



## **Interim Management's Discussion and Analysis**

### **Quarterly Highlights**

**For the Three Months Ended March 31, 2020**

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#### **INTRODUCTION**

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

This Interim Management's Discussion and Analysis ("MD&A") is dated May 22, 2020, and provides information on the Company's activities for the three months ended March 31, 2020, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's March 31, 2020 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company has elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2019 MD&A and audited consolidated financial statements, available for viewing at [www.sedar.com](http://www.sedar.com).

#### **QUARTERLY HIGHLIGHTS**

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

- prepared plans for drill programs at the La Esperanza and Nora silver-gold projects in Mexico;
- reviewed Nora project data and prepared Phase 1 drill program targets and plans;
- completed a non-brokered private placement for gross proceeds of \$407,000 in March 2020;
- completed preparations to mobilize the drill to the Nora project by mid-March 2020;
- postponed the start of the drill program due to the COVID-19 outbreak pending Mexican government directives as follows:
  - o emergency orders issued in Mexico on March 30, 2020, stopped all non-essential activities including mining until April 30, 2020, subsequently extended to May 31, 2020;
  - o on May 13, 2020, the Mexican government classified mining as an essential activity, allowing possible re-start, as of May 18, 2020, of certain operations in areas with low to no incidence of COVID-19 outbreaks;
- while awaiting further government directives with respect to the start of field activities, began the preparation of safety procedures and protocols to provide for safe operations protecting the Company's personnel and contractors, as well as the local communities, against risks of infection once operations re-start.

Further information regarding the Company's corporate and exploration activities is provided below.

## **OUTLOOK**

Past exploration programs have identified prospective targets for further exploration and drilling on the Company's project portfolio in Mexico and in British Columbia, Canada. They have also returned encouraging drill results, particularly from the La Esperanza high-grade silver, gold, zinc, lead project in Mexico, which warrants further drilling. The Company has prepared plans for further drill programs at La Esperanza, and also for initial drilling at the Nora project, in Durango and Zacatecas States, Mexico. Details are noted below under the mineral properties section. These plans are contingent on adequate funding to carry out the drill programs and maintain sufficient operating working capital.

In March 2020 the Company completed a private placement of \$407,000 to fund the start of drilling on its high-grade silver-gold projects in Mexico. Plans and the drill contract were finalized to mobilize a drill to the Nora project on March 12, 2020. The program has been postponed awaiting directives from the Mexican government providing for re-start of field operations in the project area. This is being determined for specific areas based on the level of incidence of COVID-19 infections. The Company looks forward to commencing the drill program at Nora as soon as it is deemed safe to do so.

### **Market Conditions**

During 2018 and through to the end of June 2019, gold and silver prices trended lower, with gold trading from US\$1,350 per ounce down to US\$1,175 per ounce, recovering to close at US\$1,340 per ounce. Silver traded from US\$17.50 per ounce to a low of US\$14.00 per ounce, closing at US\$15 per ounce. Since mid-June 2019 to the date of this report gold and silver prices have increased significantly, to a high of US\$1,773 per ounce for gold in April 2020, and US\$19.57 per ounce for silver in early September 2019. As a result of the spreading COVID-19 pandemic and collapse of oil prices in early March 2020, both gold and silver prices initially dropped sharply trading down to US\$1,471 per ounce for gold and US\$11.94 per ounce for silver. At the time of this report, following unprecedented economic stimulus measures in all major economies and an agreement among major oil producers to cut production in the face of collapsing demand, gold and silver have recovered to US\$1,735 and US\$17.20 per ounce respectively. The gold silver price ratio remains at the high end of historical levels at 101, reflecting gold's role as a safe haven in times of crisis with silver prices starting to increase as well. Copper and zinc prices have also collapsed due to the economic crisis and decline in industrial production, and as at the date of this report, copper was trading at US\$2.38 per pound, and zinc at US\$0.89 per pound, down from US\$3.20 per pound and US\$1.60 per pound respectively in January 2018.

The uncertain economic conditions and lower precious and base metal prices in 2018 and first half of 2019, limited financing opportunities and cooperation agreements for advancing earlier stage projects. As a result, the Company had to adopt a conservative approach resulting in delays in implementation of its plans. However, the improvement in gold and silver prices from mid-June 2019 has provided renewed optimism and better market conditions for the larger mining companies, which also started to improve conditions for the earlier stage exploration companies. This provided better opportunities for funding and more activity in the precious metals exploration sector. The Company was fortunate to take advantage of these developments in order to complete a private placement of \$407,000 in late February and early March 2020, just before the economic collapse due to the COVID-19 outbreak.

### **Impact of COVID-19 pandemic**

On March 30, 2020, the Mexican government issued an emergency order stopping all non-essential operations and services, including mining and exploration. The Company's personnel both in Vancouver and in Durango, Mexico, have respected the lockdown orders and worked from home as far as possible. None of the Company's personnel have been affected by the Coronavirus infection. All administrative and technical activities have continued uninterrupted, apart from field work. The Company has focused on the closing of the private placement, the preparation of the 2019 year-end audit and first quarter 2020 reports, and the preparation of detailed plans for the drill program on the Nora project in Mexico.

As at the date of this report there is no forecast for the resumption of field work in Mexico. On May 13, 2020, the Mexican government classified mining as an essential activity, allowing preparations for re-start of operations as of May 18, 2020, for possible resumption of activities as of June 1, 2020, in certain areas with low to no incidence of COVID-19 outbreaks. The government will be announcing areas where resumption of activities is authorized and the Company is monitoring directives in this respect. The Company's personnel, both in Vancouver and in Durango, have been encouraged not only to comply with the directives and emergency orders, but also to take maximum precautions for the safety of local communities, contractors and themselves and in order to prevent the spread of the infection.

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**FINANCIAL CONDITION**

As at March 31, 2020, the Company had working capital of \$756,400, compared to working capital of \$752,977 at December 31, 2019. The change in working capital results from the Company's cash provided by financing activities slightly exceeding the cash used in operating activities. The Company's working capital position consisted of the following:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 825,710	\$ 818,015
Receivables	19,357	36,164
Prepaid expenses	8,943	12,751
Accounts payable and accrued liabilities	(55,980)	(73,911)
Current portion of lease liability	(41,630)	(40,042)
Working capital position	\$ 756,400	\$ 752,977

Upon adoption of IFRS 16 on January 1, 2019, the Company recorded a lease liability in respect of its office premises. This item represents the Company's only short- or long-term debt, details of which are provided in note 8 to its March 31, 2020 condensed interim consolidated financial statements.

**Liquidity and Financial Resources**

The Company has no income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by option, joint venture or outright sale) to finance acquisitions, exploration and development of mineral properties, and meet general and administrative expenses.

During the current quarter, the Company incurred expenses, net of non-cash items, of \$382,797, which included administrative expenses of \$159,521 and exploration and evaluation expenses of \$223,276. The administrative budget and exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources. Given the current market conditions, the Company has endeavoured to keep operating and exploration expenditures to a minimum in order to conserve its working capital.

Management of the Company considers its current working capital to be insufficient to meet its budgeted overhead and planned exploration and land holding requirements for the ensuing twelve months. In the long-term there can be no assurance that the Company will be successful in securing the financing required to continue operations and advance its mineral projects.

The ongoing COVID-19 pandemic has affected the Company's ability to conduct its exploration activities and may affect its ability to raise additional funding in the future. Accordingly, the Company will continue to minimize expenses wherever possible in order to conserve its working capital through this unexpected economic downturn.

**Commitments**

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company. The Company has a lease agreement for its office premises that expires on September 30, 2021 and currently requires payments of \$3,879 per month.

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**FINANCIAL PERFORMANCE**

**Loss**

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

	2020	2019
General and administrative expenses	\$ 169,918	\$ 148,064
Exploration and evaluation expenditures	223,276	59,718
Loss for the quarter	\$ 393,194	\$ 207,782

Except for investor relations and promotion costs of \$8,984 incurred during the quarter, as well as a foreign exchange loss of \$13,222, on the whole, general and administrative expenses remained relatively consistent with the comparative quarter.

The increase in exploration and evaluation expenditures for the current quarter is due primarily to claim fees paid on the Company's Mexican properties – the comparable 2019 claim fees were paid after the end of the quarter in the prior year.

**Comprehensive Loss**

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

	2020	2019
Loss for the quarter	\$ 393,194	\$ 207,782
Other comprehensive loss	-	628
Comprehensive loss for the quarter	\$ 393,194	\$ 208,410

Other comprehensive loss consists of unrealized losses on its marketable securities, net of deferred income tax effect. In February 2019, the Company sold 700,000 Orex Minerals Inc. ("Orex") shares for net cash proceeds of \$55,372 and a loss on sale of \$14,584. In accordance with the Company's election made under IFRS 9, gains and losses realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss.

**Cash Flows**

Cash used in operating activities during the quarter, before changes in non-cash working capital items, was \$382,797 and compares to \$197,193 in cash used in the comparative quarter. The increase in cash used in operations is primarily due to an increase in operating expenses as detailed above. Significant changes in non-cash working capital items for the current quarter include a decrease in receivables of \$16,807, resulting from the collection of GST in Canada, and a reduction in accounts payable of \$17,931.

Financing activities provided net cash of \$397,306 from a private placement completed in March 2020. The Company also made principal payments of \$9,498 on its lease liability. During the comparative quarter, investing activities consisted of net proceeds of \$55,372 received from the sale of 700,000 Orex shares; financing activities in the comparative quarter consisted of principal payments on its lease liability of \$9,238.

**MAJOR OPERATING MILESTONES**

During the period under review, the Company completed a private placement for gross proceeds of \$407,000. The Company also prepared plans for drill programs at the La Esperanza and Nora projects in Mexico, reviewed Nora project data, prepared Phase 1 drill program targets and plans, and completed preparations to mobilize the drill to the Nora project by mid-March 2020. The start of the drill program was postponed due to the COVID-19 outbreak.

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**RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Company relies heavily on its directors and officers for many of its administrative and professional services. Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the periods ended March 31 is as follows:

	2020	2019
Salaries – chief executive officer	\$ 56,250	\$ 56,250
Management fees – chief financial officer	37,500	37,500
Director fees	9,000	9,000
	\$ 102,750	\$ 102,750

**OUTSTANDING SHARE DATA**

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

	May 22, 2020	March 31, 2020	December 31, 2019
Shares issued and outstanding	109,294,122	109,294,122	104,206,622
Outstanding stock options	8,990,000	7,240,000	7,240,000
Outstanding warrants	5,087,500	5,087,500	2,309,250
Diluted shares outstanding	123,371,622	121,621,622	113,755,872

In March 2020, the Company completed a non-brokered private placement by issuing 5,087,500 units at a price of \$0.08 per unit for gross proceeds of \$407,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.12 per share for a period of two years. The warrants are subject to an acceleration clause should the closing price of the Company's shares exceed \$0.25 per share for a period of 20 consecutive trading days. In February 2020, 2,309,250 warrants expired unexercised.

In May 2020, the Company granted 1,750,000 five-year incentive stock options with an exercise price of \$0.08 per share to directors, officers, advisors, and service providers.

Notes 5 and 6 to the Company's March 31, 2020 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the quarter.

**MINERAL PROPERTY SUMMARY**

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

<p><b>Durango and Zacatecas, Mexico:</b></p> <ul style="list-style-type: none"> <li>• La Esperanza silver-gold-zinc-lead project – 100%</li> <li>• Salamandra zinc-silver project – 100%</li> <li>• Nora silver-gold-copper project – 100%</li> <li>• Colibri silver-zinc-lead-copper project – 100%</li> <li>• Vizcaino silver-gold project – 100%</li> <li>• Carina silver project – 100%</li> </ul>	<p><b>British Columbia, Canada:</b></p> <ul style="list-style-type: none"> <li>• Brenda, gold-copper property – 100%</li> <li>• Vega, gold-copper property – 100%</li> <li>• Granite, gold property – 100%</li> <li>• LIL, silver property – 100%</li> </ul>
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## **La Esperanza**

The La Esperanza silver-gold-zinc-lead project claims cover 14,916 hectares and are located spanning the border of Durango and Zacatecas States, 100 kilometres south-southeast of the City of Durango. The project is located in a prolific mining district on the important Fresnillo silver trend, 80 kilometres northwest of the Fresnillo mine, and approximately 35 kilometres from Pan American Silver's La Colorada mine, and First Majestic Silver's La Parrilla and Del Toro mines. Systematic and comprehensive exploration programs were conducted on the project from 2006 to 2012, including satellite imaging and high-resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and 7,728 metres of drilling in 32 diamond drill holes. Prior drilling has returned wide high-grade silver-lead-zinc intercepts from the La Esperanza vein, located in the southeast of the project area that is open in all directions (announced in past news releases). Additional occurrences of silver-lead-zinc vein mineralization have also been identified in the northwest of the project area. Two of these have been tested with initial drill programs, which indicated potential for significant silver-lead-zinc mineralization.

From December 2016 to April 2017, the Company undertook a drill program for a total of 2,452 metres in eight drill holes, testing the La Esperanza vein along strike and to depth beyond previous drill intercepts. Results from this program were announced in news releases dated February 9, March 23, April 5, and May 2, 2017. All eight drill holes intercepted the La Esperanza vein and the results were particularly encouraging, extending the confirmed envelope of the La Esperanza vein to over 400 metres along strike to the southeast and to the northwest, and 425 metres to depth. Furthermore, drill hole ES-17-19 returned the highest gold values recorded to date from the La Esperanza vein together with high silver values. These results open the La Esperanza vein for further expansion by drilling in both directions along strike and to depth.

In late May 2018 a drill program was initiated to drill below and along strike from the previous high-grade intercepts on the southeastern and northwestern sides of the main La Esperanza vein. Drill hole ES-18-21 was completed to 347 metres targeted below ES-17-16, and intersected the La Esperanza vein at 315 metres downhole over a core length of 14.11 metres (true width 12.20 metres) with well-developed epithermal textures and disseminated sulphide minerals. The entire vein structure was mineralized with silver, gold, zinc, lead and copper, including bands of higher-grade mineralization as detailed in the table below.

The recovery of a wide, complete and non-faulted interval of the La Esperanza vein as projected in a previously untested zone was very encouraging and opens the southeast extension of the La Esperanza vein for additional drilling along strike and to depth. The vein textures and symmetry of the vein suggest a well-developed epithermal environment, with the strongest mineralization within a breccia domain near the footwall contact. Re-logging of earlier vein intersections suggest similar controls on mineralization, consistent with mineralizing relationships noted at other epithermal vein deposits. The La Esperanza vein remains open for expansion both to the northwest and southeast along strike and to depth.

Highlights of prior drill intercepts from the La Esperanza vein are included in the table below.

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<b>La Esperanza Vein Selected Drill Intercepts</b>										
	Interval - Metres		Width – Metres		Gold	Silver	Zinc	Lead	Copper	Silver Eq*
	From	To	Interval	True	Au g/t	Ag g/t	Zn %	Pb %	Cu %	Ag Eq g/t
<b>Hole ES-06-02</b>										
	100.22	107.74	<b>7.52</b>	<b>4.29</b>	0.03	<b>210</b>	1.25	1.03	0.03	<b>319</b>
Including	101.68	107.74	<b>6.06</b>	<b>3.46</b>	0.03	<b>249</b>	1.48	1.22	0.03	<b>381</b>
Including	101.68	104.17	<b>2.49</b>	<b>1.42</b>	0.04	<b>458</b>	<b>2.20</b>	<b>2.31</b>	0.06	<b>675</b>
And	102.60	103.75	1.15	0.66	0.01	<b>615</b>	<b>3.37</b>	<b>2.12</b>	0.05	<b>882</b>
<b>Hole-ES-06-04</b>										
HW Vein	88.45	90.80	<b>2.35</b>	<b>1.79</b>	0.09	142	<b>2.32</b>	1.07	0.07	<b>308</b>
La Esp Vn	116.83	127.25	<b>9.86</b>	<b>7.52</b>	0.22	<b>388</b>	1.36	1.35	0.09	<b>516</b>
Including	118.92	121.58	<b>2.66</b>	<b>2.03</b>	0.24	<b>634</b>	1.56	1.45	0.10	<b>801</b>
And	124.47	127.25	<b>2.78</b>	<b>2.12</b>	0.07	<b>593</b>	0.35	1.09	0.04	<b>664</b>
<b>Hole ES-06-05</b>										
HW Vein	118.46	119.88	<b>1.42</b>	<b>1.12</b>	0.03	<b>471</b>	<b>3.11</b>	<b>6.40</b>	0.22	<b>891</b>
Stockwork	119.88	147.82	<b>27.94</b>	<b>21.96</b>	0.06	17	0.25	0.67	0.01	<b>62</b>
La Esp Vn	147.82	160.92	<b>13.10</b>	<b>10.30</b>	0.04	<b>396</b>	0.71	1.96	0.04	<b>516</b>
Including	147.82	152.03	<b>4.21</b>	<b>3.31</b>	0.04	<b>746</b>	<b>0.57</b>	<b>2.20</b>	0.05	<b>872</b>
Including	148.22	150.15	<b>1.93</b>	<b>1.52</b>	0.06	<b>1,380</b>	0.38	<b>3.40</b>	0.05	<b>1,546</b>
including	148.22	149.17	0.95	0.75	0.01	<b>2,144</b>	<b>0.29</b>	<b>3.20</b>	0.06	<b>2,294</b>
And	154.35	159.10	<b>4.75</b>	<b>2.73</b>	0.02	<b>389</b>	<b>0.97</b>	<b>3.30</b>	0.03	<b>577</b>
<b>ES-12-03</b>										
La Esp Vn	266.66	276.94	<b>10.28</b>	<b>8.22</b>	0.19	97	<b>2.3</b>	1.1	0.32	<b>241</b>
Including	266.66	273.20	<b>6.54</b>	<b>5.23</b>	0.23	139	<b>3.3</b>	1.5	0.43	<b>432</b>
Including	266.66	270.67	<b>4.01</b>	<b>3.20</b>	0.14	<b>189</b>	<b>5.2</b>	<b>2.2</b>	0.33	<b>614</b>
Including	266.66	269.08	<b>2.42</b>	<b>1.94</b>	0.17	<b>278</b>	<b>5.8</b>	<b>2.8</b>	0.09	<b>715</b>
<b>Hole ES-17-16</b>										
	139.41	145.35	<b>5.94</b>	<b>4.92</b>	0.01	<b>257</b>	0.64	0.63	0.03	<b>321</b>
Including	143.00	145.35	<b>2.35</b>	<b>1.95</b>	0.03	<b>628</b>	0.90	1.52	0.08	<b>750</b>
Including	144.20	145.35	1.15	0.95	0.06	<b>1,133</b>	1.56	<b>2.98</b>	0.16	<b>1,362</b>
<b>Hole ES-17-17</b>										
HW 1 Vn	240.15	242.48	<b>2.33</b>	<b>2.02</b>	0.00	89	1.82	1.00	0.01	<b>228</b>
HW 2 Vn	248.33	248.60	0.27	0.23	0.04	<b>236</b>	0.28	<b>8.43</b>	0.06	<b>618</b>
HW 3 Vn	250.02	252.00	1.98	1.71	0.03	<b>225</b>	1.30	0.59	0.12	<b>332</b>
Including	250.02	251.21	1.19	1.03	0.03	<b>277</b>	<b>2.01</b>	0.81	0.19	<b>438</b>
Main Vn	258.70	265.41	<b>6.71</b>	<b>5.81</b>	0.10	<b>204</b>	1.83	1.46	0.07	<b>376</b>
Including	259.25	260.60	1.35	1.17	0.03	<b>233</b>	0.98	1.03	0.08	<b>338</b>
And	261.84	262.75	0.91	0.79	0.11	<b>347</b>	<b>2.98</b>	<b>2.20</b>	0.02	<b>606</b>
And	264.51	265.41	0.90	0.78	0.10	<b>244</b>	<b>3.00</b>	<b>2.04</b>	0.03	<b>498</b>
FW Vein	272.60	272.72	0.12	0.10	0.12	30	<b>3.61</b>	1.84	0.04	<b>310</b>
<b>Holes ES-17-18</b>										
	257.49	265.31	<b>7.82</b>	<b>6.77</b>	0.04	79	0.68	0.53	0.03	141
Including	257.49	259.65	<b>2.16</b>	<b>1.87</b>	0.03	<b>231</b>	1.19	1.38	0.03	<b>357</b>
Including	258.98	259.65	0.67	0.58	0.04	<b>358</b>	0.70	1.85	0.03	<b>479</b>
<b>Hole ES-17-19</b>										
	296.44	309.41	<b>12.97</b>	<b>11.23</b>	0.74	<b>219</b>	0.90	0.43	0.05	<b>382</b>
HW Vein	296.44	298.83	<b>2.39</b>	<b>2.07</b>	0.04	<b>261</b>	<b>2.09</b>	0.92	0.15	<b>406</b>
Main Vein	298.33	302.01	<b>3.18</b>	<b>2.75</b>	<b>2.76</b>	<b>552</b>	1.16	0.63	0.08	<b>850</b>
Including	300.73	302.01	1.28	1.11	<b>6.39</b>	<b>1,281</b>	<b>2.23</b>	1.25	0.18	<b>1,938</b>
FW Vein	306.88	308.62	1.74	1.51	0.39	<b>256</b>	1.68	0.74	0.02	<b>406</b>
<b>Hole ES-18-21</b>										
Entire Vein	314.99	329.10	<b>14.11</b>	<b>12.20</b>	0.11	68	1.02	0.17	0.07	<b>143</b>
HW Sect.	314.99	316.50	<b>1.51</b>	<b>1.31</b>	0.17	69	<b>2.89</b>	0.40	0.05	<b>253</b>
Including	314.99	315.54	0.55	0.48	0.22	136	<b>2.63</b>	0.60	0.05	<b>318</b>
FW Sect.	323.15	329.10	<b>5.95</b>	<b>5.15</b>	0.11	117	1.33	0.18	0.08	<b>209</b>
Including	325.33	327.55	<b>2.22</b>	<b>1.92</b>	0.13	<b>190</b>	1.35	0.22	0.06	<b>285</b>
Including	326.75	327.55	0.80	0.69	0.14	<b>248</b>	1.28	0.31	0.09	<b>346</b>
And Incl.	328.45	329.10	0.65	0.56	0.02	<b>255</b>	0.18	0.15	0.26	<b>273</b>

\*Silver equivalents calculated assuming 100% recoveries (for Ag Eq calculation only – may not reflect actual recoveries)  
and Ag US\$17/oz, Au US\$1,250/oz, Cu US\$2.50/lb, Zn US\$1.30/lb, and Pb US\$1.00/lb.  
The metal prices used are for reference, and at the time of this report may differ.

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**Salamandra**

The Salamandra zinc-silver project is located in Durango State, 35 kilometres northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares and was acquired through staking of claims and the purchase of a 100% interest in the central 900 hectares within the project area, subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

Past exploration by Canasil at Salamandra includes geological mapping and surface sampling, 3D-IP ground geophysics, ZTEM airborne geophysics and twelve diamond drill holes for a total of 3,595 metres. In May 2013, the Company signed an option agreement with MAG Silver Corp. (MAG) providing the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement and Canasil retains a 100% interest in the project.

MAG spent \$5.8 million on exploration programs which included surface sampling, data review, and satellite imaging in 2013, followed by three phases of diamond drilling programs for a total of 14,382 metres in 23 drill holes between 2013 and 2015. The surface sampling and data review identified indications of large replacement deposits at Salamandra. The drill programs reported encouraging high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and an interesting interval of gold-tungsten mineralization. Selected mineralized drill intervals reported in the Company's prior news releases are listed in the table below

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

Selected drill intercepts from the Salamandra project include:

<b>Salamandra Project, Durango, Mexico – Selected Drill Intercepts</b>						
<b>Drill Hole</b>	<b>Intercept From – To: m</b>	<b>Width m</b>	<b>Silver g/t</b>	<b>Zinc %</b>	<b>Copper %</b>	<b>Lead %</b>
SA-07-02	7.40 – 17.25	9.85	102	0.55	0.02	0.03
SA-07-02	27.65 – 35.10	7.45	50	12.00	0.22	0.06
SA-07-03	195.00 – 205.00	10.00	71	3.48	0.06	1.26
SA-07-06	3.40 – 15.00	11.60	13	4.05	0.20	0.03
SA-07-08	261.00 – 271.00	10.00	29	3.51	0.04	0.42
SA-07-10	230.00 – 234.35	4.35	5	5.51	0.02	0.05
SA-13-13	20.65 – 830.81	810.16	2	0.6	0	0
SA-13-13	637.50 - 669.72	31.72	1	3.6	0.1	0
SA 14-14	165.99 – 182.88	16.89	29	1.8	0	0.2
SA 14-14	182.40 – 182.88	0.48	197	1.1	0.4	0.6
SA 14-14	186.38 – 186.80	0.42	108	0.6	0.5	1.4
SA 14-15	605.74 - 613.13	7.89	166	1.2	1.2	0.6
SA 14-15	607.50 – 609.80	2.30	393	2.8	3.6	0.4
SA 14-19	128.87 – 130.22	1.35	59	0.9	0	1.1
SA 14-19	349.87 – 388.36	37.99	1	1.6	0.02	0
SA 14-25	113.00 – 143.51	30.51	25	0.8	0.02	0.4
SA 14-25	121.36 – 126.73	5.37	41	1.7	0.02	0.7
SA 14-25	138.58 – 143.51	4.93	77	1.9	0.03	1.3
SA 14-27	358.40 – 366.00	7.60	2	2.2	0.03	0.2
SA 14-27	358.40 – 360.68	2.28	5	3.5	0.04	0.2
SA 14-27	364.12 – 366.00	1.88	2	4.4	0.05	0.4
SA 14-28	19.90 – 193.36	173.46	4	1.0	0.01	0.1

*Announced in news releases dated 18.07.2007, 17.03.2014, and 21.07.2014*



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**Nora**

The Nora project is located approximately 200 kilometers north-west of the City of Durango, with good access and infrastructure. There are two principal epithermal vein outcrops at the Nora project, the Candy and Nora veins. There is evidence of historical mining activity on the Candy vein, which can be traced for approximately 750 metres on surface, with the structure visible with discontinuous outcrops for over three kilometers along strike. Samples of vein outcrop and mineral dumps from the Candy vein returned significant gold, silver, copper, zinc and lead values. The highest-grade sample of outcropping vein returned 1.00 metre with 1.98 g/t Au, 514 g/t Ag, 1.03% Cu, 3.28% Zn and 4.45% Pb, and the highest grab sample collected from waste piles ("dumps") returned 1.34 g/t Au, 293 g/t Ag, 0.47% Cu, 0.38% Zn and 9.27% Pb. The second Nora vein is found 600 metres northeast of the Candy vein and can be traced for 230 metres along strike with widths of over 9.0 metres. Surface samples from this vein contained trace sulphides.

Soil samples collected along a grid covering the area surrounding the Candy and Nora veins and projected extensions over an area of three kilometers by two kilometers return elevated silver, base metal (copper, lead and zinc) and pathfinder (molybdenum and arsenic) values over a large area. The combination of the vein outcrops with large areas of anomalous silver and base metal values in soil samples may indicate a larger buried mineral system at depth. Initial drilling should be focused on testing the veins below high-grade vein outcrops at a depth of 100 metres to 200 metres below surface.

In August 2019 a surface sampling program was carried out to further evaluate the Candy and Nora vein outcrops – 21 samples were collected from outcrops of the Candy vein, 31 samples from adjacent country rocks, and 12 samples from dumps, over a distance of 918 metres. The objective of this work was to confirm the high-grade mineralization in the Candy vein and to identify possible locations for subsequent drilling. Ten samples from the Nora vein collected along a distance of 160 metres returned anomalous silver values and contained trace sulphides and a geochemical signature typical of the higher levels of an epithermal vein system.

The high gold, silver, copper, lead and zinc grades from the Candy vein over a significant strike length, and from mineralized dumps, are very encouraging. The average grade of 21 samples from the Candy vein is 1.69 g/t Au, 140 g/t Ag, 0.40% Cu, 1.59% Pb, and 0.57% Zn over 0.68 metres. The highest silver grade was in sample #14278 with 3.72 g/t Au, 605 g/t Ag, 0.97% Cu, 1.17% Pb and 0.40% Zn over 1.0 metre. The highest gold value was in sample #14311 with 12.55 g/t Au, 12.2 g/t Ag, 1.02% Cu, 2.67% Pb and 0.68% Zn over 0.40 metres (announced in news release dated September 26, 2019). The average grade of the 12 dump samples is 1.40 g/t Au, 86 g/t Ag, 1.06% Cu, 3.37% Pb, and 1.64% Zn. Details of the results from selected higher-grade samples, some of which include partially oxidized material, are included in the table below for reference.

Nora Project, Durango State, Mexico – Candy Vein Surface Samples, August 2019										
Sample Number	Eastings	Northing	Elevation	Width Metres	Sample Type	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
14278	451609	2822331	2017.12	1	Vein	3.72	605	0.97	1.17	0.40
14280	451615	2822338	2018.52	1.4	Rock	0.892	392	0.06	0.19	0.05
14281	451614	2822339	2018.70	1	Vein	2.98	540	0.85	4.00	3.55
14286	451621	2822385	2014.26	0.3	Vein	1.35	28.5	0.07	0.45	0.19
14287	451623	2822395	1972.83	0.6	Vein	2.18	316	0.57	2.44	0.17
14288	451629	2822403	1984.14	0.8	Vein	3.03	585	2.80	5.24	1.83
14290	451639	2822398	1997.50	D	Dump	2.42	203	0.87	8.05	2.10
14291	451636	2822404	1998.69	D	Dump	2.23	158	0.66	3.15	0.58
14292	451635	2822413	1997.18	D	Dump	1.50	84.5	0.41	3.32	0.63
14293	451631	2822419	1998.43	D	Dump	1.72	215	0.38	2.94	0.71
14294	451624	2822428	1999.51	D	Dump	1.90	40.6	0.26	2.98	0.88
14296	451645	2822420	2013.84	D	Dump	2.47	80.7	0.58	5.22	0.81
14297	451634	2822444	2009.87	D	Dump	2.89	193	2.64	7.19	9.76
14299	451626	2822578	2006.46	0.6	Vein	6.55	10.4	0.06	0.28	0.05
14311	451608	2822812	2009.71	0.4	Vein	12.55	12.2	1.02	2.67	0.68

### **Sandra-Escobar**

The Sandra-Escobar property is located 200 kilometers northwest of the city of Durango, Mexico. In September 2015, the Company signed an option agreement providing Orex with the right to earn up to a 65% interest in the project over a three-year period. In January 2017, Orex earned a 55% interest in the project and declined its option to earn an additional 10% interest. On June 28, 2019, the Company sold its interest in Sandra-Escobar to Pan American Silver Corp. ("Pan American") for \$2,000,000 plus a 2% NSR Royalty Interest on Pan American's interest in the project. The project is currently being advanced by a joint venture between Pan American (60%) and Orex (40%).

The property covers over 6,970 hectares hosting multiple mineralized structures with zones of disseminated silver mineralization as well as quartz veins and breccia structures. The Company's previous exploration programs included geological mapping and surface sampling, ASTER satellite imaging, 11.8 line-kilometre ground IP survey, 420 line-kilometer ZTEM airborne geophysical survey, petrographic analysis of surface samples, high resolution satellite imaging and topographic mapping surveys, and 1,848-metres of diamond drilling in eleven drill holes,

During the period of its option, Orex completed extensive surface sampling, geological mapping, and a helicopter borne radiometric survey within the project area, and four phases of core drilling for a total of 65 holes and 9,953 metres of drilling in the southeast part of the project area. These drill programs delineated an area with disseminated near-surface silver mineralization over a strike distance of approximately 750 metres and a width of approximately 250 metres in a tabular body with a thickness varying between 25 metres to 45 metres (the "Boleras Deposit").

On October 31, 2016, Orex released the results of an initial resource estimate completed by Mining Plus Consultants focused on the Boleras Deposit for an Inferred Resource of 9.8 million tonnes grading 106 g/t Ag for a total of 33.3 million ounces Ag at a "Base Case" of 45 g/t Ag cut-off. On December 15, 2016, Orex announced that metallurgical testing using conventional methods returned very low recoveries from composite samples prepared to represent the average grades reported in the Boleras Deposit.

### **Brenda**

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, 20 kilometres northwest of the past producing Kemess South Mine. Comprehensive exploration programs carried out to date include satellite surveys, airborne and ground geophysics, extensive geological mapping and sampling and 11,000 metres of diamond drilling in 64 drill holes. These programs highlighted the possibility of a deep-seated porphyry gold-copper system at the Brenda project, possibly similar to Centerra Gold Inc.'s nearby Kemess Underground and Kemess East deposits, located approximately 15 kilometres southeast of the Brenda property.

In 2007, two deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of five intercepts above a depth of 450 metres returning 0.48 g/t gold and 0.079% copper over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t gold and 0.116% copper over a combined intercept length of 93 metres. Unmineralized dykes separate the mineralized intervals. The mineralized system averages 300 to 400 metres in width and has been traced along a strike length of 400 metres by drilling, with a potential strike length in excess of 1,000 metres when including the chargeability anomalies observed in a 3-Dimensional Induced Polarization geophysical survey.

In August 2013, a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher-grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-07-04 from 504 metres to 572 metres, and the intercepts below 570 metres returned no significant gold-copper mineralization with only low copper and gold values over certain intervals. It appears that BR-13-01 entered a post-mineralization intrusive dyke at depth and remained within it to the end of the hole. Additional drilling will be required to test the true depth-extent of mineralization.

In late 2016 and early 2017, and late 2019, the Company undertook comprehensive technical reviews of the Brenda project data. All historical data has been reviewed and checked prior to modelling and analysis using modelling software. Detailed analysis of the data has identified targets for further exploration including additional mapping and sampling, deeper sensing ground and airborne geophysics and drill testing. The Brenda project remains an attractive prospect based on the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid and mining facilities.

## **Vega**

The Vega project is located in north-central British Columbia, approximately 300 kilometres northwest of Prince George, BC, with access via the Omineca Mines Access Road and logging roads. The project covers 9,002 hectares on the Quesnel trough trend running through central British Columbia and hosting the Mount Milligan, Chuchi, Kwanika, Lorraine and Cat porphyry deposits. There are several showings in the eastern and western sectors of the Vega property prospective for hosting copper-gold porphyry mineralization. Most of the past exploration work done by Canasil has been focused on the Vega Showings located in the eastern portion of the property. More recent work has identified additional gold/copper showings on the western side of the property, most notably the Pluto showing. In September 2016, the Company carried out prospecting field work on the Pluto and Vega showings. This work confirmed past observations on the Vega showing, and in particular highlighted the Pluto showing identifying a surface signature suggesting the upper levels of a porphyry copper-gold mineralized system. The Company conducted an airborne magnetics geophysical survey covering the Vega property area in November 2016. This survey returned encouraging results highlighting structural corridors which are prospective for hosting porphyry mineralized systems both in the east and west of the project area.

In September 2018, the Company engaged McElhanney Consulting Services Ltd. to undertake an airborne LiDAR survey over the core area of the Vega Property. The objective of the survey was to obtain "bare earth" and orthophoto imagery to use in future exploration programmes. LiDAR measures the height of forest canopies and maps the ground beneath the forest to create high-resolution digital elevation models (DEMs) that can reveal micro-topographic features that are otherwise hidden by the forest. This permits the identification of faults and fractures, bedrock trends and surficial deposits such as moraine, eskers and gravel terraces. LiDAR-derived products can be easily integrated into a Geographic Information System (GIS) for analysis and interpretation, and viewed in combination with previously collected geological, geophysical and geochemical data.

As a result of the survey previously un-documented features are noted at Vega, some of which require confirmation on the ground. The site was flown September 29, 2018; data was delivered in November and December, 2018, followed by review and analysis of the results in 2019. The results of the LiDAR survey will assist with further surface sampling and geological mapping of these prospective zones to define drill targets.

In September 2019 a geological mapping and surface sampling program was completed to investigate prospective targets zones on the Vega project. The field work encompassed a detailed "base-of-slope" sampling programme on 100-metre spacings within a core area that is approximately 6.5 by 7.5 kilometres in size. The area selected is within the western half of the Vega Property and was intended to complete "first-pass" coverage of a prospective tract characterized by several copper, gold and silver showings and intense rock alteration that maybe related to magnetic anomalies and porphyritic intrusive rocks.

The results from over 300 soil samples collected along 30 line-kilometres of contour soil survey lines are particularly encouraging and identify anomalous and often high-contrast copper, gold and molybdenum assays that may be associated with strong magnetic anomalies. Three large cluster anomalies are evident, outlined in the figures below:

1. Anomaly 1 suggests that significant extensions to the Pluto showing may exist up to 2,000 metres north from the original showing. This extension has not been previously mapped or prospected;
2. Anomaly 2 is downslope from a new 2019 mapping/prospecting discovery of outcropping copper mineralization associated within an area of magnetite-epidote (propylitic) veining in quartz diorite intrusive. A grab sample from this area returned 2.26% Cu and 0.145 g/t Au;
3. Anomaly 3 occurs on both flanks of Thane Creek close to the possible contact of Hogem Batholith units with Triassic-aged volcanic rocks. This area is reported to have several (poorly located) RGS Minfile showings recording anomalous copper and gold values. Prospecting and mapping along Thane Creek identified abundant quartz-sericite-pyrite and potassic feldspar+biotite+hematite -altered quartz diorite float as well as localized fracture-controlled quartz+pyrite+mica veinlets with trace chalcopyrite;
4. Additional anomalies are present within the survey area.

The 2019 field work has already added significantly to the understanding of the mineral potential within the Vega project area. Areas of silicification, sericite-pyrite and feldspar-hematite alteration were encountered that are very encouraging signs of a hydrothermal environment for hosting porphyry style copper-gold mineralization. The extensive soil sampling in areas identified by airborne magnetics signatures have identified excellent targets for further exploration and ultimately drill testing.

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Exploration interest in the region of the Vega Project has increased significantly in 2019. Several property option agreements have been signed by other companies, staking has increased, and numerous exploration initiatives are underway in the area.

**Technical**

Jerry Blackwell, P. Geo. British Columbia, and Advisor to the Board of Canasil, is the Company's designated Qualified Person in accordance with National Instrument 43-101 in relation to data provided with regard to exploration programs undertaken by the Company.

**CAUTIONARY NOTE**

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

**Approval**

The Board of Directors of the Company has approved the disclosure contained in this interim MD&A – Quarterly Highlights. A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.canasil.com](http://www.canasil.com).