



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

Expressed in Canadian Dollars

Unaudited



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

"Bahman Yamini"

"Kerry Spong"

President and Chief Executive Officer

Vice President, Finance & CFO

May 22, 2020

1760-750 West Pender Street, Vancouver, B.C. V6C 2T8
Tel: (604) 708-3788 Fax: (604) 708-3728
Email: admin@canasil.com

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars
Unaudited

	March 31, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	\$ 825,710	\$ 818,015
Receivables	19,357	36,164
Prepaid expenses	8,943	12,751
	<u>854,010</u>	<u>866,930</u>
Reclamation bonds	47,000	47,000
Right-of-use asset – office (Note 8)	59,778	69,742
Property and equipment	37,682	38,115
	<u>\$ 998,470</u>	<u>\$ 1,021,787</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 55,980	\$ 73,911
Current portion of lease liability	41,630	40,042
	<u>97,610</u>	<u>113,953</u>
Lease liability (Note 8)	23,167	34,253
	<u>120,777</u>	<u>148,206</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	22,235,141	21,837,835
Contributed surplus	6,484,218	6,484,218
Accumulated other comprehensive income	624,830	624,830
Deficit	(28,466,496)	(28,073,302)
	<u>877,693</u>	<u>873,581</u>
	<u>\$ 998,470</u>	<u>\$ 1,021,787</u>

Nature and continuance of operations (Note 1)
Subsequent event (Note 10)

ON BEHALF OF THE BOARD:

_____, Director
"Alvin Jackson"

_____, Director
"Michael McLinnis"

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

Expressed in Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Notes 5,6)	Contributed Surplus (Note 6)	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance – December 31, 2018	104,206,622	\$ 21,837,835	\$ 6,484,218	\$ 625,458	\$ (28,742,727)	\$ 204,784
Comprehensive loss for the period	-	-	-	(628)	(207,782)	(208,410)
Balance – March 31, 2019	104,206,622	21,837,835	6,484,218	624,830	(28,950,509)	(3,626)
Comprehensive income for the period	-	-	-	-	877,207	877,207
Balance – December 31, 2019	104,206,622	21,837,835	6,484,218	624,830	(28,073,302)	873,581
Private placement - units	5,087,500	407,000	-	-	-	407,000
Share issuance costs	-	(9,694)	-	-	-	(9,694)
Comprehensive loss for the period	-	-	-	-	(393,194)	(393,194)
Balance – March 31, 2020	109,294,122	\$ 22,235,141	\$ 6,484,218	\$ 624,830	\$ (28,466,496)	\$ 877,693

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31**

Expressed in Canadian Dollars

Unaudited

	2020	2019
Expenses		
Accounting and audit	\$ 8,205	\$ 9,511
Depreciation – equipment	433	626
Depreciation – right-of-use asset – office <i>(Note 8)</i>	9,964	9,963
Director fees	9,000	9,000
Exploration and evaluation <i>(Note 4)</i>	223,276	59,718
Foreign exchange loss (gain)	13,222	(1,127)
Interest – lease liability <i>(Note 8)</i>	2,034	3,051
Interest income	(2,876)	-
Investor relations and promotions	8,984	-
Legal fees	2,330	6,359
Listing and filing fees	5,500	5,700
Management fees	37,500	37,500
Office services and supplies	8,974	7,082
Salaries, wages and consulting	61,347	57,773
Shareholder communications	2,588	1,341
Transfer agent fees	1,900	1,285
Travel and accommodation	813	-
Loss for the period	393,194	207,782
Other comprehensive loss		
Change in fair value of marketable securities, net of taxes <i>(Note 3)</i>	-	628
Comprehensive loss for the period	\$ 393,194	\$ 208,410
Loss per share – basic and diluted	\$ 0.00	\$ 0.00
Weighted-average number of shares outstanding – basic and diluted	105,660,880	104,206,622

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

Expressed in Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2020	2019
Operating activities		
Loss for the period	\$ (393,194)	\$ (207,782)
Items not involving cash		
Depreciation – equipment	433	626
Depreciation – right-of-use asset - office	9,964	9,963
Changes in non-cash working capital		
Receivables	16,807	28,558
Prepaid expenses	3,808	3,132
Accounts payable and accrued liabilities	(17,931)	80,515
	<u>(380,113)</u>	<u>(84,988)</u>
Investing activities		
Proceeds on sale of marketable securities	-	55,372
Financing activities		
Share capital issued for cash	407,000	-
Share issuance costs	(9,694)	-
Principal payments – lease liability	(9,498)	(9,238)
	<u>387,808</u>	<u>(9,238)</u>
Change in cash for the period	7,695	(38,854)
Cash position - beginning of period	818,015	118,314
Cash position - end of period	<u>\$ 825,710</u>	<u>\$ 79,460</u>

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

Unrealized losses on marketable securities	\$ -	\$ 628
Right-of-use asset – office	\$ -	\$ 109,594
Lease liability	\$ -	\$ 109,594

Supplemental cash flow information

Interest paid – lease liability	\$ 2,131	\$ 2,028
---------------------------------	----------	----------

- the accompanying notes are an integral part of these financial statements -

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

Expressed in Canadian Dollars

Unaudited

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (“Canasil” or the “Company”) is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain ore reserves. The Company’s continuing operation is dependent upon the confirmation of reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at March 31, 2020 the Company had working capital of \$756,400, which it considers to be insufficient to fund its overhead and currently planned exploration activities for the ensuing twelve months. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. The Company has incurred operating losses since inception and as at March 31, 2020 had an accumulated deficit of \$28,466,496.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future. Additionally, the outbreak of the COVID-19 global pandemic has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2019. All financial information presented herein is unaudited. The Company’s board of directors approved these financial statements for issue on May 22, 2020.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

Expressed in Canadian Dollars

Unaudited

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION - *continued*

Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except for those items classified as fair value through profit and loss or fair value through other comprehensive income, using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp., Minera Canasil S.A. de C.V., and Minera CRD S.A. de C.V. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

Foreign currency translation

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

3. MARKETABLE SECURITIES

The Company acquired common shares of Ores Minerals Inc. ("Ores") through a private placement with, and subsequent reorganization of, Ores and which were not designated as held for trading. At the time of the acquisition of these shares, the Company had an option agreement with Ores on the Sandra-Escobar project (*Note 4*) and the shares were considered a strategic investment in the project. Upon adopting IFRS 9 on January 1, 2018, the Company elected to measure these shares at fair value through other comprehensive income.

In February 2019, the Company sold its remaining 700,000 shares of Ores for net proceeds of \$55,372 and a loss of \$14,584. In accordance with IFRS 9, gains realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss. During the period ended March 31, 2019, the Company also recorded unrealized losses of \$628 through accumulated other comprehensive income.

4. EXPLORATION AND EVALUATION

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

Sandra-Escobar project, Mexico

Between 2004 and 2006, the Company acquired, by staking, the Sandra claims located in Durango State, Mexico. In accordance with a 2009 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which formed the Sandra-Escobar project.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION - *continued***Sandra-Escobar project, Mexico** - *continued*

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn up to an 65% interest in the project over a three-year period. Orex paid the Company \$500,000 and incurred US\$2,000,000 in exploration expenditures to earn a 55% interest in the project and declined its option to earn an additional 10% interest.

In June 2019, the Company sold its interest in the project to Pan American for \$2,000,000 plus a 2% net smelter returns royalty interest ("NSR Royalty Interest") payable on Pan American's share of the project; the NSR Royalty Interest can be reduced to 1% upon payment of \$4,000,000 to the Company.

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project area, subject to an NSR of up to 1%. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and purchased the NSR in 2016. From 2006 to 2010, the Company also added further claims, by direct staking, to increase the size of the project area.

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking as well as the purchase of a 100% interest in certain claims comprising the central 900 hectares of the project area, subject to a 0.5% net smelter returns royalty that can be purchased from the owner for US\$500,000.

Other projects

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these projects.

Expenditures for the periods ending March 31, by activity, are as follows:

	2020	2019
Administration	\$ 33,753	\$ 30,795
Consulting	4,054	-
Field costs	1,540	1,658
Geological	25,296	25,319
Land holding costs	146,077	-
Mapping and surveying	2,303	1,869
Transportation and rentals	10,253	77
	<u>\$ 223,276</u>	<u>\$ 59,718</u>

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

Expressed in Canadian Dollars

Unaudited

4. EXPLORATION AND EVALUATION - *continued***Expenditures for the periods ended March 31 and cumulative expenditures to March 31, 2020 are as follows:**

	Expenditures 2020	Expenditures 2019	Cumulative 2020
Brenda, Canada	\$ 11,800	\$ -	\$ 2,407,970
- Expenditure recoveries	-	-	(224,573)
Vega, Canada	-	1,869	381,369
- Expenditure recoveries	-	-	(47,061)
Other, Canada	400	-	142,824
- Expenditure recoveries	-	-	(22,776)
La Esperanza, Mexico	76,535	26,498	3,626,829
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Sandra-Escobar, Mexico	-	760	2,020,973
- Expenditure recoveries	-	-	(177,486)
- Option payments received	-	-	(500,000)
Salamandra, Mexico	33,782	17,483	6,339,288
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
Other, Mexico	100,759	13,108	3,763,210
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	<u>\$ 223,276</u>	<u>\$ 59,718</u>	<u>\$ 16,105,736</u>

Mineral title

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

5. SHARE CAPITAL

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

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. The Company paid finders' fees of \$3,720 on a portion of the placement as well as legal and filing fees of \$5,974.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS

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

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2018	2,309,250	\$ 0.25	7,565,000	\$ 0.10
Expired	-	\$ -	(325,000)	\$ 0.10
Outstanding, December 31, 2019	2,309,250	\$ 0.25	7,240,000	\$ 0.10
Expired	(2,309,250)	\$ 0.25	-	\$ -
Issued	5,087,500	\$ 0.12	-	\$ -
Outstanding, March 31, 2020	5,087,500	\$ 0.12	7,240,000	\$ 0.10
Exercisable, March 31, 2020	5,087,500	\$ 0.12	7,240,000	\$ 0.10

At March 31, 2020, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	4,950,000	\$ 0.06	December 21, 2020
	400,000	\$ 0.21	March 1, 2021
	1,155,000	\$ 0.20	January 20, 2022
	735,000	\$ 0.20	January 25, 2022
	7,240,000		
Warrants	4,250,000	\$ 0.12	March 5, 2022
	837,500	\$ 0.12	March 11, 2022
	5,087,500		

At March 31, 2020, the weighted-average remaining life for the outstanding stock options was 1.02 years and 1.93 years for the outstanding warrants.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

Expressed in Canadian Dollars

Unaudited

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes officers and non-executive directors. The compensation paid or payable to key management for the periods ended March 31 is as follows:

	2020	2019
Salaries	\$ 56,250	\$ 56,250
Management fees	37,500	37,500
Director fees	9,000	9,000
	<u>\$ 102,750</u>	<u>\$ 102,750</u>

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its office premises that expires September 30, 2021 and contains no renewal clause. Current monthly payments are \$3,879 and include basic rent and a pro rata share of common operating costs.

On January 1, 2019, the date of initial application under IFRS 16, the Company recorded this agreement as a lease liability with an initial measurement equal to the present value of the remaining lease payments using the Company's estimated incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method and adjusted for interest and principal. The right-of-use asset has been measured at an amount equal to the initial lease liability and is subsequently depreciated on a straight-line basis over the remaining term of the lease.

Details of the right-of-use asset for the period are as follows:

	2020	2019
Balance – beginning of period	\$ 69,742	\$ 109,594
Depreciation	(9,964)	(9,963)
Balance – end of period	<u>\$ 59,778</u>	<u>\$ 99,631</u>

Details of the lease liability for the period are as follows:

	2020	2019
Balance – beginning of period	\$ 74,295	\$ 109,594
Lease payments	(11,629)	(11,266)
Interest portion	2,131	2,028
	<u>64,797</u>	<u>100,356</u>
Less: current portion	(41,630)	(35,559)
Balance – end of period	<u>\$ 23,167</u>	<u>\$ 64,797</u>

Accrued interest payable on the lease liability to March 31, 2020 totalled \$660 (2019 - \$1,023).

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020**

Expressed in Canadian Dollars

Unaudited

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY - *continued*

Total undiscounted payments due under the lease agreement are as follows:

		Amount
2020	\$	35,208
2021		35,986
	\$	71,194

9. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company operates in the following geographical locations:

March 31, 2020	Canada		Mexico		Total
Property and equipment	\$	2,917	\$	34,765	\$ 37,682
Right-of-use asset – office	\$	59,778	\$	-	\$ 59,778

December 31, 2019	Canada		Mexico		Total
Property and equipment	\$	3,126	\$	34,989	\$ 38,115
Right-of-use asset – office	\$	69,742	\$	-	\$ 69,742

10. SUBSEQUENT EVENT

Subsequent to March 31, 2020, the Company granted 1,750,000 five-year options with an exercise price of \$0.08 per share to directors, officers, advisors, and service providers.