systems and disclosure and to act as a liaison between the Board and the Company's auditors. The Board has also appointed a Management Compensation Committee that consists of three unrelated outside directors. The role of the Management Compensation Committee is to determine the remuneration of executive officers and to administer the Company's Stock Option Plan.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of March 31, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that material information is accumulated and communicated to management to allow timely decisions regarding disclosure required in the Company's annual filings and interim filings and other reports filed or submitted under Canadian securities laws and such material information is reported within the time periods specified by those laws.

Internal Controls and Procedures

Internal controls and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the Company's generally accepted accounting principles. As at the end of the period covered by this management's discussion and analysis, management had designed and implemented internal controls and procedures as required by Canadian securities laws.

The Company has evaluated the design of its internal controls and procedures over financial reporting for the fiscal year ended December 31, 2006. No material weakness in the design has been identified. While management continues to review and refine its internal controls and procedures, there have been no changes in the Company's .internal control procedures over financial reporting that occurred during the current quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Approval

The Board of Directors of the Company has approved the disclosure contained in this quarterly MD&A.

A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at www.sedar.com, and on the Company's website at www.canasil.com