# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**JUNE 30, 2015**

**Expressed in Canadian Dollars**

**Unaudited**

*NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS*

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

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

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

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

*August 31, 2015*

915-700 West Pender Street, Vancouver, B.C. V6C 1G8
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**CANASIL RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

Expressed in Canadian Dollars
*Unaudited*

| **ASSETS** | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Current** | | | | |
| Cash *(Note 6)* | $ | 242,991 | $ | 125,226 |
| Receivables *(Note 6)* | | 235,087 | | 458,930 |
| Prepaid expenses | | - | | 4,914 |
| | | 478,078 | | 589,070 |
| **Reclamation bonds** | | 28,000 | | 28,000 |
| **Property and equipment** | | 51,305 | | 54,568 |
| | $ | 557,383 | $ | 671,638 |

| **LIABILITIES** | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Accounts payable and accrued liabilities *(Note 6)* | $ | 170,598 | $ | 110,046 |
| Accounts payable and accrued liabilities – related parties *(Note 7)* | | 187,519 | | 210,864 |
| Due to related parties *(Note 7)* | | 370,000 | | 185,000 |
| | | 728,117 | | 505,910 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| **Share capital** *(Note 4)* | | 17,418,851 | | 17,418,851 |
| **Subscriptions received in advance** *(Note 4)* | | 37,500 | | - |
| **Convertible debenture** *(Note 6)* | | 3,333,089 | | 3,179,030 |
| **Contributed surplus** | | 1,640,077 | | 1,640,077 |
| **Deficit** | | (22,600,251) | | (22,072,230) |
| | | (170,734) | | 165,728 |
| | $ | 557,383 | $ | 671,638 |

**Nature and continuance of operations** *(Note 1)*
**Subsequent events** *(Note 9)*

ON BEHALF OF THE BOARD:

*"Iain MacPhail"*, Director

*"Michael McInnis"*, Director

- See Accompanying Notes -

**CANASIL RESOURCES INC.**

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

Expressed in Canadian Dollars
*Unaudited*

| | Number of Shares | Share Capital *(Note 4)* | Convertible Debenture *(Note 6)* | Contributed Surplus *(Note 5)* | Subscriptions Received in Advance *(Note 4)* | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance – December 31, 2013** | 77,867,873 | $ 17,159,791 | $ - | $ 1,622,649 | $ - | $ (18,494,774) | $ 287,666 |
| Private placement | 370,000 | 33,300 | - | - | - | - | 33,300 |
| Convertible debenture | - | - | 2,389,220 | - | - | - | 2,389,220 |
| Share-based compensation | - | - | - | 17,428 | - | - | 17,428 |
| Comprehensive loss for the period | - | - | - | - | - | (2,376,891) | (2,376,891) |
| **Balance – June 30, 2014** | 78,237,873 | $ 17,193,091 | $ 2,389,220 | $ 1,640,077 | $ - | $ (20,871,665) | $ 350,723 |
| Warrants exercised | 2,821,999 | 225,760 | - | - | - | - | 225,760 |
| Convertible debenture | - | - | 789,810 | - | - | - | 789,810 |
| Comprehensive loss for the period | - | - | - | - | - | (1,200,565) | (1,200,565) |
| **Balance – December 31, 2014** | 81,059,872 | 17,418,851 | 3,179,030 | 1,640,077 | - | (22,072,230) | 165,728 |
| Subscriptions received | - | - | - | - | 37,500 | - | 37,500 |
| Convertible debenture | - | - | 154,059 | - | - | - | 154,059 |
| Comprehensive loss for the period | - | - | - | - | - | (528,021) | (528,021) |
| **Balance – June 30, 2015** | 81,059,872 | $ 17,418,851 | $ 3,333,089 | $ 1,640,077 | $ 37,500 | $ (22,600,251) | $ (170,734) |

- See Accompanying Notes -

**CANASIL RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars

*Unaudited*

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Expenses** | | | | |
| Accounting and audit | $ 6,517 | $ 9,970 | $ 14,917 | $ 17,470 |
| Conferences and conventions | - | - | 924 | 4,332 |
| Depreciation | 1,632 | 2,096 | 3,263 | 4,192 |
| Exploration and evaluation *(Note 3)* | 33,222 | 776,962 | 345,447 | 2,097,963 |
| Foreign exchange loss (gain) | 16,842 | 3,438 | (3,563) | 14,130 |
| General exploration | - | 925 | - | 2,184 |
| Interest income | (3,358) | (4,574) | (5,399) | (8,271) |
| Investor relations and promotions | 752 | 884 | 752 | 6,677 |
| Legal fees | 8,316 | 16,742 | 8,316 | 21,268 |
| Listing and filing fees | 1,679 | 2,478 | 6,879 | 9,939 |
| Management fees | 15,000 | 15,000 | 30,000 | 30,000 |
| Office services and supplies | 18,129 | 18,954 | 35,435 | 39,181 |
| Salaries and wages | 41,600 | 49,800 | 79,100 | 104,454 |
| Shareholder communications | 2,443 | 2,978 | 3,443 | 5,381 |
| Share-based compensation *(Note 5)* | - | - | - | 17,428 |
| Transfer agent fees | 5,004 | 3,948 | 6,471 | 5,863 |
| Travel and accommodation | - | - | 2,036 | 4,700 |
| **Loss and comprehensive loss for the period** | $ (147,778) | $ (899,601) | $ (528,021) | $ (2,376,891) |
| **Loss per share - basic and diluted** | $ (0.00) | $ (0.01) | $ (0.01) | $ (0.03) |
| **Weighted-average shares Outstanding – basic and diluted** | 81,059,872 | 78,237,873 | 81,059,872 | 78,141,796 |

- See Accompanying Notes -

**CANASIL RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars
Unaudited

| CASH RESOURCES PROVIDED BY (USED IN) | 2015 | 2014 |
|---|---|---|
| **Operating activities** | | |
| Loss for the period | $ (528,021) | $ (2,376,891) |
| Items not involving cash | | |
| Depreciation | 3,263 | 4,192 |
| Share-based compensation | - | 17,428 |
| | (524,758) | (2,355,271) |
| Changes in non-cash working capital | | |
| Receivables | 223,843 | (187,070) |
| Prepaid expenses | 4,914 | (3,236) |
| Accounts payable and accrued liabilities | 60,552 | 282,459 |
| Accounts payable and accrued liabilities – related parties | (23,345) | 114,797 |
| | (258,794) | (2,148,321) |
| **Financing activities** | | |
| Share capital issued for cash | - | 33,300 |
| Share subscriptions received in advance | 37,500 | - |
| Convertible debenture | 154,059 | 2,389,220 |
| Due to related parties, net of repayments | 185,000 | 75,000 |
| | 376,559 | 2,497,520 |
| **Change in cash for the period** | 117,765 | 349,199 |
| Cash position - beginning of period | 125,226 | 119,692 |
| **Cash position - end of period** | $ 242,991 | $ 468,891 |

- See Accompanying Notes -

Expressed in Canadian Dollars

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 915 – 700 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interest in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions and material uncertainties 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.

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| Deficit | $ | 22,600,251 | $ | 22,072,230 |
| Working capital (deficiency) | $ | (250,039) | $ | 83,160 |

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance and basis of presentation

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

These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2014. All financial information presented herein is unaudited. The Company's board of directors approved these condensed interim consolidated financial statements for issue on August 31, 2015.

## 2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Basis of measurement

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

### Principles of consolidation

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

### Foreign currency translation

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

## 3. EXPLORATION AND EVALUATION

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

### Salamandra project, Mexico

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. MAG can earn an initial 55% interest by paying the Company $750,000 and incurring $5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional $20,000,000 in exploration expenditures within four years. To date, the Company has received cash payments from MAG totalling $500,000.

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the agreement, MAG has the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds will be used to incur expenditures on the property by Minera CRD *(Note 6)*. Should MAG comply with the terms of the agreement and earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD. Further development of the property would be carried out jointly by the Company and MAG through CRD and Minera CRD.

Expressed in Canadian Dollars

## 3. EXPLORATION AND EVALUATION - *continued*

### La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to a Net Smelter Returns royalty ("NSR") of up to 1%, which can be purchased by the Company for US$100,000. The claims are located in Zacatecas State, Mexico. The Company acquired these claims by making option payments of US$160,000 over a four-year period to May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

### Sandra and Escobar projects, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. The Company has also acquired various additional claims in the area from third parties.

### Other projects

The Company has staked other claims located in Durango State, Mexico which include the Colibri, Carina, Victoria, Vizcaino, Nora, and Candelaria, 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.

### Mineral title

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

### Expenditures for the period ending June 30, by activity, are as follows:

| | 2015 | 2014 |
|---|---|---|
| Acquisition and option payments | $ 90,969 | $ 55,798 |
| Administration | 97,518 | 105,593 |
| Assays | - | 321,140 |
| Consulting | 21,165 | 156,323 |
| Drilling | - | 1,279,476 |
| Field costs | 24,191 | 56,235 |
| Geology | 50,761 | 49,559 |
| Land holding costs | 185,621 | 166,672 |
| Legal | 65,720 | 40,843 |
| Mapping and surveying | - | 263 |
| Roadbuilding | 2,439 | - |
| Transportation and rentals | 7,063 | 78,453 |
| Expenditure recoveries | - | (62,392) |
| Option payments received | (200,000) | (150,000) |
| | $ 345,447 | $ 2,097,963 |

Expressed in Canadian Dollars

## 3. EXPLORATION AND EVALUATION - *continued*

### Expenditures for the period and cumulative expenditures as at June 30 are as follows:

| 2015 | Acquisition | Exploration | Total Additions | Cumulative Expenditures |
|---|---|---|---|---|
| Brenda, Canada | $ - | $ - | $ - | $ 2,331,353 |
| - Expenditure recoveries | - | - | - | (206,329) |
| Other, Canada | - | 497 | 497 | 261,524 |
| - Expenditure recoveries | - | - | - | (21,787) |
| Sandra and Escobar, Mexico | - | 39,509 | 39,509 | 1,476,811 |
| La Esperanza, Mexico | - | 123,838 | 123,838 | 1,422,339 |
| - Expenditure recoveries | - | - | - | (260,939) |
| - Option payments received | - | - | - | (300,000) |
| Colibri, Mexico | - | 19,087 | 19,087 | 1,825,773 |
| Salamandra, Mexico | 90,969 | 189,001 | 279,970 | 4,720,799 |
| - Expenditure recoveries | - | - | - | (223,652) |
| - Option payments received | (200,000) | - | (200,000) | (553,989) |
| Victoria, Mexico | - | 327 | 327 | 421,104 |
| - Expenditure recoveries | - | - | - | (113,848) |
| - Option payments received | - | - | - | (21,596) |
| Carina, Mexico | - | 15,021 | 15,021 | 251,685 |
| - Expenditure recoveries | - | - | - | (17,498) |
| - Option payments received | - | - | - | (111,875) |
| Other, Mexico | - | 67,198 | 67,198 | 614,108 |
| | $ (109,031) | $ 454,478 | $ 345,447 | $ 11,493,983 |

| 2014 | Acquisition | Exploration | Total Additions | Cumulative Expenditures |
|---|---|---|---|---|
| Brenda, Canada | $ - | $ - | $ - | $ 2,331,353 |
| - Expenditure recoveries | - | - | - | (206,329) |
| Other, Canada | - | 1,622 | 1,622 | 227,266 |
| - Expenditure recoveries | - | - | - | (20,580) |
| Sandra and Escobar, Mexico | 1,504 | 24,975 | 26,479 | 1,405,767 |
| La Esperanza, Mexico | - | 87,565 | 87,565 | 1,219,216 |
| - Expenditure recoveries | - | - | - | (260,939) |
| - Option payments received | - | - | - | (300,000) |
| Colibri, Mexico | - | 7,646 | 7,646 | 1,768,242 |
| Salamandra, Mexico | 54,294 | 2,053,974 | 2,108,268 | 3,671,883 |
| - Expenditure recoveries | - | (62,392) | (62,392) | (201,097) |
| - Option payments received | (150,000) | - | (150,000) | (353,989) |
| Victoria, Mexico | - | 1,230 | 1,230 | 400,184 |
| - Expenditure recoveries | - | - | - | (113,848) |
| - Option payments received | - | - | - | (21,596) |
| Carina, Mexico | - | 44,636 | 44,636 | 226,303 |
| - Expenditure recoveries | - | - | - | (17,498) |
| - Option payments received | - | - | - | (111,875) |
| Other, Mexico | - | 32,909 | 32,909 | 498,487 |
| | $ (94,202) | $ 2,192,165 | $ 2,097,963 | $ 10,140,950 |

Expressed in Canadian Dollars

## 4. SHARE CAPITAL

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

### Private placement

In January 2014, the Company closed the third and final tranche of a private placement announced in December 2013 and issued 370,000 units at price of $0.09 per unit for gross proceeds of $33,300. Each unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.15 until February 17, 2015. On November 6, 2013, the exercise price of 140,150 of these warrants was reduced to $0.08 per share; 40,150 of these warrants were exercised during December 2014 and the balance expired unexercised on February 17, 2015.

In June 2015, the Company received subscriptions totalling $37,500 in respect of a private placement that was completed subsequent to June 30, 2015 *(Note 9)*.

## 5. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan that complies with the rules set forth by the TSX Venture Exchange. 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, 2013 | 6,511,999 | $ | 0.20 | 4,375,000 | $ | 0.21 |
| Issued/granted | 185,000 | $ | 0.15 | 375,000 | $ | 0.10 |
| Exercised | (2,821,999) | $ | 0.08 | - | $ | - |
| Expired | (3,730,150) | $ | 0.08 | (75,000) | $ | 0.20 |
| Outstanding, December 31, 2014 | 144,850 | $ | 0.10 | 4,675,000 | $ | 0.21 |
| Expired | (144,850) | $ | 0.10 | (875,000) | $ | 0.10 |
| Outstanding, June 30, 2015 | - | $ | - | 3,800,000 | $ | 0.23 |
| Exercisable, June 30, 2015 | - | $ | - | 3,800,000 | $ | 0.23 |

Expressed in Canadian Dollars

## 5. STOCK OPTIONS AND WARRANTS *– continued*

At June 30, 2015, the Company had outstanding stock options enabling holders to acquire common shares as follows:

| | Number of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| **Options** | 1,750,000 | $ 0.28 | November 23, 2015 |
| | 200,000 | $ 0.35 | January 13, 2016 |
| | 1,175,000 | $ 0.20 | January 20, 2017 |
| | 300,000 | $ 0.18 | October 29, 2017 |
| | 375,000 | $ 0.10 | January 4, 2019 |
| | 3,800,000 | | |

### Share-based compensation

The following table presents information relating to stock options granted to directors, officers and consultants of the Company during the periods ended June 30. Share-based compensation is recorded over the vesting period.

| | 2015 | 2014 |
|---|---|---|
| Total stock options granted | - | 375,000 |
| Average exercise price | $ - | $ 0.10 |
| Estimated fair value of stock options granted | $ - | $ 17,428 |
| Estimated fair value per stock option | $ - | $ 0.05 |

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

| | 2015 | 2014 |
|---|---|---|
| Risk-free interest rate | - | 1.91% |
| Expected dividend yield | - | 0.00% |
| Expected stock price volatility | - | 84% |
| Expected forfeiture rate | - | 0.00% |
| Expected option life in years | - | 5.00 |

The Company has recorded share-based compensation during the period as follows:

| | 2015 | 2014 |
|---|---|---|
| Number of stock options vested in period | - | 375,000 |
| Compensation recognized in period | $ - | $ 17,428 |

Expressed in Canadian Dollars

## 6. CONVERTIBLE DEBENTURE

Under the terms of its option agreement on the Salamandra project *(Note 3)*, MAG is funding certain exploration expenditures on the Salamandra project by making advances to CRD under an unsecured, non-interest bearing convertible debenture. To June 30, 2015, MAG had advanced a total of $3,333,089 (2014 - $2,389,220). Funds received under the debenture are used solely for incurring such qualifying exploration expenditures on the Salamandra project. Cash as at June 30, 2015 includes $156,976 that was advanced by MAG and will be applied to related accounts payable of $39,912. The balance of $117,064 (2014 - $53,227) represents the additional funds advanced by MAG that are restricted for future qualifying exploration expenditures at Salamandra. Receivables include $207,501 (2014 - $312,769) in value-added taxes incurred on expenditures made at Salamandra. This amount has been funded under the convertible debenture and upon refund by the government of Mexico, will be available for further expenditures at Salamandra.

The terms of the option agreement provide the right for MAG to convert the debenture into a fixed number of common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD upon exercise of the option. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

## 7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

- accounts payable and accrued liabilities – related parties include $8,358 (2014 – $19,893) in legal fees due to a law firm in which an officer of the Company is a partner; $nil (2014 - $5,513) in geological consulting fees due to a company controlled by a director of the Company; and $179,161 (2014 – $105,000) in salaries and management fees due to the chief executive officer and the chief financial officer;
- due to related parties includes loan advances totaling $370,000 (2014 – $120,000) made to the Company by a director, an officer, and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment;
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

| | 2015 | 2014 |
|---|---|---|
| Salaries and wages | $ 75,000 | $ 75,000 |
| Management fees | 30,000 | 30,000 |
| Legal fees | 8,316 | 26,339 |
| Share-based compensation *(i)* | - | 9,295 |
| | $ 113,316 | $ 140,634 |

*(i)* Calculated using the Black-Scholes Option-Pricing Model, using the assumptions detailed in Note 5.

Expressed in Canadian Dollars

## 8. SEGMENTED INFORMATION

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

| 2015 | | Canada | | Mexico | | Total |
|---|---|---|---|---|---|---|
| Property and equipment | $ | 5,152 | $ | 46,153 | $ | 51,305 |

| 2014 | | Canada | | Mexico | | Total |
|---|---|---|---|---|---|---|
| Property and equipment | $ | 7,081 | $ | 49,381 | $ | 56,462 |

## 9. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the Company:

- completed a non-brokered private placement by issuing 3,000,000 units at price of $0.05 per unit for gross proceeds of $150,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company at a price of $0.10 within one year of the closing; and
- completed a non-brokered private placement by issuing 600,000 shares at price of $0.045 per unit for gross proceeds of $27,000.

This Interim Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("Canasil" or "the Company") is dated August 31, 2015, and provides information on the Company's activities for the six months ended June 30, 2015, and subsequent activity to the date of this report. The following discussion and analysis of the financial position and performance of the Company should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended June 30, 2015, prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the audited annual consolidated financial statements and related notes for the years ended December 31, 2014 and 2013 and the MD&A for the year ended December 31, 2014.

**Overview and Outlook**

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

During the period, the Company's exploration activities were focused on the analysis and interpretation of the results of the Phase-1 and Phase-2 drill programs completed in 2014 at the Salamandra project in Durango, Mexico, under the option with MAG Silver Corp. ("MAG"), providing for MAG to earn up to a 70% interest in the project. A total 10,112 metres of diamond drilling was completed in 17 drill holes under MAG's direction with results reported in news releases issued on March 17, 2014, and July 21, 2014. These programs returned encouraging mineralized intercepts, including high-grade silver-copper mineralization and extensive zones of zinc mineralization with thick higher-grade intervals, as well as significant or strongly anomalous amounts of silver, copper, zinc and lead as detailed in the respective news releases and the Company's 2014 filings. The results indicate the potential for a large metals-rich mineralized system at Salamandra. The drill results have been systematically reviewed and interpreted in combination with the existing airborne and ground geophysics to identify areas with potential for high-grade polymetallic skarn and Carbonate Replacement Deposit style mineralization ("CRD mineralization") and to define drill targets for the Phase-3 drill program. The Phase-3 drill program commenced as planned in July, 2015. Total qualifying exploration expenditures of approximately $4.6 million were reported by MAG up to June 30, 2015. Under the terms of the option agreement, MAG can earn an initial 55% interest in the project by completing $5.5 million in exploration expenditures on the project by May 23, 2017, and a final cash payment of $250,000 by May 23, 2016. It is anticipated that MAG will complete the required exploration expenditures with completion of the current Phase-3 drill program.

In Mexico and British Columbia, all core mineral claims were maintained in good standing and the Company continued discussions on additional cooperation agreements to advance its projects. A number of site visits have been completed and the Company is continuing discussions with the aim of finalizing such agreements.

Gary Nordin, P. Geo. British Columbia and Director of Canasil, is the Company's designated Qualified Person in relation to data provided with regards to exploration programs undertaken by the Company on its exploration projects in accordance with National Instrument 43-101.

As at June 30, 2015, the Company had a working capital deficiency of $250,039. Current liabilities include loan advances of $370,000 received from a director, an officer, and a company with a director in common with the Company in addition to salaries and management fees owing to the Company's executive officers in the amount of $179,161. During the period, the Company received advances of $154,059 from MAG under a convertible debenture pursuant to the Salamandra option agreement, the proceeds of which are being used to fund exploration expenditures on the Salamandra project (see *"Mineral Properties"*). In May 2015, the Company received $200,000 from MAG, for the second anniversary option payment due under the Salamandra option agreement. In August 2015, the Company completed two non-brokered private placements issuing a total of 3,600,000 shares and 3,000,000 warrants for cash proceeds of $177,000 (see *"Outstanding Share Data"*).

Gold and silver prices continued to trade at relatively low levels during the period. After increasing to over $18 per ounce in January, Silver price fluctuated between $15.50 and $17.50 per ounce through the period before closing at $15.50 per ounce by June 30, 2015. In spite of many analysts' forecasts that gold, silver and commodity prices are at cyclical lows and should move higher, this has not yet materialized. Weak global economic and growth forecasts continue to have a negative impact on the resource markets in general and particularly on silver producers and explorers. Due to continued uncertainties and the particular financing challenges faced by junior explorers, the Company has reduced expenditures and has not undertaken direct high cost exploration expenditures such as drilling (except at Salamandra, which is currently being funded by MAG), which would be highly dilutive if financed at current share prices.

The Company continues to focus on attracting additional high quality joint venture partners on its drill-ready projects providing income through property payments and allowing for further work and results without additional dilution. The Company has also had discussions with regard to the potential sale of certain exploration properties as a further avenue for non-dilutive funding. While discussions are currently in progress with a number of potential partners and interested parties, final conclusion of agreements have also been negatively impacted by the low metal price environment.

The second anniversary option payment of $200,000 from MAG in May 2015 and the closing of two private placements in August 2015 improved the Company's working capital position and will assist management in continuing with initiatives in the coming months. In addition, MAG is currently conducting a Phase-3 drill program at Salamandra, which should fulfil its expenditure requirement in respect of its option to earn a 55% interest and provide it with sufficient information to decide upon its continued involvement in the project.

**Mineral Properties**

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

| Durango and Zacatecas, Mexico: | British Columbia, Canada |
|---|---|
| • Salamandra zinc silver project – 100% in part, plus option to earn 100%, subject to option agreement with MAG<br>• La Esperanza silver zinc lead project – 100%,<br>• Sandra gold silver project – 100%<br>• Escobar gold silver claims – 40%<br>• Carina silver project – 100%<br>• Colibri silver zinc lead copper project – 100%<br>• Vizcaino silver gold project – 100%<br>• Victoria zinc silver project – 100%<br>• Nora silver gold copper project – 100% | • Brenda, gold-copper property – 100%<br>• Vega, gold-copper property – 100%<br>• Granite, gold property – 100%<br>• LIL, silver property – 100% |

**Exploration projects in Mexico**

**Salamandra zinc-silver project, Durango State, Mexico**

The Salamandra project is located in Durango State, 35 km northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares, acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to an NSR of 2%. The Company can make option payments based on a specific schedule of payments that total US$600,000 over a period of eight years from 2012 to 2019, of which US$175,000 has been paid to date.

Past exploration by Canasil at Salamandra has included extensive geological mapping and surface sampling, 3D-IP ground geophysics, ZTEM airborne geophysics and twelve diamond drill holes for a total of 3,595 metres. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones, including high grade silver and zinc intercepts of up to 12.00% zinc over 7.45 metres and 102 g/t silver over 9.85 metres within wider mineralized sections, which appear to be part of a potentially large mineralized system that is open along strike and to depth. The ZTEM airborne geophysics and detailed surface sampling identified a large electromagnetic signature over an area of 3.5 kilometres by 2.5 kilometres, a vein exposure where a 0.90 metre sample returned 2,150 g/t silver, 5.39% copper and 1.89% zinc, and significant silver-copper-zinc-lead as well as arsenic-antimony geochemical anomalies providing indications of the potential for a buried intrusive hosted mineralized system. The geology and style of mineralization observed at Salamandra are similar to the San Martin silver-base-metal mine of Grupo Mexico, located 80 kilometres southeast of the project, and the largest underground mining operation in Mexico.

In May 2013, the Company signed an option agreement with MAG on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. MAG can earn an initial 55% interest by paying the Company $750,000 and incurring $5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional $20,000,000 in exploration expenditures within four years. To date, the Company has received cash payments under the MAG agreement totaling $500,000.

The Salamandra property is held by Minera CRD S.A. de C.V. ("Minera CRD"), a wholly-owned subsidiary of CRD Minerals Corp. ("CRD"), a wholly-owned subsidiary of the Company. Under the agreement, MAG has the option to incur qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds will be used to incur expenditures on the property by Minera CRD (see *"Liquidity and Capital Resources"*). Should MAG earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of CRD such that MAG will hold either a 55% or 70% interest in CRD. Further development of the property would be carried out jointly by the Company and MAG through CRD and Minera CRD. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

MAG reported cumulative qualifying expenditures of approximately $4.6 million at Salamandra up to June 30, 2015. The exploration programs included surface sampling and data review in 2013, followed by Phase-1 and Phase-2 diamond drill programs for a total of 10,110 metres in 17 drill holes to date. The surface sampling and data review identified all major indicators of large carbonate replacement deposits at Salamandra. Results of the Phase-1 drill program were reported on March 17, 2014, and the Phase-2 drill program on July 21, 2014. The drill programs reported encouraging high-grade silver-copper-zinc intercepts as well as pervasive zinc mineralization as detailed below, further confirming potential for a large metals-rich mineralized system at Salamandra.

In the Phase-1 drill program, hole SM14-15 intersected high-grade silver-copper mineralization over 7.89 metres, which reported 166 grams/tonne ("g/t") silver ("Ag") and 1.2% copper ("Cu"), including: 2.3 metres grading 393 g/t Ag and 3.6% Cu with appreciable lead ("Pb") and zinc ("Zn"). Hole SM13-13 cut 31.72 metres grading 3.5% Zn including 17.72 metres grading 5.0% Zn with no other appreciable metals. Notably, SM13-13 contained zinc mineralization for almost its entire length, with 810 metres averaging 0.6% Zn including several thick zones grading over 1.5% Zn. Drill Hole SM-14-14 returned two intercepts, one with

0.48 metres of 197 g/t Ag, 0.4% Cu and 1.1% Zn, and the second with 0.42 metres of 108 g/t Ag, 0.5% Cu, and 0.6% Zn. The remaining three holes cut significant or strongly anomalous amounts of silver, copper, zinc and lead.

The Phase-2 drill program consisted of five follow-up drill holes from the Phase-1 program and seven exploration drill holes. The best follow-up hole is SA14-20, which cut 0.63 metres grading 258 grams per tonne ("gpt") (7.5 ounces per ton ("opt")) silver with 0.27% copper lying immediately above 9.9 metres grading 2.3% zinc. These values and relative position are very similar to that seen 380 metres deeper in SA14-15 and appear to reflect the same mineralized zone. Hole SA14-22, also drilled to off-set Hole 15, cut several zinc-rich zones but appears to have been drilled above and parallel to the mineralized zone cut in Holes 15 and 20. Similarly, the first two of the three follow-up holes (SA14-19, 24 and 29) drilled to offset the broad zinc-zone cut in Hole SA13-13 each cut significant widths of zinc mineralization but the intercept geometries prevent correlation. The seven exploration holes tested the remaining previously undrilled half of the circumference of the intrusive centre. Hole SA14-28 was the best of these exploration holes, cutting 173.46 metres of 1.0% zinc mineralization starting 20 metres below the surface. Holes SA14-19, 20, 21, 22, 24 and 25 also hit notable widths of zinc mineralization. Drill holes SA14-25 and SA14-18, were drilled away from the intrusive centre to test under the recent basalt flows that flank the entire project area; both cut major faults interpreted to be the reactivated western margin of the Central Mexico Basin, the principal regional structural control on several major CRD-skarn systems. MAG commented on the pervasive zinc mineralization intersected in most of the drill holes and the high-grade silver-copper intercepts, noting that the results to date indicate the potential for a large metals-rich mineralized system at Salamandra.

The drill results have been systematically reviewed and interpreted in combination with the existing airborne and ground geophysics to identify areas with potential for high-grade polymetallic skarn and Carbonate Replacement Deposit style mineralization ("CRD mineralization") and to define drill targets for the Phase-3 drill program, which started as planned in July 2015.

*Qualified Person, Quality Assurance and Control: The above results have been compiled and provided by MAG; for details regarding the Qualified Person and Quality Assurance and Control procedures, please refer to the MAG news release dated March 17, 2014 for the Phase-1 results and July 21, 2014, for the Phase-2 results.*

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

The 100% owned La Esperanza project claims cover 14,916 hectares and are located on the border of Durango and Zacatecas States, 100 km south-southeast of the City of Durango. Prior exploration has been conducted by Canasil and also by MAG Silver Corp. under an option agreement between August 2010 and May 2013. Canasil's initial Phase-1 drill program included 1,432 metres in 9 drill holes, returned wide high grade silver-lead-zinc intercepts from the La Esperanza vein which is open in all directions. Further geological mapping and surface sampling identified four high-grade silver vein occurrences in the northwest of the project area.

MAG completed a 1,330 line-kilometre ZTEM helicopter-borne geophysical survey, a Phase-1 drill program of 3,247 metres in 11 drill holes on the La Esperanza vein, and a Phase-2 drill program of 12 diamond drill holes for a total of 3,049 metres to test two of the veins located in the northwest of the project area. The results reported additional high-grade drill intercepts from three drill holes on the La Esperanza vein and potential for significant silver-lead-zinc mineralization associated with the two veins tested in the northwest area. MAG reported total expenditures of $2,468,380 incurred on La Esperanza under the option agreement, which was terminated in May 2013.

***Sandra-Escobar silver-gold project, Durango State, Mexico***

The 100%-owned Sandra project covers 7,512 hectares, and is located 183 kilometres northwest of the City of Durango. The Company also holds a 40% interest in the adjoining 634 hectare Escobar claims of Pan American Silver Corp., earned under an option agreement with Pan American between 2008 and 2012. The project hosts a high level gold-silver system centered on a large altered rhyolite dome complex, with extensive evidence of gold, silver and base metal mineralization, indicating potential for disseminated mineralization, as well as several high-grade silver-gold-base metal veins.

The Company completed a 420 line-kilometre ZTEM airborne geophysical survey, petrographic analysis of 23 surface samples, a high resolution satellite imaging survey to prepare detailed contour maps, and a 1,848-metre diamond drill program in eleven drill holes, followed by an ASTER satellite alteration imaging survey and an 11.8 line-kilometre ground IP survey. These programs have confirmed evidence of a large hydrothermal system centred on an intrusive source, and have outlined seven significant silver-gold-base metal targets over an area of 25 square km for future drilling. The results indicate a similar geologic setting to some major silver and gold deposits in northern Durango State such as Silver Standard Resources' La Pitarrilla deposit and Argonaut Gold's San Agustin deposit.

The Company has also acquired various additional claims in the area from third parties and added two further claim blocks for a total of 10,000 hectares to cover additional prospective zones adjacent to the project area.

***Other projects, Mexico***

There was no significant activity on these projects during the period. All core project claims were maintained in good standing and all required claim taxes were paid on the core claims.

**Exploration projects in British Columbia, Canada**

***Brenda gold-copper project***

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, Canada, 25 km northwest of the past producing Kemess South Mine. Cumulative exploration expenditures of over $3.8 million to date include satellite surveys, airborne and ground geophysics, extensive geological mapping and sampling and 11,000 metres of diamond drilling in 64 drill holes. These programs have confirmed the potential for a deep-seated porphyry gold-copper system at the Brenda project, with similar style of mineralization found at the nearby Kemess Underground (North Kemess) deposit advancing through feasibility by AuRico Gold Corp. with indicated resources of 3 million ounces gold and 1 billion pounds copper (185 million tonnes with an average grade of 0.48 g/t Au and 0.25% Cu).

Two previous deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of 5 intercepts above a depth of 450 metres returning 0.48 g/t gold and 0.079% copper over a combined intercept length of 394 metres, and the average grade of 3 intercepts below 450 metres returning 0.68 g/t gold and 0.116% copper over a combined intercept length of 93 metres. A significant number of drill core samples returned assays of over 1.0 g/t gold and 0.15% copper. The mineralized system averages 300 to 400 metres in width, and has been traced along a strike length of 400 metres by drilling, with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in a 3-Dimensional Induced Polarisation geophysical survey. In August 2013 a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-97-04 from 504 metres to 572 metres, and the intercepts below 570 metres returned no significant gold-copper mineralization with only low copper and gold values over certain intervals. The mineralized intercepts and post mineral intrusions observed in drilling to date reflect the characteristic signature observed in large porphyry systems. Further review will be required to determine the structural setting based on the prior data and deeper penetrating geophysical surveys are needed to define prospective mineralized zones.

There was no field work carried out on the Brenda project during the period. Assessment filings based on exploration work completed in 2013 were completed to extend the claim validity on all Brenda claims to the maximum allowable to May 30, 2024.

***Other projects in British Columbia, Canada***

In British Columbia, short field evaluation programs were completed during 2014 at the Vega and Granite projects and high resolution satellite imaging surveys undertaken at the Vega and Lil projects. These programs allowed for filing of required assessment work, in addition to filings already completed for work completed in 2013, to maintain the core claims at these projects in good standing. The claims areas for all three projects were reduced to cover the main areas of interest.

**Mineral Properties – Exploration and Evaluation Expenditures**

The Company expenses exploration and evaluation expenditures in the period incurred. A summary of the Company's exploration and evaluation expenditures for the periods ended June 30 follows:

| | 2015 | 2014 |
|---|---|---|
| **Canada** | | |
| **Other Properties** | | |
| Land holding costs | $ 497 | $ 1,622 |
| **Mexico** | | |
| **Salamandra Property** | | |
| Acquisition and option payments | 90,969 | 54,294 |
| Administration | 9,552 | 82,009 |
| Assays | - | 321,140 |
| Consulting | 21,165 | 156,323 |
| Drilling | - | 1,279,476 |
| Field costs | 20,061 | 53,731 |
| Geological | 9,270 | 12,962 |
| Land holding costs | 59,050 | 52,164 |
| Legal | 65,720 | 17,716 |
| Transportation and rentals | 4,183 | 78,453 |
| Expenditure recoveries | - | (62,392) |
| Option payments received | (200,000) | (150,000) |
| | 79,970 | 1,895,876 |
| **Sandra and Escobar Properties** | | |
| Acquisition and option payments | - | 1,504 |
| Administration | 13,077 | 6,165 |
| Field costs | 2,216 | 1,423 |
| Geological | 9,830 | 5,011 |
| Land holding costs | 14,055 | 12,113 |
| Mapping and surveying | 331 | 263 |
| | 39,509 | 26,479 |
| **La Esperanza Property** | | |
| Administration | 40,946 | 20,568 |
| Field costs | 1,553 | 1,081 |
| Geological | 21,490 | 19,247 |
| Land holding costs | 57,410 | 46,669 |
| Road building | 2,439 | - |
| | 123,838 | 87,565 |
| **Carina Property** | | |
| Administration | 4,963 | 10,491 |
| Geological | 335 | 1,478 |
| Land holding costs | 9,723 | 32,667 |
| | 15,021 | 44,636 |
| **Victoria Property** | | |
| Administration | 108 | 289 |
| Field costs | 219 | - |
| Geological | - | 941 |
| | $ 327 | $ 1,230 |

Exploration and Evaluation Expenditures for the periods ended June 30 – *continued*

| | | 2015 | | 2014 |
|---|---|---|---|---|
| **Mexico** – *continued* | | | | |
| **Colibri Property** | | | | |
| Administration | $ | 6,308 | $ | 1,797 |
| Geological | | 3,939 | | 5,849 |
| Land holding costs | | 8,840 | | - |
| | | 19,087 | | 7,646 |
| **Other Properties** | | | | |
| Administration | | 22,564 | | 7,734 |
| Field costs | | 218 | | - |
| Geological | | 5,897 | | 3,738 |
| Land holding costs | | 36,046 | | 21,437 |
| Transportation and rentals | | 2,473 | | - |
| | | 67,198 | | 32,909 |
| **Total costs for period** | $ | 345,447 | $ | 2,097,963 |

Exploration and evaluation expenditures for the period ending June 30, by activity, are as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Acquisition and option payments | $ | 90,969 | $ | 55,798 |
| Administration | | 97,518 | | 105,593 |
| Assays | | - | | 321,140 |
| Consulting | | 21,165 | | 156,323 |
| Drilling | | - | | 1,279,476 |
| Field costs | | 24,191 | | 56,235 |
| Geology | | 50,761 | | 49,559 |
| Land holding costs | | 185,621 | | 166,672 |
| Legal | | 65,720 | | 40,843 |
| Mapping and surveying | | - | | 263 |
| Road building | | 2,439 | | - |
| Transportation and rentals | | 7,063 | | 78,453 |
| Expenditure recoveries | | - | | (62,392) |
| Option payments received | | (200,000) | | (150,000) |
| | $ | 345,447 | $ | 2,097,963 |

**Results of Operations**

The Company had a loss and comprehensive loss for the current six-month period of $528,021, which compares to a loss and comprehensive loss of $2,376,891 for the comparative period. Significant items included in loss and comprehensive loss are as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Exploration and evaluation | $ | 345,447 | $ | 2,097,963 |
| Foreign exchange loss (gain) | $ | (3,563) | $ | 14,130 |
| Interest income | $ | (5,399) | $ | (8,271) |
| Management fees | $ | 30,000 | $ | 30,000 |
| Office services and supplies | $ | 35,435 | $ | 39,181 |
| Salaries and wages | $ | 79,100 | $ | 104,454 |
| Share-based compensation | $ | - | $ | 17,428 |

The current loss includes general and administrative expenses of $182,574 (2014 - $278,928) and exploration and evaluation expenditures of $345,447 (2014 - $2,097,963). Management has reduced general and administrative expenses wherever possible. With the exception of management fees, which remained unchanged, every expense item for the period was lower than that of the comparative period. The Company had a small foreign exchange gain in the current period compared to a loss of

$14,130 in the prior period. The Company also continued to receive value-added tax ("IVA") refunds, which provided a small amount of interest income for each period. Salaries and wages were lower in the current period given a reduction in staff made in 2014.

Exploration and evaluation expenditures were significantly higher in 2014 due to the drill programs conducted under the direction of MAG in accordance with the Salamandra option agreement. Exploration and evaluation costs include $279,970 (2014 - $2,108,268) that were incurred on the Salamandra project; $253,312 (2014 - $1,992,655) of these costs were funded by advances from MAG under its convertible debenture (see *"Liquidity and Capital Resources"*). The Company received an option payment of $200,000 (2014 - $150,000) and exploration expenditure recoveries of $nil (2014 - $62,392) from MAG in respect of the Salamandra project. Exploration expenditures on the Company's other projects totalled $265,477 compared to $202,087 incurred in the comparative period.

Net cash used for operating activities during the period, before changes in non-cash working capital items, was $524,758 (2014 - $2,355,271), which includes $345,447 (2014 - $2,097,963) in exploration and evaluation expenditures. The decrease in cash used for operations is primarily due to the drill programs conducted at the Salamandra project during 2014; there was no drilling conducted in the current period. Significant changes in non-cash working capital items for the current period include a decrease in receivables of $223,843 due primarily to refunds of value-added taxes received from the government of Mexico. Net cash provided by financing activities during the period was $376,559 (2014 - $2,497,520) as a result of the Company receiving $185,000 (2014 - $75,000) in loan advances from related parties, and $154,059 (2014 - $2,389,220) in advances from MAG under the convertible debenture. The Company also received $37,500 in subscriptions towards a private placement that closed in August 2015. In 2014, the Company received $33,300 for the final tranche of a private placement completed in February 2014.

***Summary of Quarterly Information***

The following table provides selected financial information of the Company for each of the last eight quarters presented in accordance with IFRS:

| **Year** | **2015** | | **2014** | | | | **2013** | |
|---|---|---|---|---|---|---|---|---|
| **Quarter ended:** | **Jun. 30** | **Mar. 31** | **Dec. 31** | **Sept. 30** | **Jun. 30** | **Mar. 31** | **Dec. 31** | **Sept. 30** |
| Revenue | $nil | $nil | $nil | $nil | $nil | $nil | $nil | $nil |
| Exploration and evaluation expenses | $233,222 | $312,225 | $619,382 | $388,204 | $926,962 | $1,321,001 | $79,443 | $502,549 |
| Option payments received | $200,000 | $nil | $nil | $nil | $150,000 | $nil | $nil | $nil |
| Share-based compensation expense | $nil | $nil | $nil | $nil | $nil | $17,428 | $nil | $nil |
| Loss and comprehensive loss | $147,778 | $380,243 | $723,081 | $477,484 | $899,601 | $1,477,290 | $190,933 | $565,523 |
| Loss per share: basic and diluted | $0.01 | $0.00 | $0.01 | $0.01 | $0.01 | $0.02 | $0.00 | $0.01 |
| Weighted-average shares | 81,059,872 | 81,059,872 | 79,635,525 | 79,022,656 | 78,237,873 | 78,044,651 | 74,434,503 | 73,407,873 |

***Discussion of Quarterly Information***

In the third quarter of 2013, the Company conducted limited exploration on its Mexican properties; however, it incurred $152,414 in land holding costs. During this quarter, the Company also incurred $284,478 on a 962-metre drill program at Brenda and $32,334 to complete prospecting and surface sampling programs on the Lil and Vega properties. During this quarter, the Company also realized $67,081 of the deferred flow-through premium relating to its issuance of flow-through shares in 2012. During the fourth quarter of 2013, the Company continued to minimize expenses and conserve its cash resources.

In the first quarter of 2014, the Company conducted minimal exploration work, except for exploration at its Salamandra project, which is being directed by MAG under the option agreement. The Company maintained its core properties in good standing. Exploration and evaluation expenditures for the first quarter of 2014 include land holding costs of $162,057, which compares to $151,583 for the same quarter of 2013. The Company recorded $1,162,544 in exploration costs on its Salamandra project relating primarily to the drill program overseen by MAG during the quarter. During the second quarter of 2014, with the drill program at Salamandra being completed in May, exploration costs were less than those incurred in the first quarter. The Company recorded $883,332 in exploration costs on its Salamandra project during the quarter. The Company also received the first-anniversary payment of $150,000 from MAG under the Salamandra agreement. During the third quarter of 2014, the Company undertook field programs on its Vega, Lil, and Granite projects and maintained core properties. Exploration and evaluation expenditures for the third quarter of 2014 include land holding and surface access costs of $217,010, which compares to $152,414 for the same quarter of 2013. There was no drilling completed on Salamandra during the quarter. During the fourth quarter of 2014, analytical and interpretive work continued at Salamandra with costs of $548,088 being recorded; work on the Company's other properties was limited as it endeavoured to conserve cash.

In the first quarter of 2015, the Company conducted minimal exploration work except for modelling and interpretative work on its Salamandra project in preparation for the Phase-3 drill program. The Company maintained its core properties in good standing. Exploration and evaluation expenditures for the first quarter of 2015 include land holding costs of $164,506, which compares to $162,057 for the same quarter of 2014. During the second quarter of 2015, the Company remained relatively inactive, but continued with modelling and interpretative work on its Salamandra project in preparation for the Phase-3 drill program, which began in July 2015. The Company received the second-anniversary option payment of $200,000 from MAG on the Salamandra project in May 2015.

**Liquidity and Capital Resources**

The Company has no material income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties, and meet general and administrative expenses. Accordingly, management has identified certain conditions that cast significant doubt upon the Company's ability to continue as a going concern (see Note 1 to the June 30, 2015 condensed interim consolidated financial statements). The Company currently has limited cash resources and there can be no assurance that the Company will be successful in securing the financing required to continue operations and advance its mineral projects.

The Company had cash on hand of $242,991 as at June 30, 2015 (December 31, 2014 - $125,226), receivables of $235,087 (December 31, 2014 - $458,930), accounts payable and accrued liabilities of $170,598 (December 31, 2014 - $110,046), and accounts payable and accrued liabilities – related parties of $187,519 (December 31, 2014 - $210,864). As at June 30, 2015, the Company had short-term debt consisting of loan advances totalling $370,000 (December 31, 2014 - $185,000) received from related parties. These advances are unsecured, non-interest bearing, and have no fixed repayment terms. The Company had a working capital deficiency at June 30, 2015 of $250,039 (December 31, 2014 – positive working capital of $83,160).

To June 30, 2015, the Company had received $3,333,089 (2014 - $2,389,220) in advances under the convertible debenture with MAG (see *"Mineral Properties"*). Funds received under the debenture are used solely for incurring certain qualifying exploration expenditures on the Salamandra project under the option agreement with MAG. Cash as at June 30, 2015 includes $156,976 that was advanced by MAG and will be applied towards related accounts payable of $39,912. The balance of $117,064 represents the additional funds advanced by MAG that are available only for future qualifying exploration expenditures at Salamandra. Receivables includess $207,501 in value-added taxes on expenditures made at Salamandra. This amount has been funded under the convertible debenture and once refunded by the government of Mexico will be available solely for further expenditures at Salamandra. Should MAG earn an interest in the Salamandra property, the convertible debenture will be converted into common shares of the Company's subsidiary, CRD Minerals Corp. Should MAG withdraw from the agreement prior to earning an interest, it will forfeit its interest in the convertible debenture without repayment.

During the current period, the Company incurred cash administrative expenses of approximately $179,000 and cash exploration and evaluation expenses of approximately $345,000, approximately $280,000 of which relate to Salamandra; the majority of costs relating to Salamandra are currently being funded by MAG. The Company has an option agreement on the Salamandra property that requires certain future cash payments to maintain its interest, however, these payments may be made at the discretion of the Company and are not firm commitments – these payments are currently being paid by MAG under their option agreement. Land holding costs are incurred at management's discretion. In May 2015, the Company received an option payment of $200,000 from MAG; should MAG continue to keep the Salamandra agreement in good standing, the next scheduled payment of $250,000 is due on or before May 27, 2016.

Management considers the Company's current working capital resources to be insufficient to meet its 2015 overhead and minimum exploration and land holding requirements. The Company currently relies on financial support from management to maintain operations. Accordingly, the Company will need to raise additional equity funding or realize sale or option proceeds from its portfolio of properties. The administrative budget and the exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources. Given the current uncertainty in the capital markets, the extent of such programmes will be tailored to available cash resources.

Given the Company's large portfolio of prospective projects, management is focused on arranging further option and joint venture agreements to advance its exploration projects through the coming year in a non-dilutive manner as far as possible, or sales of certain assets to generate required funding. A successful outcome of such efforts is not assured.

**Related Party Transactions and Key Management Compensation**

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

Accounts payable and accrued liabilities – related parties include $8,358 (2014 – $19,893) in legal fees due to a law firm in which an officer of the Company is a partner; $nil (2014 - $5,513) in geological consulting fees due to a company controlled by a director of the Company; and $179,161 (2014 – $105,000) in salaries and management fees due to the chief executive officer and the chief financial officer;

Due to related parties includes loan advances totaling $370,000 (2014 – $120,000) made to the Company by a director, an officer, and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment;

Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Salaries and wages | $ | 75,000 | $ | 75,000 |
| Management fees | | 30,000 | | 30,000 |
| Legal fees | | 8,316 | | 26,339 |
| Share-based compensation *(i)* | | - | | 9,295 |
| | $ | 113,316 | $ | 140,634 |

*(i)* Calculated using the Black-Scholes Option-Pricing Model using the assumptions detailed in Note 5 to the June 30, 2015 condensed interim consolidated financial statements.

The Company relies heavily on its directors and officers for many of its administrative and professional services.

**Changes in Accounting Policies**

There were no changes in accounting policies during the period ended June 30, 2015.

**New accounting pronouncements**

IFRS 9 – *Financial Instruments*

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 – *Financial Instruments* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 Financial Instruments – *Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not early-adopted this standard, and is currently assessing the impact of adopting IFRS 9 on our consolidated 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 and Judgments**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets, the determination of assumptions used to estimate share-based compensation, and the determination of functional currency.

The Company has not recognized its deferred tax assets as management does not consider it probable that these assets will be recovered. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of highly subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate. The Company inputs such assumptions in a consistent manner following accepted industry practice. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiaries is the Canadian dollar. While transactions conducted outside of Canada are denominated in either the Mexican peso or the U.S. dollar, the subsidiaries have no revenues from operations and are entirely dependent upon the Company for financing of its operations and exploration activities, which are largely determined in Canada.

**Financial Instruments**

The Company's financial instruments consist of the following:

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Cash** | | | | |
| Cash on deposit | $ | 125,927 | $ | 114,884 |
| Cash restricted (see *"Liquidity and Capital Resources"*) | | 117,064 | | 10,342 |
| | $ | 242,991 | $ | 125,226 |
| **Receivables** | | | | |
| Value-added taxes (see *"Liquidity and Capital Resources"*) | $ | 234,090 | $ | 458,048 |
| Other | | 997 | | 882 |
| | $ | 235,087 | $ | 458,930 |
| **Reclamation bonds** | $ | 28,000 | $ | 28,000 |
| **Accounts payable and accrued liabilities** | | | | |
| Accounts payable (see *"Liquidity and Capital Resources"*) | $ | 155,598 | $ | 80,046 |
| Accrued audit, legal, exploration and other | | 15,000 | | 30,000 |
| | $ | 170,598 | $ | 110,046 |
| **Accounts payable and accrued liabilities – related parties** | | | | |
| Accounts payable – legal fees | $ | 8,358 | $ | 864 |
| Accrued salaries, wages, and management fees | | 179,161 | | 210,000 |
| | $ | 187,519 | $ | 210,864 |
| **Due to related parties** | $ | 370,000 | $ | 185,000 |

The Company's financial instruments consist of cash, receivables, reclamation bonds, accounts payable, and due to related parties. Cash is classified as fair value through profit or loss and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are classified as loans and receivables and are carried at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments. The advances due to related parties are non-interest bearing and have no fixed terms of repayment. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash and reclamation bonds are held in interest bearing accounts and short-term guaranteed investment certificates at major Canadian banks and such balances earn interest at market rates. The Company also maintains cash in the Mexican peso and U.S. dollar, which is held through a major bank in Mexico and used to fund its foreign projects. Management considers the credit risk associated with its cash balances to be low. The Company is exposed to credit risk due to delays in receiving certain of its IVA refunds from the government of Mexico. The Company received IVA refunds totalling $248,625 during the period. Management continues to use its best efforts to obtain such refunds

The cash balances, receivables, and payables that are denominated in Mexican pesos and U.S. dollars are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso/U.S. dollar. At June 30, 2015, the Company held the equivalent of $172,651 in cash, $229,519 in receivables, and $104,304 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of $4,822 in cash and $27,104 in accounts payable, which are denominated in U.S. dollars. Based on the Company's peso denominated monetary assets and liabilities as at June 30, 2015, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately $2,979. Based on the Company's U.S. dollar denominated monetary assets and liabilities as at June 30, 2015, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately $223. To manage currency risk, the Company maintains only the minimum amount of foreign cash that is necessary to fund its ongoing exploration and evaluation expenditures. Accounts payable denominated in foreign currencies are settled in a timely manner.

Due to the value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant interest rate or market risks in respect of these financial instruments. The carrying value of the financial assets recorded in these financial statements represents the Company's maximum exposure to credit and market risk as at June 30, 2015. The Company is exposed to liquidity risk due to its limited cash resources. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

### 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 condensed interim consolidated financial statements for the period ended June 30, 2015 provide a breakdown of the general and administrative expenses for the period under review and an analysis of the exploration and evaluation expenses incurred on its mineral properties.

### Outstanding Share Data

#### *Shares*

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2015, the Company had 81,059,872 common shares issued and outstanding (diluted – 84,859,872) compared to 81,059,872 common shares issued and outstanding (diluted – 85,879,722) as at December 31, 2014.

During the six-month period, 144,850 warrants and 875,000 stock options expired unexercised. Notes 4 and 5 to the Company's June 30, 2015 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the period.

As at the date hereof, the Company had 84,659,872 common shares issued and outstanding (diluted – 91,459,872). Subsequent to June 30, 2015, the Company closed two private placements as follows:

- by issuing 3,000,000 units at a price of $0.05 per unit for total proceeds of $150,000. Each unit consisted of one common share and one warrant to purchase an additional share at a price of $0.10 within one year of closing; and
- by issuing 600,000 shares at a price of $0.045 per share for total proceeds of $27,000.

#### *Options and Warrants*

As at June 30, 2015 and the date hereof, a total of 3,800,000 incentive stock options were outstanding as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---:|---:|---|
| 1,750,000 | $ 0.28 | November 23, 2015 |
| 200,000 | $ 0.35 | January 13, 2016 |
| 1,175,000 | $ 0.20 | January 20, 2017 |
| 300,000 | $ 0.18 | October 29, 2017 |
| 375,000 | $ 0.10 | January 4, 2019 |
| 3,800,000 | | |

As at June 30, 2015, there were no share purchase warrants outstanding. As at the date hereof, the Company had 3,000,000 warrants outstanding as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---|---|---|
| 2,400,000 | $ 0.10 | July 16, 2016 |
| 600,000 | $ 0.10 | August 6, 2016 |
| 3,000,000 | | |

**Investor Relations**

The Company maintains a website, www.canasil.com, with detailed corporate information and information covering its mineral exploration projects and operations.

**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 mineral resource properties in Canada and Mexico.

The volatility in the resources sector caused by the sharp decrease in metals and commodity prices following the global financial crisis of 2008, the subsequent increase to record levels by March 2011, and subsequent drops from 2011 to 2015 have resulted in a loss of confidence in the resources sector among investors. This resulted in a general decline in the share prices of resource companies, and in particular for junior explorers, and presented significant constraints on funding exploration companies and programs. Following a short period of improving conditions between mid-December 2013 to mid-March 2014, precious and base metal prices have suffered further significant drops. Lower share prices and interest in resource companies has continued due to uncertainty in the financial markets and generally lower global economic growth forecasts, particularly in Europe and Asia.

***Competitive Conditions***

The outlook for acquisition and development of mineral resource projects had deteriorated since early March 2011 due to lower metal prices and slowing growth rates, particularly in Europe and Asia. The general forecast is for these conditions and market instability to continue, although the longer term outlook is more positive with higher forecasted demand for resources and commodities driven by a growing middle class in the Asian economies.

***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 June 30, 2015, the Company had one employee in Canada and five employees in Mexico. Significant administrative, management, and certain geological services are provided to the Company by directors, officers, and consultants, or companies controlled by related parties. The Company, through its wholly-owned Mexican subsidiary Minera Canasil SA de CV, maintains a full-time operating office with geological and support staff in Durango, Mexico.

***Acquisition and Disposition of Mineral Properties***

During the period ended June 30, 2015, the Company did not acquire or dispose of any mineral properties. Due to limited funding, the Company has allowed certain claim payments on non-core properties to fall into arrears and may allow certain claims to lapse. Should the Company's capital resources improve, such claims may or may not be re-instated depending on the circumstances.

**Risk Factors relating to the Company's Business**

The Company's ability to generate revenue and profit from its mineral 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 limited liability insurance, and potential 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 may 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 mineral properties through staking and option agreements to acquire interests in mineral claims. The Company is currently engaged in exploration activities on these 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, Iain MacPhail, 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 June 30, 2015, the Company's accumulated deficit was $22,588,797.

***Price Fluctuations and Share Price Volatility***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During the period, and to the date of this report, the price of the Company's shares fluctuated from a low of $0.03 to a high of $0.06 per share. There can be no assurance that continued fluctuations in price will not occur.

***Shares Reserved for Future Issuance - Dilution***

As at the date of this report, a total of 84,659,872 common shares of the Company are issued and outstanding. There are 3,800,000 stock options and 3,000,000 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 interim 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 .