



**QUARTERLY REPORT**

**For the Six Months ended June 30, 2005**

Suite 200, 1695 Marine Drive, North Vancouver, B.C. V7P 1V1  
*Tel: (604) 708-3788 Fax: (604) 708-3728*



**FINANCIAL STATEMENTS**

**FOR THE SIX MONTH PERIOD ENDED  
JUNE 30, 2005**

**(UNAUDITED)**



## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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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"*

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**President and Chief Executive Officer**

*"Iain MacPhail"*

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**Vice President, Finance & CFO**

August 30, 2005

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

	June 30 2005	December 31 2004
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 389,598	\$ 681,818
Receivables	50,999	30,058
Prepaid expenses	4,058	191
	444,655	712,067
<b>Reclamation bond</b>	13,000	13,000
<b>Resource properties</b>	1,733,287	1,650,561
<b>Capital assets</b>	3,710	2,240
	\$ 2,194,652	\$ 2,377,868
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable	\$ 31,256	\$ 21,947
<b>Stockholders' equity</b>		
Capital stock	5,762,048	5,762,048
Contributed surplus	447,890	414,403
Deficit	(4,046,542)	(3,820,530)
	2,163,396	2,355,921
	\$ 2,194,652	\$ 2,377,868

**On behalf of the Board:**

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*"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**  
**SIX MONTH PERIOD ENDED JUNE 30, 2005**  
**(UNAUDITED)**

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>EXPENSES</b>				
Accounting and audit	\$ 1,789	\$ 3,088	\$ 5,739	\$ 6,488
Amortization	156	118	313	242
Directors fees	4,500	4,500	9,000	7,500
Foreign exchange loss / (gain)	101	(59)	12,495	323
General exploration	47,714	-	89,416	6,094
Investor relations	2,145	13,766	17,669	19,305
Legal	7,859	4,397	11,145	7,467
Management fees	15,000	15,000	30,000	30,000
Office services and supplies	3,564	2,782	6,382	4,723
Registrations, license and filing	3,990	5,086	7,284	10,620
Stock based compensation	33,487	33,487	33,487	33,487
Stock transfer fees	933	660	1,725	3,371
Telephone	883	659	2,323	1,947
Travel and conferences	1,726	3,519	5,406	3,519
	123,847	87,003	232,384	135,086
<b>Interest income</b>	(2,666)	(5,984)	(6372)	(11,873)
<b>Loss for the period</b>	(121,181)	(81,019)	(226,012)	(123,213)
<b>Deficit at beginning of period</b>	(3,925,361)	(3,640,346)	(3,820,530)	(3,598,152)
<b>Deficit at end of period</b>	\$ (4,046,542)	\$ (3,721,365)	\$ (4,046,542)	\$ (3,721,365)
<b>Loss per share</b>	\$ 0.007	\$ 0.004	\$ 0.012	\$ 0.007
<b>Weighted average number of shares</b>	18,432,342	18,432,342	18,432,342	18,432,342

**CANASIL RESOURCES INC.**  
**STATEMENT OF CASH FLOWS**  
**SIX MONTH PERIOD ENDED JUNE 30, 2005**  
**(UNAUDITED)**

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for period	(121,181)	(81,019)	(226,012)	(123,213)
Items not affecting cash				
Amortization	156	118	313	242
Stock based compensation	33,487	33,487	33,487	33,487
	(87,538)	(47,414)	(192,212)	(89,484)
Net change in non-cash working capital items:				
(Increase) decrease in receivables	(616)	6,880	(20,941)	(11,574)
(Increase) decrease in prepaid expenses	(151)	708	(3,867)	(766)
Increase (decrease) in accounts payable	(20,877)	21,943	9,308	(34,223)
Net cash used in operating activities	(109,182)	(17,883)	(207,712)	(136,047)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Resource property costs and deferred exploration expenditures	(19,312)	(70,093)	(82,726)	(83,661)
Capital asset additions	-	-	(1,782)	-
	(19,312)	(70,093)	(84,508)	(83,661)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
	-	-	-	-
	-	-	-	-
<b>Increase (decrease) in cash and cash equivalents</b>	(128,494)	(87,976)	(292,220)	(219,708)
<b>Cash and cash equivalents - beginning of period</b>	518,092	1,129,340	681,818	1,261,072
<b>Cash and cash equivalents - end of period</b>	\$ 389,598	\$ 1,041,364	\$ 389,598	\$ 1,041,364

**CANASIL RESOURCES INC.****SCHEDULE OF CONSOLIDATED DEFERRED EXPLORATION EXPENDITURES  
SIX MONTHS ENDED JUNE 30, 2005 AND YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

	Brenda 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)
Incurring during the year	(5,000)	326,842	-	321,842
Total as at December 31, 2004	1,296,652	353,909	-	1,650,561
Assays	-	3,636	-	3,636
Drilling	-	33,768	-	33,768
Geological services and field costs	-	-	637	637
Geological consulting	4,195	3,279	9,559	17,033
Mapping and surveying	9,122	441	-	9,563
Tenure and land	-	4,000	13,949	17,949
Transportation and other	-	140	-	140
Incurring during the period	13,317	45,264	24,145	82,726
Total as at June 30, 2005	\$ 1,309,969	\$ 399,173	\$ 24,145	\$ 1,733,287

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

**CANASIL RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 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)	-	-	33,487	33,487
Balance June 30, 2005	18,432,342	\$ 5,762,048	\$ 447,890	\$ 6,209,938

**4. STOCK OPTIONS AND WARRANTS**

**Stock options**

At June 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

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

**4. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Stock options (cont'd...)**

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
Exercisable, December 31, 2004	887,500	\$ 0.27
Expired during period	(300,000)	\$ 0.32
Vested during period	162,500	\$ 0.26
Exercisable, June 30, 2005	750,000	\$ 0.26

**Stock-based compensation**

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 outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,250,000	\$0.35	June 30, 2005

The share purchase warrants expired during the period. At June 30, 2005, the Company had no share purchase warrants outstanding.

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

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**4. STOCK OPTIONS AND WARRANTS (cont'd...)**

**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%

**5. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$24,000 (June 30, 2004 - \$24,000) for management fees to a company controlled by a director.
- b) Paid or accrued \$7,044 (June 30, 2004 - \$7,467) for legal services, property acquisition costs and share issuance costs to a law firm in which an officer of the Company is a partner.
- c) Paid or accrued \$9,000 (June 30, 2004 - \$7,500) to a director and to two companies each controlled by a director for directors' fees.
- d) Paid or accrued \$ nil (June 30, 2004 - \$7,500) for geological consulting fees to a director and a company controlled by a director.
- e) Paid or accrued \$7,325 (June 30, 2004 - \$6,000) 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 June 30, 2005 is \$6,579 (June 30, 2004 - \$29,286) 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.

**6. 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 Six Months ended June 30, 2005**

*Suite 200, 1695 Marine Drive, North Vancouver, B.C. V7P 1V1  
Tel: (604) 708-3788 Fax: (604) 708-3728*

## **CANASIL RESOURCES INC.**

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

For the six months ended June 30, 2005

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#### **1.1 Date and Period Covered:**

This Management Discussion and Analysis for Canasil Resources Inc. (the Company) is dated August 29, 2005. It is being filed with the quarterly report covering the six months ended June 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 un-audited interim financial statements for the six months ended June 30, 2005, and 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 period ended March 31, 2005.

#### **1.2 Operating Performance:**

The Company is engaged in the exploration and development of mineral properties in Durango and Sinaloa 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 10 different projects were visited for evaluation in the States of Durango, Zacatecas, Juanguato, Sinaloa and Sonora. During the period three projects were acquired through staking of claims – the Los Azules project in Sinaloa, the Sandra and the San Francisco projects in Durango State. A letter of intent was signed for the acquisition of the El Terco project in Sonora, and Minera Canasil continued negotiations and review of further acquisition prospects. Following a subsequent visit to the projects, the Company decided not to continue with the El Terco acquisition. These projects will provide a significant portfolio of silver-gold projects concentrated 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.

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 claim blocks. The Vega gold-copper mineral claims were expanded from 1,300 hectares to 5,500 hectares with the addition of 8 new claim blocks. 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 \$17,669.

## **CANASIL RESOURCES INC.**

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the six months ended June 30, 2005

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### **1.3 Financial Condition, Results of Operations and Cash Flows:**

The Company's working capital as at June 30, 2005, was \$413,399 (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 \$232,384 (2004 - \$135,086) and the Company earned interest income of \$6,372 (2004 - \$11,873). The increase in operating expenditures during the period was primarily due to General Exploration expenditures of \$89,416 (2004 - \$6,094), Foreign Exchange losses \$12,495 (2004 - \$323), Travel and Conferences \$5,406 (2004 - 3,519) and Legal expenses \$11,145 (2004 - \$7,467). Net cash used for operating activities was \$207,712 (2004 - \$136,047). The increase compared to the same period in 2004 results primarily from the increase in operating expenses (\$102,728). Cash used for deferred exploration expenditures and acquisition costs on resource properties during the period was \$82,726 (2004 - \$83,661), comprised of \$45,264 for diamond drilling, geological services and claim maintenance costs incurred on the Tres Marias and Cebollas projects in Mexico, \$24,145 for the acquisition and evaluation of new projects in Mexico, and \$13,317 for mapping, data compilation and satellite surveys for the Brenda project in British Columbia. There was no cash flow from financing activities during the period (2004 - Nil).

### **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 3 new silver-gold exploration projects in Mexico, the Sandra, San Francisco and Los Azules properties, 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 - \$110,728).

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 six months ended June 30, 2005

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

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 **Sandra** property covers 500 hectares, located 40 km north of the community of Tepehuane, 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 additional 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. A detailed geologic mapping and trench sampling program is planned to test these structures and identify drill targets.

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.

These projects are located within convenient access from the Company's operating base in Durango. Total expenditures on these projects during the period were \$24,145.

### ***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 7,730 metres of diamond drilling in 38 drill holes. The



## CANASIL RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the six months ended June 30, 2005

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### 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 June 30, 2005 of \$413,399 (Dec. 31, 2004 - \$690,120). The Company had no material income from operations. As at June 30, 2005, the Company had no long-term debt.

For the period ended June 30, 2005, the Company experienced a negative cash flow of \$292,220 (2004 - \$219,708) from operating, investing and financing activities. This reflects a higher level of cash used in operating activities of \$207,712 (2004 - \$136,047) resulting from the more active general exploration and acquisition program in Mexico with expenditures of \$89,416 (2004 - \$6,094) during the period.

### 1.7 Related Party Transactions:

During the period, the Company paid or accrued a total of \$47,369 (2004 - \$52,467) 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 March 31, 2005

- (a) Authorized and issued shares as at March 31, 2005 were as follows:

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

- (b) As at June 30, 2005, a total of 750,000 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
<u>750,000</u>	<u>0.26</u>	

- (c) As at Dec. 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.

## **CANASIL RESOURCES INC.**

MANAGEMENT DISCUSSION AND ANALYSIS - FORM 51-102F1

For the six months ended June 30, 2005

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### **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](http://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 \$17,669 (2004 - \$19,305). The Company does not have any contracts for the provision of Investor Relations services.

### **1.12 Other Information:**

Detailed information on the Company and its operations is available on the Company's website at [www.canasil.com](http://www.canasil.com) and on SEDAR at [www.sedar.com](http://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"*

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Bahman Yamini  
President, CEO, & Director

*"Alvin Jackson"*

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Alvin Jackson  
Director