2009

ANNUAL REPORT

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Directors' Letter to Shareholders

April 26, 2009

Dear Shareholders,

2009 was a year of transition for the mining and exploration industry, starting with continued difficulties during the first half of the year resulting from the global financial crisis of September 2008, and ending on a more positive note with a gradual recovery during the second half of the year. The price of commodities and metals continued at relatively low levels during the first three to six months of the year before recovering during the second half. Oil traded between $35 and $40 per barrel during the first quarter of 2009 (down from $147 in July 2008), and increased to $75 per barrel by year-end. Gold traded between $800 and $1000 during the first half before steadily increasing to $1,200 by November 2009. Silver traded between $10 to $14 per ounce during the first quarter and reached $19 per ounce in November 2009. The prices for base metals also showed a significant recovery during the year with copper going from $1.20 to $3.50 per lb, zinc from $0.50 to $1.10 per lb, and lead from $0.40 to $1.15 per lb between February and December 2009. This had a positive impact on the mining and exploration industry, with improving results for the major mining companies, followed by the more advanced explorers and towards the end of the year also for junior explorers. The stock market performance showed a similar trend with the Dow Jones Index dropping to a low of 6,500 in March 2009 and then progressively recovering to close the year at 10,500. The TSX Composite Index also dropped to 7,700 in March 2009, before recovering to 12,000 by the end of the year.

For Canasil, the collapse of the markets in late 2008 and the very low share price levels and lack of interest in funding exploration projects in the first half of 2009 put the Company in a very difficult financial position. During this period our emphasis was on preserving the Company and maintaining our strong project portfolio and our operating team in Mexico without having to issue a large number of shares at very low prices. Consequently the Company cut all overhead expenses and dramatically reduced expenditures on investor relations and other operating activities. Where required the management and Directors did not take any compensation and advanced funds to the Company to maintain its operations. As the industry began to recover during the second half of the year, we completed a small placement of $315,000, which allowed us to continue to maintain and expand our project portfolio in Mexico and start a modest exploration program, however without committing to any high cost exploration expenditures such as drill programs etc. We also pursued discussions with third parties for option and joint venture agreements to advance our exploration projects, leading to a number of site visits. Total exploration expenditures in Mexico in 2008 were $259,715 (2008: $635,571) and in British Columbia, Canada, $8,354 (2007: $55,459).

The Option agreement with Blackcomb Minerals on the Salamandra and Victoria projects was terminated in March 2009 as Blackcomb failed to complete the required first year exploration expenditures on the project. The Company completed and executed the formal agreement with Pan American Silver Corp. for joint cooperation to advance Pan American's Escobar and Canasil's Sandra silver-gold projects in northern Durango, Mexico, which was expanded to 7,500 hectares. The La Esperanza silver project, located in southern Durango and northern Zacatecas, was expanded to 16,900 hectares with the potential for hosting a district scale epithermal system with both high grade silver veins and disseminated silver mineralization. The Vizcaino gold project claim area was also increased to 3,600 hectares.

Directors' Letter to Shareholders April 26, 2010 (contd.)

The Company has emerged from the financial crisis of 2008/2009 with its strong project portfolio in Mexico and Canada intact and expanded, its operating team in Mexico in place and with a strong share structure with only 41,500,000 shares issued. While our share price has shown a modest improvement since the low levels of 2009, it continues to be significantly undervalued compared to our peers with similar projects and share structure because the Company is under-capitalized. The improving market conditions and metal prices in 2010 should enable the Company to gradually strengthen its working capital position while continuing to maintain its strong share structure. This will in turn result in a more active and expanded exploration program as well as a more active investor relations program.

The Company has a highly prospective gold-silver-copper-lead-zinc project portfolio in Mexico and British Columbia, Canada. Five of the projects in Mexico have defined drill targets for testing and are located on the well-known gold-silver trend in Durango and Zacatecas States. This is a highly desirable location for exploration projects with several major recent discoveries. We plan to continue advancing these projects in 2010 both through funding direct exploration as well as continuing with discussions on option and joint venture cooperation to further increase the exploration programs. These developments should results in improving share prices, trading volumes and financing opportunities as we advance through 2010.

We continue to thank all our shareholders and all those associated with the Company for their support through this difficult period for the industry.

On behalf of the Board,

"Bahman Yamini"

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Bahman Yamini, President, CEO & Director

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

AUDITORS' REPORT

To the Shareholders of
Canasil Resources Inc.

We have audited the consolidated balance sheets of Canasil Resources Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 9, 2010

CANASIL RESOURCES INC.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31

ASSETS		**2009**		2008
Current				
Cash	**$**	**80,063**	$	8,266
Receivables		**50,294**		280,939
Prepaid expenses		**3,086**		3,715
		133,443		292,920
Reclamation bond		**20,000**		20,000
Resource properties *(Note 4)*		**5,165,739**		4,913,035
Property and equipment *(Note 5)*		**65,977**		80,555
	$	**5,385,159**	$	5,306,510

LIABILITIES				
Current				
Accounts payable and accrued liabilities – trade	**$**	**49,979**	$	70,824
Accounts payable and accrued liabilities – related parties		**210,000**		110,060
Due to related party *(Note 8)*		**145,000**		110,000
		404,979		290,884
SHAREHOLDERS' EQUITY				
Share capital *(Note 6)*		**11,128,289**		10,804,539
Contributed surplus *(Note 6)*		**922,188**		913,548
Deficit		**(7,070,297)**		(6,702,461)
		4,980,180		5,015,626
	$	**5,385,159**	$	5,306,510

Nature and continuance of operations *(Note 1)*
Subsequent event *(Note 12)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31

		2009		2008
Expenses				
Accounting and audit	$	34,575	$	47,553
Amortization		14,578		19,604
Conferences and conventions		1,745		37,523
Director fees		40,000		40,000
Foreign exchange loss		17,221		10,282
General exploration		40,729		63,196
Investor relations and promotions		3,257		69,559
Legal fees		11,318		23,683
Listing and filing fees		11,690		14,412
Management fees		114,000		114,000
Office services and supplies		60,989		69,704
Shareholder communications		2,905		7,581
Stock-based compensation *(Note 7)*		8,640		180,787
Transfer agent fees		7,173		7,386
Travel and accommodation		-		14,830
Loss before other items		368,820		720,100
Interest income		(984)		(11,390)
Write-down of resource properties *(Note 4)*		-		249,908
Loss and comprehensive loss for the year		367,836		958,618
Deficit - beginning of year		6,702,461		5,743,843
Deficit - end of year	$	7,070,297	$	6,702,461
Loss per share – basic and diluted	$	0.01	$	0.03
Weighted-average number of shares outstanding		36,522,455		34,004,368

- See Accompanying Notes -

CANASIL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

CASH RESOURCES PROVIDED BY (USED IN)		**2009**		2008
Operating activities				
Loss for the year	**$**	**(367,836)**	$	(958,618)
Items not affecting cash				
Amortization		**14,578**		19,604
Write-down of resource properties		**-**		249,908
Stock-based compensation		**8,640**		180,787
		(344,618)		(508,319)
Changes in non-cash working capital				
Decrease (increase) in receivables		**230,645**		(152,746)
Decrease in prepaid expenses		**629**		5,013
Increase in accounts payable and accrued liabilities		**94,849**		55,648
		(18,495)		(600,404)
Investing activities				
Resource property expenditures		**(325,123)**		(863,515)
Resources property expenditure recoveries received		**56,665**		280,231
Option payments received – resource properties		**-**		75,585
Property and equipment		**-**		(6,954)
		(268,458)		(514,653)
Financing activities				
Share capital issued for cash		**327,500**		325,000
Share issuance costs		**(3,750)**		-
Increase in due to related party		**35,000**		110,000
Subscriptions receivable		**-**		330,000
		358,750		765,000
Change in cash for the year		**71,797**		(350,057)
Cash position - beginning of year		**8,266**		358,323
Cash position - end of year	**$**	**80,063**	$	8,266

Supplemental schedule of non-cash investing and financing transactions				
Shares issued for resource properties	**$**	**-**	$	8,250
Decrease in accounts payable – resource property costs	**$**	**(15,754)**	$	(13,920)

- See Accompanying Notes -

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is considered to be in the exploration stage with respect to its interest in resource properties. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The recovery of the amounts comprising resource properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to successfully complete its exploration and development, and the attainment of future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions cast significant doubt upon the validity of this assumption. 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 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.

		2009		2008
Deficit	$	7,070,297	$	6,702,461
Working capital (deficiency)	$	(271,536)	$	2,036

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Canasil, S.A. de C.V., a company incorporated in Mexico. All significant inter-company transactions and balances have been eliminated.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant estimates used in the preparation of these financial statements relate to the impairment of resource property interests and property and equipment, useful lives of property and equipment, valuation allowances for future income tax assets, stock-based compensation and valuation of warrants in private placements.

2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Property and equipment

Property includes land purchased for a future warehouse site. Equipment includes automotive and other equipment related to resource properties and furniture and equipment related to corporate offices. These assets are recorded at cost and amortized over their estimated useful life using the declining balance method at rates ranging from 20% to 100% per annum.

Resource properties

All costs related to the acquisition, exploration and development of resource properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value. A resource property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

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

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the year in which they occur or in the year in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. The Company has determined that it has no asset retirement obligations as at December 31, 2009 and 2008.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. 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. Income and expense items are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting periods for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its stock-based compensation.

Financial instruments

The Company has adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3862 - *Financial Instruments* – Disclosures, Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the classification, recognition and measurement of financial instruments and hedges in the financial statements and the inclusion of other comprehensive income. Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measures in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income.

Section 3862 was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of inputs are: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – inputs that are not based on observable market data *(Note 3)*.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Comparative figures

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

Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations; Consolidated Financial Statements and Non-Controlling Interests

In January 2008, the CICA issued Handbook Sections 1582 – *Business Combinations*; 1601 – *Consolidated Financial Statements;* and 1602 – *Non-Controlling Interests*. These sections replace the former CICA Handbook Section 1581 – *Business Combinations* and CICA 1600 – *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3 – *Business Combinations* and IAS 27 – *Consolidated and Separate Financial Statements.*

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1692 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet evaluated the impact of these standards on the Company's financial statements.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and due to related party. Cash is classified under Assets Held-For-Trading and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

3. FINANCIAL INSTRUMENTS – *continued*

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner. At December 31, 2009, the Company held the equivalent of $4,064 in cash, $42,281 in accounts receivable, and $5,455 in accounts payable, all of which are denominated in pesos.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

4. RESOURCE PROPERTIES

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

Salamandra and Victoria projects, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the Salamandra project located in Durango State, Mexico, subject to a Net Smelter Returns royalty ("NSR") of 2%. The Company has the right to acquire these claims by making cash payments over a period of five years totalling US$500,000. The Company has also staked additional claims, known as the Victoria claims, which are contiguous with the Salamandra claims.

During 2008, the Company granted an arm's length party the right to earn a 60% interest in the properties by incurring US$7,000,000 in exploration expenditures and making US$375,000 in cash or share payments to the Company over six years. In 2008, the Company received US$75,000 in cash payments and $91,230 in expenditure recoveries from the optionee, and completed a private placement of 500,000 shares with the optionee for proceeds of $125,000 *(Note 6)*. During the current year, the Company received $41,300 in expenditure recoveries. The agreement was terminated on March 19, 2009.

Colibri project, Mexico

During 2005, the Company staked claims located in Durango State, Mexico. During fiscal 2007, the Company acquired a 100% interest in several additional claims from Oremex Resources Inc. ("Oremex") in consideration for 650,000 common shares of the Company valued at $247,000 and 75,000 share purchase warrants valued at $8,358.

4. RESOURCE PROPERTIES - *continued*

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the La Esperanza project, subject to an NSR of up to 1%. The claims are located in Zacatecas State, Mexico. The Company has the right to acquire these claims by making option payments over a period of three years totalling US$150,000. During 2009, the Company extended the agreement one additional year in exchange for an additional payment of US$10,000, bringing the total payments due to the optionee to US$160,000 over a four-year period.

Tres Marias and Cebollas properties, Mexico

During 2003, the Company entered into an option agreement to earn up to a 75% interest in the Tres Marias and Cebollas gold-silver properties located in Durango State, Mexico. During 2007, the Company terminated work on these properties and wrote off all associated costs.

During 2008, the Company signed a letter agreement with Goldcorp Inc. to terminate the option agreement on the projects and issued 275,000 shares with a value of $8,250 *(Note 6)* to Goldcorp Inc. in full and final settlement of any obligations under the original option agreement. The Company wrote off costs totalling $9,124 relating to these properties in 2008.

Sandra project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In August 2008 the Company entered into a letter agreement with Pan American Silver Corp. ("Pan American"), followed by a final agreement in March 2009, providing an option for the Company to earn a 51% interest in Pan American's Escobar claims for US$1 million in exploration expenditures over three years. Upon the Company earning in, Pan American will have the option to back-in to a 51% interest in the combined claims of Pan American's Escobar project and the Company's Sandra project by paying the Company three times its exploration expenditures on the combined claims, forming a 51% Pan American and 49% Canasil joint venture. If the Company elects not to contribute its share of joint venture expenditures, Pan American may earn an additional 14% interest by completing a feasibility study, thereby taking its interest to 65%.

At the Company's option, Pan American may earn a further 15% interest for a total 80% interest by financing the Company's share of capital costs required to take the project through to production. If Pan American decides not to exercise its back-in right, it may sell its 49% interest in the Escobar claims to the Company for US$5 million in a combination of cash and shares paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims.

Other projects

The Company has staked other claims located in Durango and Sinaloa States, Mexico which include the Vizcaino, Carina, Nora, Los Azules, and the San Fransisco 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 claims. During 2008, the Company wrote off costs of $240,784 that were incurred on these other projects. The Company intends to maintain these claims in good standing and may return to explore these properties as future conditions permit.

4. RESOURCE PROPERTIES *- continued*

Additions for the period and cumulative expenditures as at December 31 are as follows:

2009	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 1,474	$ 1,474	$ 2,011,967
- Expenditure recoveries	-	(11,838)	(11,838)	(200,839)
Lil, Canada	-	1,130	1,130	1,130
- Expenditure recoveries	-	(1,067)	(1,067)	(1,067)
Vega, Canada	-	5,750	5,750	5,750
- Expenditure recoveries	-	(2,460)	(2,460)	(2,460)
Los Azules, Mexico	-	9,316	9,316	9,316
Sandra, Mexico	-	57,462	57,462	190,943
San Francisco, Mexico	-	1,330	1,330	1,330
Esperanza, Mexico	13,523	90,010	103,533	604,143
Colibri, Mexico	-	12,069	12,069	1,614,536
Salamandra, Mexico	-	24,422	24,422	898,872
- Expenditure recoveries	-	(12,286)	(12,286)	(18,682)
- Option payments received	-	-	-	(53,989)
Victoria, Mexico	-	50,721	50,721	157,256
- Expenditure recoveries	-	(29,014)	(29,014)	(113,848)
- Option payments received	-	-	-	(21,596)
Other, Mexico	-	42,162	42,162	82,977
	$ 13,523	$ 239,181	$ 252,704	$ 5,165,739

2008	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 42,729	$ 42,729	$ 2,010,493
- Expenditure recoveries	-	(189,001)	(189,001)	(189,001)
Lil, Canada	-	3,851	3,851	-
Vega, Canada	-	8,879	8,879	-
Tres Marias and Cebollas, Mexico	-	9,124	9,124	-
Los Azules, Mexico	-	22,914	22,914	-
Sandra and Nora, Mexico	-	17,194	17,194	133,481
San Francisco, Mexico	-	1,337	1,337	-
Esperanza, Mexico	-	58,047	58,047	500,610
Colibri, Mexico	-	464,982	464,982	1,602,467
Salamandra, Mexico	-	65,981	65,981	874,450
- Expenditure recoveries	-	(6,396)	(6,396)	(6,396)
- Option payments received	-	(53,989)	(53,989)	(53,989)
Victoria, Mexico	-	78,061	78,061	106,535
- Expenditure recoveries	-	(84,834)	(84,834)	(84,834)
- Option payments received	-	(21,596)	(21,596)	(21,596)
Other, Mexico	-	84,746	84,746	40,815
	$ -	$ 502,029	$ 502,029	$ 4,913,035

4. RESOURCE PROPERTIES - *continued*

During the years ended December 31, the Company recorded the following write-downs of its resource property costs:

	2009	2008
Lil, Canada	$ -	$ 8,809
Vega, Canada	-	59,855
Tres Marias and Cebollas, Mexico	-	9,124
Los Azules, Mexico	-	91,602
San Francisco, Mexico	-	5,634
Other, Mexico	-	74,884
	$ -	$ 249,908

With the exception of the Tres Marias and Cebollas projects, the Company intends to maintain these claims in good standing and may return to explore these properties as future conditions permit.

5. PROPERTY AND EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 31,686	$ -	$ 31,686	$ 31,686	$ -	$ 31,686
Automobile	27,730	19,645	8,085	27,730	16,180	11,550
Computer	14,729	11,033	3,696	14,729	8,010	6,719
Field equipment	31,971	18,188	13,783	31,971	12,280	19,691
Furniture and equipment	25,545	16,818	8,727	25,545	14,636	10,909
	$ 131,661	$ 65,684	$ 65,977	$ 131,661	$ 51,106	$ 80,555

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued and outstanding			
Balance, December 31, 2007	33,377,592	$ 10,471,289	$ 732,761
Private placement	500,000	125,000	-
Private placement	800,000	200,000	-
Issued for properties *(Note 4)*	275,000	8,250	-
Stock-based compensation *(Note 7)*	-	-	180,787
Balance, December 31, 2008	34,952,592	10,804,539	913,548
Warrants exercised	250,000	12,500	-
Private placement	6,300,000	311,250	-
Stock-based compensation *(Note 7)*	-	-	8,640
Balance, December 31, 2009	41,502,592	$ 11,128,289	$ 922,188

Private placements

In October 2009, the Company issued 6,300,000 units at a price of $0.05 per unit for gross proceeds of $315,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at $0.15 until October 13, 2010. The Company paid a finder's fee of $3,750.

In August 2008, the Company issued 800,000 units at a price of $0.25 per unit for gross proceeds of $200,000. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant exercisable at $0.35 per share until August 8, 2009.

In June 2008, the Company issued 500,000 shares at a price of $0.25 per share for gross proceeds of $125,000. The private placement was made in accordance with the option agreement on the Salamandra property *(Note 4)*.

Shareholder rights plan

A shareholder rights plan was adopted by the shareholders during fiscal 2007. The plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Pursuant to the terms of the plan, any bids that meet certain criteria intended to protect the interests of all shareholders are deemed to be "Permitted Bids". In the event that a bid, other than a Permitted Bid, to acquire 20% or more of the common shares is made, shareholders other than those involved in the take-over bid will be entitled to exercise rights to acquire common shares of the Company at a discount to the market price. The shareholders rights plan was approved at the Company's annual meeting in fiscal 2007, is required to be re-approved at the Company's annual meeting in 2010 and expires in April, 2012.

7. STOCK OPTIONS AND WARRANTS

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

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, 2007	4,088,675	$	0.47	2,833,750	$	0.37
Granted	400,000	$	0.35	100,000	$	0.25
Exercised	-	$	-	-	$	-
Expired	(2,088,675)	$	0.40	(650,000)	$	0.26
Outstanding, December 31, 2008	2,400,000	$	0.52	2,283,750	$	0.40
Granted (ii)	3,150,000	$	0.15	-	$	-
Exercised (i)	(250,000)	$	0.05	-	$	-
Expired	(2,150,000)	$	0.11	(350,000)	$	0.75
Outstanding, December 31, 2009	3,150,000	$	0.15	1,933,750	$	0.34
Currently exercisable	3,150,000	$	0.15	1,933,750	$	0.34

(i) During the period, 2,000,000 warrants with an exercise price of $0.55 were re-priced to $0.05 and the expiry date was extended from March 12, 2009 to March 31, 2009.

(ii) Should the trading price of the Company's shares exceed $0.30 for a period of ten consecutive trading days, then the Company has the right to accelerate the expiry date of the warrants upon 30 days written notice to the warrant holdings.

7. STOCK OPTIONS AND WARRANTS – *continued*

At December 31, 2009, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	743,750	$ 0.20	March 6, 2011
	150,000	$ 0.20	October 27, 2011
	75,000	$ 0.20	November 21, 2011
	865,000	$ 0.50	March 20, 2012
	100,000	$ 0.25	July 10, 2013
	1,933,750		
Warrants	3,150,000	$ 0.15	October 13, 2010

Stock-based compensation

The following table presents information relating to incentive stock options granted to directors, officers and consultants of the Company during the years ended December 31. Stock-based compensation is recorded over the vesting period.

	2009	2008
Total options granted	-	100,000
Average exercise price	$ -	$ 0.25
Estimated fair value of options granted	$ -	$ 17,280
Estimated fair value per option	$ -	$ 0.17

The fair value of the stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2009	2008
Risk-free interest rate	-	3.37%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	86%
Expected option life in years	-	5.00

The company has recorded stock-based compensation for the options that vested during the year as follows:

	2009	2008
Number of options vested in period	50,000	713,750
Compensation recognized in period	$ 8,640	$ 180,787

8. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties as follows:

a) Paid or accrued $96,000 (2008 - $96,000) for management fees to a company with a director in common;

b) Paid or accrued $11,318 (2008 - $23,683) for legal services to a law firm in which an officer of the Company is a partner;

c) Paid or accrued $40,000 (2008 - $40,000) in director fees to a director and to three companies, each controlled by a director;

d) Paid or accrued $18,000 (2008 - $18,000) in management fees to an officer.

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

As at December 31, 2009, a company controlled by a director had advanced a total of $145,000 (2008 - $110,000) to the Company. The advances are non-interest bearing, unsecured, due on demand, and have no fixed terms of repayment.

9. INCOME TAXES

The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended December 31 are as follows:

	2009	2008
Loss before income taxes for accounting purposes	$ (367,836)	$ (958,618)
Expected tax recovery for the year	(124,608)	(252,726)
Non-deductible expenses	(214,022)	90,481
Unrecognized benefit of non-capital losses	338,630	162,245
Tax recovery for the year	$ -	$ -

9. INCOME TAXES – *continued*

Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets and liabilities as at December 31 are as follows:

	2009	2008
Future Income Tax Assets		
Non-capital loss carry-forwards	$ 435,349	$ 371,745
Mineral property expenditures	520,356	538,458
Equipment	15,096	11,382
Share issuance costs	12,549	18,810
	983,350	940,395
Valuation allowance	(983,350)	(940,395)
Net future income tax assets (liabilities)	$ -	$ -

The Company's non-capital loss carry-forwards expire as follows:

Year of Expiry	Amount
2010	$ 117,000
2014	167,000
2015	162,000
2026	295,000
2027	221,000
2028	468,000
2029	312,000
	$ 1,430,000

The Company has approximately $4,300,000 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

10. CAPITAL DISCLOSURES

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year.

11. SEGMENTED INFORMATION

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

2009		Canada		Mexico		Total
Resource properties	$	1,814,481	$	3,351,258	$	5,165,739
Plant and equipment	$	17,793	$	48,184	$	65,977

2008		Canada		Mexico		Total
Resource properties	$	1,821,492	$	3,091,543	$	4,913,035
Plant and equipment	$	25,797	$	54,758	$	80,555

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the Company granted 1,675,000 five-year incentive stock options with an exercise price of $0.10.

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This Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("the Company") is dated April 14, 2010, and provides information on the Company's activities for the year ended December 31, 2009, and from the end of the 2009 fiscal year to the date of this report. The following discussion and analysis of the financial position of the Company should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2009.

Overview

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

During 2009 the company was affected by the negative environment for funding resource exploration companies due to the global financial conditions. As a result the Company focused on minimizing operating costs while maintaining its resource properties and assets in Mexico and British Columbia, Canada. During this year the Company pursued opportunities for joint venture cooperation to advance its mineral exploration projects, resulting in numerous visits to review the projects in Mexico. The Company also completed the final agreement with Pan American Silver Corp. to advance exploration on Pan American's Escobar and the Company's Sandra projects, and completed compilation and analysis of all data, including historical data, on the project area, outlining the potential for a large disseminated gold-silver mineralized system. During the fourth quarter of 2009 there was a marked improvement in the prices of precious and base metals and renewed interest in mineral exploration projects. The Company reviewed its mineral claim holdings in Mexico and as a result staked additional claims to expand the areas covered by the La Esperanza, Sandra-Escobar and Vizcaino projects to cover adjacent prospective areas. Deferred exploration and acquisition expenditures in Mexico during the year amounted to $259,715 (2008 - $635,571), net of $41,300 (2008 - $91,230) in expenditure recoveries from Blackcomb Minerals related to the Salamandra and Victoria option agreement. During the year the Company terminated the agreement with Blackcomb Minerals on the Salamandra and Victoria projects as Blackcomb did not fulfil the required first year expenditure commitment by March 19, 2009. There was no activity on the Company's projects in British Columbia during the year other than maintaining the claims in good standing. Total expenditures on the projects in British Columbia were $8,354 (2008 - $55,459).

In January 2009 the Company received a B.C. Mineral Exploration Tax Credit of $189,001 related to the Brenda project expenditures in 2007, and in December 2009 received a further $15,365 related to B.C. project expenditures in 2008. During the year the Company continued to receive payments for IVA tax claims receivable in Mexico. The Company received $12,500 from the exercise of warrants in March 2009. In October 13, 2009, the Company completed a private placement of 6,300,000 units at $0.05 for gross proceeds of $315,000.
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The Company exhibited at the Vancouver Mineral Exploration Roundup in January 2009, but did not undertake any other Investor Relations expenditures during the year. Investor Relations expenditures during the year were reduced to $3,257 (2008 - $69,559) and travel and conferences expenditures reduced to $1,745 (2008 - $52,353).

Mineral Properties

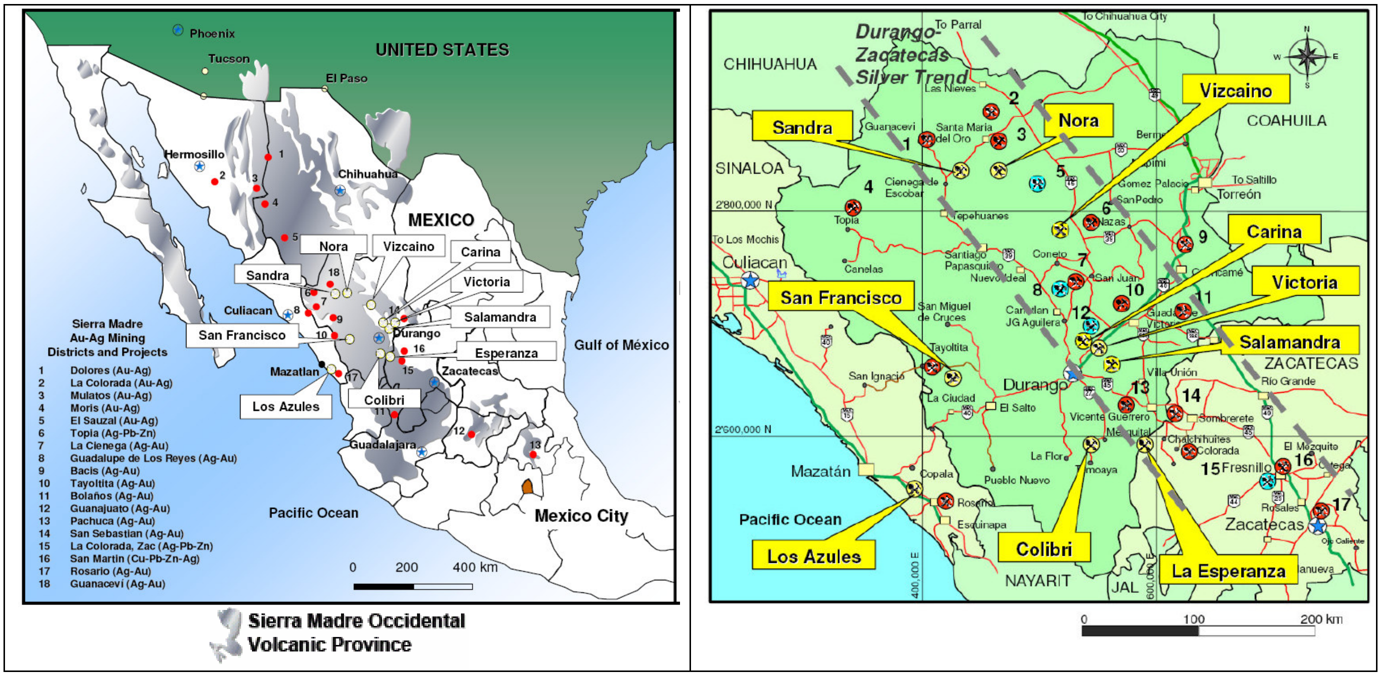
The Company has acquired the following mineral exploration projects in Mexico since 2005 and to the date of this report:

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

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

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

Exploration projects in Mexico



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

The Company has an option agreement to purchase a 100% interest in the original La Esperanza claims covering 435 hectares, subject to a NSR royalty of up to 1.0%, by making option payments over a period of four years totalling US$160,000. The claim area at the La Esperanza project has been increased through staking of claims to 16,910 hectares. The project is located on the border of Durango and Zacatecas States, 100 km south-southeast of the city of Durango. A Phase 1 diamond drill program consisting of 9 drill holes for a total of 1,432 metres was completed in 2006 and outlined a mineralized vein with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with a width of up to 10.30 metres carrying high-grade silver mineralization. Expenditures on the La Esperanza project during the year were $103,533 (2008 - $58,047).

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

The 100% owned Colibri claims cover 6,163 hectares, located 70 km southeast of the city of Durango. Geological mapping and surface sampling has identified and outlined a number of mineralized veins in the project area with a combined surface strike length of over 14 kilometres, indicating multiple targets for drill testing. The Company has completed 34 diamond drill holes for a total of 4,169 metres at the Colibri project.in late 2006, 2007 and 2008. The drill program returned high-grade mineralized intercepts from the central zone of the Linda vein containing copper, silver and zinc. Expenditures on the Colibri project during the year were $12,069 (2008 - $464,982).

Salamandra zinc-silver project, Durango State, Mexico

The Company has an option agreement to purchase a 100% interest in the central 900 hectares claims of the Salamandra project, subject to a Net Smelter Return royalty of 2%, by making option payments over a period of five years totaling US$500,000. The project area was expanded through staking of additional claims to a total of 2,778 hectares, and is located in Durango State, 35 km northeast of the city of Durango, with good access via paved and gravel roads. The Company has completed a 3-Dimensional Induced Polarization geophysical survey, geological mapping and surface sampling programs, and 12 diamond drill holes for a total of 3,595 metres. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones with higher grade silver and zinc intercepts of 2.40 metres to 11.60 metres with zinc grades between 0.55% and 12.00% and silver grades between 4 g/t and 102 g/t, within wider mineralized sections of 20 - 45 metres in width grading from 0.32% -1.08% zinc and 2 g/t – 45 g/t silver. The mineralized zones identified to date appear to be part of a potentially large mineralized system, which is open along strike and to depth, only a small part of which has been explored to date.

In March 2008, the Company entered into an Option and Joint Venture Agreement with Blackcomb Minerals Inc. providing for Blackcomb to earn a 60% interest in the Salamandra and Victoria projects against exploration expenditures of US$7 million and cash payments of US$375,000 over a period of 6 years. The agreement required a minimum expenditure of US$1 million in the first year. Blackcomb Minerals did not fulfill the first year expenditure requirement, and the agreement was terminated in March 2009. Total expenditures on the Salamandra project during the year were $24,422 (2008 – $65,981) with $12,286 (2008 - $6,396) in expenditure recoveries received from Blackcomb Minerals during the year.

Victoria zinc-silver claim area, Durango, Mexico

The Victoria project claim area was reduced in 2009 from 150,000 hectares to 45,000 hectares. The claim area stretches from the Salamandra project in the south to the Carina project in the northeast. In 2007 the Company completed an initial regional evaluation program, including satellite imaging and on-site geological evaluation to select potential target areas within the Victoria claim region. In March 2008 the Victoria claims were optioned to Blackcomb Minerals Inc. as part of the Option and Joint Venture Agreement covering the Salamandra project, which was terminated in March 2009. Expenditures on the Victoria project in 2009 were $50,721 (2008 – $78,061) and expenditure recoveries of $29,014 (2008 - $84,834) were received from Blackcomb Minerals during the year.

Sandra silver-gold project, Durango State, Mexico

The 100% owned Sandra project cover 5,512 hectares, located 183 km north of the city of Durango in Durango State, Mexico. The Company is advancing exploration on the Sandra project together with the adjoining 634 hectares Escobar claims of Pan American Silver following an agreement with Pan American Silver (described below). The Company has compiled a database of surface sampling and geological mapping data from the Company's past exploration program, data provided by Pan American Silver, and historical data from a number of companies which had been active in the project area in the past. Analysis of this data has outlined a high level Gold-Silver system on the Sandra claims and the adjoining Escobar claims of Pan American Silver. The mineralized system is centered on a large altered rhyolite dome complex, with surrounding argillic and potassic alteration zones with extensive evidence of gold, silver and base metal mineralization. These features are indicative of a disseminated gold-silver system, similar to other large bulk tonnage gold-silver-base metal deposits associated with altered intrusive complexes located in a well recognized trend in Durango State. The Sandra claim area was increased by 2,000 hectares during the year to cover prospective alteration zones in the southwest of the project area. Expenditures on the Sandra project during the year were $57,462 (2008 - 17,194).

The agreement with Pan American Silver Corp. provides for the Company to earn an initial 51% interest in Pan American's Escobar claims. Following the earn-in Pan American may back-in to a 51% interest in the combined Sandra and Escobar claims by paying three times exploration expenditures on the combined claims, forming a 51% Pan American 49% Canasil joint venture. If the Company elects not to contribute its share of joint venture expenditures, Pan American may earn an additional 14% interest by completing a feasibility study, thereby taking its interest to 65%. At the Company's option, Pan American may earn a further 15% interest for a total 80% interest by financing the Company's share of capital costs required to take the project through to production. If Pan American decides not to exercise its back-in right, it may sell its 49% interest in the Escobar claims to the Company for US$5 million in a combination of cash and shares paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims. The formal agreement was completed and signed during the year.

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

The Company holds a 100% interest in the Los Azules claims in Sinaloa State, Mexico, covering 4,531 hectares. The claims host prospects for epithermal vein type mineralization carrying gold, silver and copper. The Los Azules property is located 60 km southeast of the city of Mazatlan. In 2006 the Company completed a prospecting and sampling program at Los Azules to identify potential mineralized structures. This has been followed up with further mapping and evaluation in April 2008. Some of the vein structures have returned gold, silver and copper values, which require further sampling and investigation. Expenditures during 2009 at Los Azules were $9,316 (2008 - $22,914). Cumulative expenditures of $91,602 were written off at year-end 2008.

San Francisco gold-silver project, Durango, Mexico

The San Francisco property, covering 500 hectares, is located approximately 104 km west of the city of Durango in the San Dimas mining district of Durango, 14 km southeast of the Goldcorp's Tayoltita mine. 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. Expenditures on the San Francisco project during the year were $1,330 (2008 - $1,337). Cumulative expenditures of $5,634 were written off at year-end 2008.

Other Projects, Durango, Mexico

In June 2008 the Company acquired new projects in Mexico through the staking of claims. These were evaluated in 2008 and 2009 and two projects, Vizcaino and Carina retained for further exploration. In the fourth quarter of 2009 the claim area at Vizcaino was expanded by 3,000 hectares. Expenditures on these projects during the year were $42,162 (2008 - $84,746). Cumulative expenditures of $65,763, related to the El Eden project, were written off at year-end 2008.

Vizcaino Project, Durango, Mexico

The Vizcaino project covers 600 hectares, located 127 kilometers north of the city of Durango, in Durango State.The project area was increased to 3,600 hectares during the year. The project is located 38 kilometers southeast of Silver Standard Resources La Pitarrilla deposit and 42 kilometers north of the San Augustin deposit, both major recent discoveries. The Vizcaino project hosts a prominent quartz vein, which can be traced on the surface for over 2 kilometres with widths of over 1 metre and up to 12 metres. The exposed vein is composed of fine grained chalcedonic quartz with a classic banded structure indicative of the upper levels of a strong epithermal vein system.

A surface sampling and mapping program has been completed over the claim area with 99 samples covering the vein outcrops and surrounding area. Surface sampling returned anomalous gold values between 32 ppb and 141 ppb in 20 samples taken from vein outcrops at the higher elevations (2,300 m to 2,350m) on the flank of the hills on the SE end of the Pamplona vein over strike distance of 1,000 m. Sampling at the NW end, where the vein outcrops from the farmer's fields at a lower elevation (2,250 m), returned consistently higher anomalous gold values between 161 ppb to 667 ppb in 9 samples over a strike distance of approximately 400 m. This indicates increasing gold values with depth, consistent with the textures observed in the vein outcrops characteristic of the higher elevations of an epithermal system. Further exploration work consisting of trench sampling, fluid inclusion studies and possibly 3D-IP geophysics and Magnetic surveys would provide additional data to define drill targets for future exploration. A diamond drill program is warranted to test this mineralization at depth.

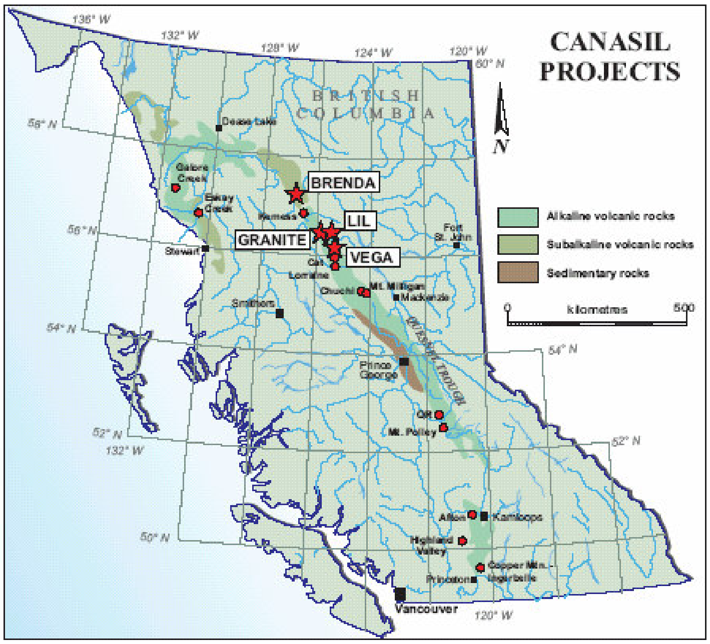
Carina Project, Durango, Mexico

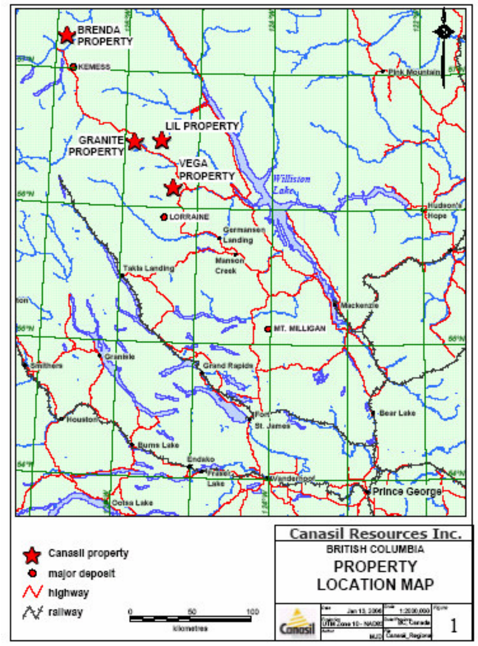
The Carina project covers 2,939 hectares, located 45 kilometers northeast of the City of Durango, in Durango State. The project lies 6.5 kilometres southwest of the La Preciosa project of Orko Silver, another major recent discovery. The area has excellent road access and infrastructure.

A number of quartz veins, breccias and stockwork zones are observed in the project area, hosted by rhyolites, andesites and sediments. The main vein system strikes NW-SE and is composed of a series of parallel quartz and fluorite veins with bladed textures and widths of 1.5 metres to 2.5 metres. A broad area of quartz stockwork and breccia structures hosted by tuffaceous rhyolites is observed over an area of 100 metres by 300 metres.

A surface sampling and geological mapping program has been completed over an area of 500m by 800m covering the veins and stockwork zone with a total of 170 samples. The surface sampling program has shown consistently anomalous gold and silver values. The results are characteristic of a high level epithermal system with potential that extends beyond the outcropping mineralization. Further exploration work consisting of trench sampling, fluid inclusion studies and 3D-IP geophysics and Magnetic surveys would provide significant additional data regarding potential mineralization at depth and define drill targets for future exploration. The samples results indicate the high levels of an epithermal system, which should be tested with diamond drilling.

Exploration projects in British Columbia, Canada





Brenda gold-copper property, British Columbia, Canada

The Company's 100% owned Brenda property consists of 178 claim units, covering 4,450 hectares. The project is located in the Kemess-Toodoggone porphyry copper-gold district, approximately 450 km northwest of Prince George, B.C. The Brenda property is an advanced gold-copper exploration project with over $3,500,000 in cumulative exploration expenditures covering geologic mapping, geochemistry, ground and airborne geophysics, satellite imaging and over 9,700 metres of drilling in 63 drill holes.

These programs have identified the potential for a deep porphyry gold-copper system at the Brenda project. The increasing gold and copper grades at depth observed in drilling to date, and the strength of the highly altered mineralized structure observed in the drill core, in conjunction with the strong anomalies observed in the geophysical survey, are highly encouraging and indicate the potential for a large deep-seated gold-copper porphyry system at the Brenda project. The mineralized system averages 300 to 400 metres in width, and has been traced along a strike length of 400 meters by drilling, with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in the 3-Dimensional Induced Polarization geophysical survey. A deeper sensing geophysical survey, which can penetrate to 1,000 metres depth, as well as deeper drilling to extend some of the existing drill holes may be used in a future program for further definition of the structure at depth. The Brenda mineral claims are valid to May 30, 2018, and expenditures during the year were $1,474 (2008 - $42,729). In January 2009 the Company received a Mineral Exploration Tax Credit of $189,001 related to exploration expenditures on the Brenda project in 2006 and 2007, and in December 2009 received a further credit of $11,838 related to expenditures in 2008.

Vega gold-copper, LIL silver and Granite gold properties, British Columbia, Canada

The 100% owned Vega claims are located in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George. Access to the property is via the Omineca Mines Access Road and logging roads. The claim area covers 6,716 hectares. Expenditures for maintenance of the Vega project during the year were $5,750 (2008 - $8,879). The Company wrote off $59,855 in cumulative exploration expenditures on the Vega project at year-end 2008.

The 100% owned LIL claims, covering 875 hectares, are located in the Omineca Mining Division, 350 km northwest of Prince George, British Columbia. The Lil claims were maintained through payment of $1,130 (2008 - $3,851). The Company wrote off $8,809 in cumulative exploration expenditures on the Lil project at year-end 2008.

The 100% owned Granite gold-silver claim, covering 500 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, is located 360 km northwest of Prince George. There were no expenditures on the Granite property during the year.

Results of Operations

Results of Operations for year ended December 31, 2009 and 2008

Operating expenses for 2009 were significantly reduced to $368,820 (2008 - $720,100) and the Company earned interest income of $984 (2008 - $11,390). The operating expenses for 2009 include non-cash Stock-Based Compensation of $8,640 (2008 - $180,787). Net operating expenditures excluding amortization and Stock-Based compensation were $345,602 (2008 - $519,709). During 2009, Management and Directors fees were $154,000 (2008 - $154,000) and expenditures on Investor Relations and Conferences and Conventions were $5,002 (2008 - $107,082). Accounting and audit fees were $34,575 (2008 – $47,553), office services and supplies $60,989 (200 - $69,704), and travel and accommodation expenses decreased to $Nil (2008 - $14,830). In 2009, the Company recorded a foreign exchange loss of $17,221 (2008 – $10,282) resulting from exchange rate fluctuations between the Canadian Dollar, the U.S. Dollar, and the Mexican Peso. In 2009 the Company wrote off $Nil (2008 - $249,908) of deferred exploration expenditures on resource properties.

Net cash used for operating activities, before changes in non-cash working capital items, during 2009 was $344,618 (2008 - $508,319). The decrease in Accounts Receivable of $230,645 (2008 – increase of $152,746) resulted from the collection of the Mineral Exploration Tax Credit of $189,001, GST refunds due in Canada, and IVA tax refunds in Mexico. Accounts Payable and Accrued Liabilities (Trade) also decreased by $20,845 (2008 – decrease of $68,332) and amounts due to related parties increased by $134,940 (2008 – increase of $220,060). Cash used for investing activities decreased to $268,458 (2008 - $514,653) reflecting the lower level of exploration expenditures in 2009. Net cash flow from financing activities was $358,750 (2008 - $765,000).

Selected Annual Information

The information in the following table provides selected audited financial information of the Company for 2009 and the two preceding financial years. This information is derived from the audited financial statements and should be read in conjunction with those statements and notes.

The loss for the year decreased over the past three years reflecting the Company's lower level of exploration and operating activities due to the global economic downturn, low share prices and difficulties in financing mineral exploration programs. In 2007 and 2008 the loss also included stock-based compensation and mineral property expenditure write-offs as indicated.

Year Ended December 31	2009	2008	2007
Total Revenue	Nil	Nil	Nil
Loss for the year	$(367,836)	$(958,618)	$(1,246,447)
Loss per share – basic and diluted	$(0.01)	$(0.03)	$(0.04)
Total Assets	$5,385,159	$5,306,510	$5,590,363
Long Term Financial Liabilities	$Nil	$Nil	$Nil
Cash Dividends per Share	$Nil	$Nil	$Nil
Shareholders' Equity	$4,980,180	$5,015,626	$5,460,207
Working Capital	$(271,536)	$2,036	$686,088
Stock-Based Compensation	$8,640	$180,787	$218,286
Write-off of Mineral Property Costs	$Nil	$249,908	$413,012

Summary of Quarterly Information

The following table provides selected financial information of the Company for each of the last eight quarters:

Year	2009				2008			
Quarter ended:	**Dec. 31**	**Sept. 30**	**Jun. 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	**Jun. 30**	**Mar 31**
Loss before other items	(70,752)	(79,632)	(75,946)	(132,866)	(102,007)	(138,765)	(154,586)	(132,565)
Stock-based compensation	-	-	(4,320)	(4,320)	(33,567)	(58,155)	(35,231)	(53,834)
Write-off of resource properties	-	-	-	-	(249,908)	-	-	-
Loss for the quarter	(70,752)	(79,632)	(80,266)	(137,186)	(385,482)	(196,920)	(189,817)	(186,399)
Loss per share: basic and diluted	(.002)	(0.002)	(0.002)	(0.004)	(0.011)	(0.006)	(0.006)	(0.006)
Weighted-average shares	36,522,455	35,202,592	35,202,592	34,955,370	34,004,368	34,347,157	33,531,438	33,377,592

Discussion of Quarterly Information

The Company experienced a significantly lower level of exploration and operating activity in 2008 and 2009, which is reflected in lower levels of administrative expenses and operating losses from 2008 to 2009. The operating losses in 2009 were lower than in 2008 due to a generally lower level of operating expenditures, particularly on Investor Relations, Conferences and Travel, Stock Based Compensation and there were no property write-downs in 2009. The loss for the quarter ending March 31, 2008 was reduced due to a foreign exchange gain of $11,530.

Fourth Quarter

The Company reported a loss during the fourth quarter of $70,752 or $0.002 per share. The current fourth quarter loss compares to a loss of $385,482 or $0.011 per share in the fourth quarter of 2008. The significant variance in these fourth quarter results is the write-down of mineral properties of $249,908 in 2008 whereas there was no write-down in 2009. There was also no Stock Based Compensation in the fourth quarter of 2009, compared to $33,567 in the fourth quarter of 2008. Excluding these items, the the quarterly loss for 2009 is $70,752 compared with $102,007 in the fourth quarter of 2008, resulting from continued efforts to reduce operating expenses.

Liquidity and Capital Resources

The Company is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in securing the required financing. The Company had a working capital deficiency at December 31, 2009 of $271,536 (December 31, 2008 - $2,036 positive working capital), which included $355,000 in Accounts Payable and Amounts Due to Related Parties. Excluding amounts due to related parties the working capital was $83,464.

The Company had no material income from operations. As at December 31, 2009, the Company had no long-term debt. In 2008 and 2009 the Company received total advances of $145,000 from a related party without interest or specific terms of repayment, and recorded $210,000 in accounts payable to related parties for management and directors' fees. In 2009 the Company experienced positive cash flow of $71,797 (2008 – negative $350,057) from operating, investing and financing activities. This included net cash used in operating activities of $18,495 (2008 – $600,404*)*, net cash used in investing activities of $268,458 (2008 - $514,653), and net cash provided by financing activities of $358,750 (2008 – $765,000).

The Company has option agreements that require certain future cash payments to maintain its interest in mineral properties, however, these payments can be made at the discretion of the Company and are not firm commitments. The Company will require additional funding for exploration and operating expenditures through 2010. Given the downturn in the financial and metals markets in 2008 and 2009, the Company has identified certain conditions that cast considerable doubt upon its ability to continue as a going concern (see note 1 to December 31, 2009 audited consolidated financial statements). However, management believes that the Company will be able to continue as a going concern through a combination of managing the rate of exploration activity, and by raising additional equity funds in light of improving market conditions and greater interest in funding mineral exploration activities in late 2009 and to date in 2010.

Canasil Resources Inc. - Resource Properties Expenditures 12/31/2009

	Canada			Mexico								
	Brenda	Lil	Vega	Cebollas	Los Azules	Sandra	Francisco	Esperanza	Colibri	Salamandra	Victoria	Other	Total
Total as at Dec. 31, 2007	1,967,764	4,958	50,976	-	68,688	116,287	4,297	442,563	1,137,485	808,469	28,474	30,953	4,660,914
Acquisition/Option Pmnts.													
Administration					418	655	357	3,172	22,657	4,990	1,439	11,876	45,564
Assays					406				18,509	1,835		18,354	39,104
Consulting	4,514				2,045	9,959	107	8,249	63,267	17,665		19,590	125,396
Drilling									238,110				238,110
Field costs					42	11		3,481	21,328	3,218		2,890	30,970
Geology	904			874	7,,554	1,989		5,700	39,445	17,114	331	18,560	92,471
Geophysical	24,769	-	-	-	-	-	-	-	-	-	-	792	25,561
Land holding costs	5,345	3,851	8,879	8,250	8,728	4,367	660	22,198	25,650	19,768	75,567	9,478	192,741
Legal	-	-	-	-	213	213	213	8,733	2,111	-	724	426	12,633
Mapping and surveying	6,850	-	-	-	-	-	-	-	5,003	263	-	-	12,116
Road building	-	-	-	-	-	-	-	5,869	21,472	-	-	77	27,418
Transportation / rentals	-	-	-	-	903	-	-	478	5,699	1,063	-	1,004	9,147
Travel / accommodation	347	-	-	-	2,605	-	-	167	1,731	65	-	1,701	6,616
Total expenditures - 2007	42,729	3,851	8,879	9,124	22,914	17,194	1,337	58,047	464,982	65,981	78,061	84,747	857,845
Write-down		(8,809)	(59,855)	(9,124)	(91,602)		(5,634)					(74,884)	(249,908)
Expenditure recoveries	(189,001)									(6,396)	(84,834)		(280,231)
Cash payments	-	-	-	-	-	-	-	-	-	(53,989)	(21,596)	-	(75,585)
Total as at Dec 31, 2008	1,821,492	-	-	-	-	133,481	-	500,610	1,602,467	814,065	105	40,816	4,913,035
Acquisition/Option Pmnts.	-	-	-	-	-	-	-	13,533	-	-	-	-	-
Administration	-	-	-	-	37	14,779	-	5,475	615	2,180	1,017	7,306	44,931
Assays	-	-	-	-	-	66	-	378	-	561	-	-	1,005
Consulting	-	-	-	-	976	5,713	300	1,482	2,826	3,338	4,172	9,411	28,218
Drilling	-	-	-	-	-	-	-	-	-	-	-	-	-
Field costs	-	-	-	-	33	4,044	-	7,024	1,864	6,536	21	2,272	21,794
Geology	1,159	-	-	-	61	22,926	67	29,617	61	4,594	1,393	14,097	73,969
Geophysical	-	-	-	-	-	-	-	-	-	-	-	1,647	1,647
Land holding costs	-	1,130	5,750	-	7,878	5,926	963	42,649	6,288	3,568	43,570	6,381	124,103
Legal	-	-	-	-	331	1,257	-	415	415	587	547	254	3,806
Mapping and surveying	315	-	-	-	-	-	-	-	-	2,958	-	-	3,285
Road building	-	-	-	-	-	-	-	-	-	-	-	781	781
Transportation / rentals	-	-	-	-	-	2,531	-	2,789	-	100	-	13	5,433
Travel / accommodation	-	-	-	-	-	220	-	163	-	-	-	-	396
Total expenditures 2009	1,474	1,130	5,750	-	9,316	57,462	1,330	103,533	12,069	24,422	50,721	42,162	309,369
Write-downs													
Expenditure recoveries	-11,838	-1,067	- 2,460							-12,286	-29,014		-56,665
Total as at Dec 31, 2009	1,811,128	63	3,290	-	9,316	190,943	1,330	604,143	1,614,536	826,201	21,812	82,977	5,165,739

Other Information and Disclosures

Related Party Transactions

During the year the Company paid or accrued a total of $165,318 (2008 - $177,683) to related parties covering directors' and management fees and legal services as listed below. The decrease in 2009 is due to lower legal services and share issuance costs experienced in the current year. The Company relies heavily on its directors and officers for many of its administrative and professional services.

a) Paid or accrued $96,000 (2008 - $96,000) for management fees to a company with a director in common;
b) Paid or accrued $11,318 (2008 - $23,683) for legal services and share issue costs to a law firm in which an officer of the Company is a partner;
c) Paid or accrued $40,000 (2008 - $40,000) in director fees to a director and to three (2007 – two) companies, each controlled by a director;
d) Paid or accrued $18,000 (2008 - $18,000) in management fees to an officer.

Included in accounts payable at December 31, 2009 is $210,000 (December 31, 2008 - $110,060) due to these related parties. During 2008 and 2009, a company controlled by a director advanced $145,000 to the Company. The advance is unsecured, due on demand, and has no fixed terms of repayment.

Changes in Accounting Policies

There were no changes in accounting policies during the year ended December 31, 2009, however, Section 3862 - *Financial Instruments* – Disclosures, was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The amendment to this standard had no significant affect upon the Company's financial statements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. The most significant accounting estimates for the Company relate to the carrying value of its mineral property assets and accounting for stock-based compensation. The Company's accounting policies are set out in full in note 2 to the December 31, 2008 audited consolidated financial statements.

Mineral Property Costs

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

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

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

The Company's Management regularly reviews the carrying value of each mineral property. Where information and conditions suggest that there has been impairment in their carrying value, management assesses the project for impairment and records a write-down to the estimated fair value in the statement of operations. During 2008, the Company recorded write-downs of $249,908 relating to certain small projects in Canada and Mexico that the Company has no current plans to advance.

With the downturn in the financial and metals markets, and a decline in the Company's share price during 2008 and 2009, management considered whether these declines constituted triggering events that would require management to test its remaining mineral properties for impairment at year-end. Management considered it appropriate to review the Company's other properties for impairment by assessing whether fair value was less than carrying value. Since none of the Company's properties have identified reserves, management considered cost to be a reasonable approximation of fair value, as costs incurred were relatively current, work to date produced results that indicated further work on the property was warranted, and management planned to continue to explore the property on its own or through joint venture or farm-out agreements. Management is satisfied that all of these properties are of merit and warrant further exploration. Despite the difficulty that junior exploration companies have raising equity finances in the current market, the Company is optimistic that it will be able to raise sufficient funds to advance the properties in due course. Based on this assessment, management concluded that no further impairment charge was required as at December 31, 2009.

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

Financial Instruments

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and due to related party. Cash is classified under Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner. At December 31, 2009, the Company held the equivalent of $4,064 in cash, $42,281 in accounts receivable, and $5,455 in accounts payable, all of which are denominated in pesos.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-orientated enterprises for interim and annual financial statements effective January 1, 2011. Accordingly, the Company will prepare its financial statements for fiscal 2010 using Canadian GAAP. In 2011, the Company will present its fiscal 2011 financial statements, with comparatives for fiscal 2010, using IFRS.

The company is currently in the initial assessment and scoping phase of its IFRS change-over process. In this phase, the Company is identifying significant differences between existing Canadian GAAP and IFRS; identifying policy choices and changes required to the Company's current accounting policies; and assessing the impact of such choices and changes, including the impact of adopting IFRS 1 – *First Time Adoption of IFRS*. At the end of this phase, the Company will make specific accounting policy changes. Such choices will be made in consultation with the audit committee and will be based on improving the overall usefulness of our financial statements and comparability with our industry peers.

Upon completion of this phase, the Company will move into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. The Company will also design model IFRS financial statements. These tools and the model IFRS financial statements will be tested and run parallel during 2010 to ensure a smooth and accurate change-over in 2011.

The Company expects to complete the initial assessment and scoping phase during 2010. Although its impact assessment activities are underway, continued analysis and discussion is required before the Company can prudently disclose change-over accounting policy differences. Due to the small and simple organizational, administrative and accounting structure of the Company, management is confident that once the policy choices are finalized, the implementation phase could be completed by mid-2010.

To date, management has identified a number of differences between Canadian GAAP and IFRS, many of which are not expected to have a material impact on the reported results and financial position of the Company. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During 2010, management will meet with the Audit Committee and the Board of Directors to finalize key issues and transitional choices under IFRS 1 applicable to the Company. Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences. Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the straight line method; however it intends to apply the accelerated amortization method in fiscal 2010 and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is expecting to use an estimate of forfeitures when determining the number of equity instruments expected to vest during fiscal 2010. Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or disregard the IASB Framework and keep the existing Company policy, if relevant and reliable. Management has yet to decide on whether or not to fully adopt IFRS 6, "Exploration and Evaluation of Mineral Properties," and apply the IASB framework.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements. As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company has not yet assessed the impact of implementing IAS 12, Income Taxes, on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

General

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more detail than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

Disclosure for Venture Issuers without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's audited financial statements for the year ended December 31, 2009, provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

Outstanding Share Data

Shares

The Company's authorized share capital consists of an unlimited number of common shares. As at December 31, 2009 the Company had 41,502,592 common shares issued and outstanding (diluted – 46,586,342) compared to 34,952,592 common shares issued and outstanding (diluted – 39,636,342) as at December 31, 2008. In March 2009, 250,000 shares were issued at $0.05 on the exercise of warrants, and in October 2009, the Company completed a private placement of 6,300,000 units at $0.05 per unit for gross proceeds of $315,000. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable at $0.15 per share within October 13, 2010. The change in the number of diluted shares outstanding also reflects the expiry of 2,150,000 warrants, the addition of 3,150,000 warrants pursuant to the private placement, and the expiry of 350,000 options during 2009.

From December 31, 2009 to the date of this report the Company granted 1,675,000 options at $0.10 to Directors, management and consultants. This increased the number of diluted shares to 48,261,342 as at the date of this report.

Options

As at December 31, 2009, a total of 1,933,750 incentive stock options were outstanding.

Number of Shares	Exercise Price	Expiry Date
743,750	$ 0.20	March 6, 2011
150,000	$ 0.20	October 27, 2011
75,000	$ 0.20	November 21, 2011
865,000	$ 0.50	March 20, 2012
100,000	$ 0.25	July 10, 2013
1,933,750		

Warrants

As at December 31, 2009, a total of 3,150,000 share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
3,150,000	$ 0.15	October 13, 2010
3,150,000		

Escrow

There are no shares subject to escrow or pooling arrangements.

Investor Relations

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations. During the year the Company exhibited at the Vancouver Mineral Exploration Roundup in January 2009. Investor relations expenditures and participation in industry conferences were cut back in order to reduce costs due to the negative industry and financial environment in 2009.

Recent developments

Subsequent to December 31, 2009, to the date of this report, the Company granted 1,675,000 five-year incentive stock options at an exercise price of $0.10 to directors, officers and consultants.

The Company also announced a non-brokered private placement of 3,000,000 units at an exercise price of $0.10 per unit for gross proceeds of $300,000. Each unit will consist of one common share of the Company and one-half of one share purchase warrant; each full Warrant will entitle the holder to purchase one common share of the Company at a price of $0.15 within one year of closing. If, beginning six months following the closing of the private placement, the closing price of the Company's shares equals or exceeds $0.30 per share for a period of ten consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants by giving the Warrant-holders at least 30 days' written notice. A commission or finder's fee may be paid with respect to all or part of this placement. The terms of the placement are subject to acceptance by the TSX Venture Exchange.

General Conditions Affecting the Company's Operations

General Trends

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

During the fourth quarter of 2008 there was a marked deterioration in global economic conditions due to the financial and banking crisis in the U.S. and its effects on the global economy. These conditions resulted in a sharp decrease in the price of commodities and precious and base metals as well as sharp drops in all stock markets and loss of confidence in the investment sector. For the mineral exploration industry, these conditions continued through to the third and fourth quarter of 2009, when gradually improving economic conditions resulted in increasing precious and base metal prices and a renewed interest in funding mineral exploration companies. There has been an overall improvement in the share prices of mining andl mineral exploration companies, initially for larger companies and advanced explorers and later in the year for junior explorers.

Competitive Conditions

The outlook for acquisition and development of natural resource projects had deteriorated due to the global financial crisis in late 2008 and first half of 2009. However these conditions started showing some improvement in the second half of 2009 and appear to be continuing to improve. The lower level of exploration activity has resulted in greater availability and generally lower prices for mineral exploration services.

Environmental Protection

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

Number of Employees

As of December 31, 2009, the Company had no employees. All administrative and certain geological services are provided to the Company by consultants or companies controlled by related parties.

Acquisition and Disposition of Resource Properties

During the year, the Company acquired though staking of claims a further 10,200 hectares at the La Esperanza project, 2,000 hectares at the Sandra-Escobar project, and 3,000 hectares at the Vizcaino project, all in Durango State, Mexico, as described above. The Victoria project claims were reduced to 45,000 hectares to reduce the carrying costs. Subsequent to the year-end the Victoria project claims were further reduced to 21,000 hectares covering areas surrounding the Salamandra and Carina projects.

Risk Factors Relating to the Company's Business

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

Precious and Base Metal Price Fluctuations

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

Operating Hazards and Risks

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

Exploration and Development

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

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

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

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery

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

Government Regulation

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

Environmental Factors

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

Title to Assets

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

Foreign Operations

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

Management and Directors

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

Conflicts of Interest

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

Limited Operating History - Losses

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of December 31, 2009, the Company's accumulated deficit was $7,070,297.

Price Fluctuations and Share Price Volatility

In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During 2009, and to the date of this report, the price of the Company's shares fluctuated from a low of $0.025 to a high of $0.16 per share. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Future Issuance - Dilution

As at December 31, 2009, a total of 41,502,592 common shares of the Company were issued and outstanding. There were 1,933,750 stock options and 3,150,0000 share purchase warrants outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders.

Forward-Looking Statements

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

Approval

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

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