



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 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 Organization of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

"Bahman Yamini"

"Kerry Spong"

President and Chief Executive Officer

Vice President, Finance & CFO

November 26, 2015

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CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars
Unaudited

ASSETS	September 30, 2015	December 31, 2014
Current		
Cash <i>(Note 7)</i>	\$ 638,835	\$ 125,226
Marketable securities <i>(Note 3)</i>	504,000	-
Receivables <i>(Note 7)</i>	388,505	458,930
Prepaid expenses	6,564	4,914
	1,537,904	589,070
Reclamation bonds	28,000	28,000
Property and equipment	50,712	54,568
	\$ 1,616,616	\$ 671,638
LIABILITIES		
Current		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 721,352	\$ 110,046
Accounts payable and accrued liabilities – related parties <i>(Note 8)</i>	249,245	210,864
Due to related parties <i>(Note 8)</i>	320,000	185,000
	1,290,597	505,910
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 5)</i>	17,588,877	17,418,851
Convertible debenture <i>(Note 7)</i>	4,314,240	3,179,030
Contributed surplus	1,640,077	1,640,077
Accumulated other comprehensive income	154,000	-
Deficit	(23,371,175)	(22,072,230)
	326,019	165,728
	\$ 1,616,616	\$ 671,638

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

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**

Expressed in Canadian Dollars
Unaudited

	Number of Shares	Share Capital (Note 5)	Convertible Debenture (Note 7)	Contributed Surplus (Note 6)	Deficit	Accumulated Other Comprehensive Income(loss)	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
Warrants exercised	950,000	76,000	-	-	-	-	76,000
Convertible debenture	-	-	2,568,822	-	-	-	2,568,822
Share-based compensation	-	-	-	17,428	-	-	17,428
Loss for the period	-	-	-	-	(2,854,375)	-	(2,854,375)
Balance – September 30, 2014	79,187,873	17,269,091	2,568,822	1,640,077	(21,349,149)	-	128,841
Warrants exercised	1,871,999	149,760	-	-	-	-	149,760
Convertible debenture	-	-	610,208	-	-	-	610,208
Loss for the period	-	-	-	-	(723,081)	-	(723,081)
Balance – December 31, 2014	81,059,872	17,418,851	3,179,030	1,640,077	(22,072,230)	-	165,728
Private placement	3,000,000	150,000	-	-	-	-	150,000
Private placement	600,000	27,000	-	-	-	-	27,000
Share issuance costs	-	(6,974)	-	-	-	-	(6,974)
Convertible debenture	-	-	1,135,210	-	-	-	1,135,210
Other comprehensive income for the period	-	-	-	-	-	154,000	154,000
Loss for the period	-	-	-	-	(1,298,945)	-	(1,298,945)
Balance – September 30, 2015	84,659,872	\$ 17,588,877	\$ 4,314,240	\$ 1,640,077	\$ (23,371,175)	\$ 154,000	\$ 326,019

- See Accompanying Notes -

CANASIL RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30**

Expressed in Canadian Dollars
Unaudited

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Expenses				
Accounting and audit	\$ 8,017	\$ 8,674	\$ 22,934	\$ 26,144
Conferences and conventions	804	-	1,728	4,332
Depreciation	1,715	2,224	4,978	6,416
Exploration and evaluation (Note 4)	665,646	388,204	1,011,093	2,486,167
Foreign exchange loss (gain)	13,325	(4,720)	9,762	9,410
General exploration	523	807	523	2,991
Interest income	(954)	(3,498)	(6,353)	(11,769)
Investor relations and promotions	1,674	3,164	2,426	9,841
Legal fees	4,812	604	13,128	21,872
Listing and filing fees	1,000	-	7,879	9,939
Management fees	15,000	15,000	45,000	45,000
Office services and supplies	18,936	19,204	54,371	58,385
Salaries and wages	37,846	45,306	116,946	149,760
Shareholder communications	968	1,199	4,411	6,580
Share-based compensation (Note 6)	-	-	-	17,428
Transfer agent fees	1,612	1,316	8,083	7,179
Travel and accommodation	-	-	2,036	4,700
Loss for the period	(770,924)	(477,484)	(1,298,945)	(2,854,375)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Unrealized gains on available-for -sale marketable securities (Note 3)	154,000	-	154,000	-
Comprehensive loss for the period	\$ (616,924)	\$ (477,484)	\$ (1,144,945)	\$ (2,854,375)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted-average shares				
Outstanding – basic and diluted	83,857,698	79,022,656	82,002,729	78,438,642

- See Accompanying Notes -

CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30

Expressed in Canadian Dollars
Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2015	2014
Operating activities		
Loss for the period	\$ (1,298,945)	\$ (2,854,375)
Items not involving cash		
Depreciation	4,978	6,416
Share-based compensation	-	17,428
	<u>(1,293,967)</u>	<u>(2,830,531)</u>
Changes in non-cash working capital		
Receivables	70,425	(23,073)
Prepaid expenses	(1,650)	(185,878)
Accounts payable and accrued liabilities	611,306	(3,285)
Accounts payable and accrued liabilities – related parties	38,381	221,436
	<u>(575,505)</u>	<u>(2,821,331)</u>
Investing activities		
Purchase of marketable securities	(350,000)	-
Purchase of equipment	(1,122)	(1,531)
	<u>(351,122)</u>	<u>(1,531)</u>
Financing activities		
Share capital issued for cash	170,026	109,300
Convertible debenture	1,135,210	2,568,822
Due to related parties, net of repayments	135,000	140,000
	<u>1,440,236</u>	<u>2,818,122</u>
Change in cash for the period	513,609	(4,740)
Cash position - beginning of period	<u>125,226</u>	<u>119,692</u>
Cash position - end of period	<u>\$ 638,835</u>	<u>\$ 114,952</u>

- See Accompanying Notes -

CANASIL RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Expressed in Canadian Dollars
Unaudited

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 1760 – 750 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.

	September 30, 2015	December 31, 2014
Deficit	\$ 23,371,175	\$ 22,072,230
Working capital	\$ 247,307	\$ 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 November 26, 2015.

CANASIL RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Expressed in Canadian Dollars
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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 and available-for-sale, 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.

Marketable securities

Marketable securities consist of common shares of publicly traded companies and are classified as available-for-sale financial assets. The shares are recorded at fair value; gains or losses arising from changes in fair value are recorded as other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until the investments are sold, at which time the accumulated gains or losses are included in income (loss) for the period. Available-for-sale financial assets are assessed at each reporting date for objective evidence of a significant or prolonged decline in fair value and such impairments are recognized in income (loss) for the period.

3. MARKETABLE SECURITIES

In September 2015, the Company acquired 1,400,000 common shares of Orex Minerals Inc. (“Orex”) under a private placement at a cost of \$350,000. On September 25, 2015, Orex and Barsele Minerals Corp. (“Barsele”) completed a plan of arrangement such that each old share of Orex was exchanged for one new share of Orex plus one common share of Barsele. At the time of the exchange, the fair value of the Barsele shares was estimated at \$210,088 with a residual value of \$139,912 being attributed to the new Orex shares. These shares are designated as available-for-sale securities with details for the periods ended September 30 as follows:

	Shares	Cost	Fair Value 2015	Fair Value 2014
Orex Minerals Inc.	1,400,000	\$ 139,912	\$ 224,000	\$ -
Barsele Minerals Corp.	1,400,000	210,088	280,000	-
		\$ 350,000	\$ 504,000	\$ -

CANASIL RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. MARKETABLE SECURITIES - *continued*

Changes in the fair value of these available-for-sale securities for the periods ended September 30 are as follows:

	2015	2014
Fair value – beginning of period	\$ -	\$ -
Shares acquired	350,000	-
Change in fair value	154,000	-
Fair value – end of period	\$ 504,000	\$ -

The Company's available-for-sale securities are carried at fair value measured using a Level 1 fair value measurement whereby the carrying value is determined by using the quoted closing price of the security as at the balance sheet date.

The Company is exposed to market risk in respect of these financial instruments as these securities are subject to market downturns and declines in market value.

4. 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

The Salamandra project, located in Durango State, Mexico, was acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to a net smelter returns royalty ("NSR") of 2%. To acquire the claims under option, the Company can make payments based on a specific schedule that totals US\$600,000 over a period of eight years from 2012 to 2019, of which US\$175,000 has been paid to date.

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.

CANASIL RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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4. EXPLORATION AND EVALUATION - *continued*

Salamandra project, Mexico – *continued*

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 7*). 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.

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 an 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.

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn up to a 65% interest in the property. Orex can earn an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period. The first year expenditure requirement of US\$675,000 is a firm commitment. Orex can earn an additional 10% interest by paying the Company \$500,000 in cash or shares, at Orex’s option, and incurring an additional US\$2,000,000 in exploration expenditures within two years.

Other projects

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

CANASIL RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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4. EXPLORATION AND EVALUATION - continued

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

2015	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ -	\$ -	\$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	7,672	7,672	268,699
- Expenditure recoveries	-	(10,646)	(10,646)	(32,433)
Sandra and Escobar, Mexico	5,573	147,749	153,322	1,590,624
- Option payments received	(500,000)	-	(500,000)	(500,000)
La Esperanza, Mexico	-	180,244	180,244	1,478,745
- Expenditure recoveries	-	-	-	(260,939)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	20,352	20,352	1,827,038
Salamandra, Mexico	90,969	1,146,683	1,237,652	5,678,481
- Expenditure recoveries	-	-	-	(223,652)
- Option payments received	(200,000)	-	(200,000)	(553,989)
Victoria, Mexico	-	292	292	421,069
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	44,306	44,306	280,970
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	77,899	77,899	624,809
	\$ (603,458)	\$ 1,614,551	\$ 1,011,093	\$ 12,159,629

2014	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ -	\$ -	\$ 2,331,353
- Expenditure recoveries	-	-	-	(206,329)
Other, Canada	-	32,267	32,267	257,911
- Expenditure recoveries	-	(1,207)	(1,207)	(21,787)
Sandra and Escobar, Mexico	1,711	44,715	46,426	1,425,714
La Esperanza, Mexico	-	138,143	138,143	1,269,794
- Expenditure recoveries	-	-	-	(260,939)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	42,632	42,632	1,803,228
Salamandra, Mexico	54,294	2,252,277	2,306,571	3,870,186
- Expenditure recoveries	-	(62,392)	(62,392)	(201,097)
- Option payments received	(150,000)	-	(150,000)	(353,989)
Victoria, Mexico	-	8,689	8,689	407,643
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	49,475	49,475	231,142
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	75,563	75,563	541,141
	\$ (93,995)	\$ 2,580,162	\$ 2,486,167	\$ 10,529,154

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2015**

Expressed in Canadian Dollars

*Unaudited***4. EXPLORATION AND EVALUATION - continued****Expenditures for the period ending September 30, by activity, are as follows:**

	2015	2014
Acquisition and option payments	\$ 96,542	\$ 56,005
Administration	140,948	148,970
Assays	117,046	323,980
Consulting	152,404	215,676
Drilling	580,044	1,279,476
Field costs	44,510	76,268
Geology	72,179	81,987
Land holding costs	398,012	383,682
Legal	71,551	17,383
Mapping and surveying	6,996	15,584
Roadbuilding	2,439	-
Transportation and rentals	39,068	100,755
Expenditure recoveries	(10,646)	(63,599)
Option payments received	(700,000)	(150,000)
	<u>\$ 1,011,093</u>	<u>\$ 2,486,167</u>

5. SHARE CAPITAL

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

Private placements

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 cash 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 August 2015, the Company closed a private placement by issuing 3,000,000 units at price of \$0.05 per unit for cash 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 for a period of one year. In June 2015, the Company received subscriptions totalling \$37,500 in respect of this private placement.

In August 2015, the Company closed a private placement by issuing 600,000 shares at price of \$0.045 per share for cash proceeds of \$27,000.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2015**

Expressed in Canadian Dollars

*Unaudited***6. 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	<u>(3,730,150)</u>	\$ 0.08	<u>(75,000)</u>	\$ 0.20
Outstanding, December 31, 2014	144,850	\$ 0.10	4,675,000	\$ 0.21
Issued	3,000,000	\$ 0.10	-	\$ -
Expired	<u>(144,850)</u>	\$ 0.10	<u>(875,000)</u>	\$ 0.10
Outstanding, September 30, 2015	3,000,000	\$ 0.10	3,800,000	\$ 0.23
Exercisable, September 30, 2015	3,000,000	\$ 0.10	3,800,000	\$ 0.23

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

	Number of Shares	Exercise Price	Expiry Date
Options	1,750,000	\$ 0.28	November 23, 2015 (expired unexercised on 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
	<u>375,000</u>	\$ 0.10	January 4, 2019
	<u>3,800,000</u>		
Warrants	2,400,000	\$ 0.10	July 16, 2016
	<u>600,000</u>	\$ 0.10	August 6, 2016
	<u>3,000,000</u>		

The warrants are subject to an acceleration clause should the Company's share price exceed \$0.20 per share for a period of ten consecutive trading days.

CANASIL RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Expressed in Canadian Dollars

Unaudited

6. STOCK OPTIONS AND WARRANTS – continued

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 September 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

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2015**

Expressed in Canadian Dollars

*Unaudited***7. CONVERTIBLE DEBENTURE**

Under the terms of its option agreement on the Salamandra project (*Note 4*), MAG is funding certain exploration expenditures on the Salamandra project by making advances to CRD under an unsecured, non-interest bearing convertible debenture. To September 30, 2015, MAG had advanced a total of \$4,314,240 (2014 - \$2,568,822). Funds received under the debenture are used solely for incurring such qualifying exploration expenditures on the Salamandra project. Cash as at September 30, 2015 includes \$576,766 that was advanced by MAG and will be applied to related accounts payable of \$535,970. The balance of \$40,796 (2014 - \$23,073) represents the additional funds advanced by MAG that are restricted for future qualifying exploration expenditures at Salamandra. Receivables include \$329,729 (2014 - \$338,947) 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.

8. 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 \$17,584 (2014 – \$18,819) 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 former director of the Company; and \$231,661 (2014 – \$157,500) in salaries and management fees due to the chief executive officer and the chief financial officer;
- due to related parties includes loan advances totaling \$320,000 (2014 – \$185,000) 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 for the periods ended September 30 is as follows:

		2015		2014
Salaries and wages	\$	112,500	\$	112,500
Management fees		45,000		45,000
Legal fees		17,716		26,978
Share-based compensation (i)		-		9,295
	\$	175,216	\$	193,773

(i) Calculated using the Black-Scholes Option-Pricing Model, using the assumptions detailed in Note 6.

CANASIL RESOURCES INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2015**

Expressed in Canadian Dollars

Unaudited

9. SEGMENTED INFORMATION

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

2015	Canada	Mexico	Total
Property and equipment	\$ 5,795	\$ 44,917	\$ 50,712

2014	Canada	Mexico	Total
Property and equipment	\$ 6,511	\$ 49,258	\$ 55,769

10. SUBSEQUENT EVENT

Subsequent to September 30, 2015, the Company signed a three-year occupancy lease for office space. The lease calls for lease payments of \$9,630 in fiscal 2015, \$38,753 in fiscal 2016, \$39,681 in fiscal 2017, and \$30,283 in fiscal 2018.

CANASIL RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the nine months ended September 30, 2015

This Interim Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("Canasil" or "the Company") is dated November 26, 2015, and provides information on the Company's activities for the three and nine months ended September 30, 2015, and subsequent activity to the date of this report. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the periods ended September 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

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"). 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. The results indicate the potential for a large metals-rich mineralized system at Salamandra. The drill results were 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 in July 2015, and was completed in September 2015, with 4,270 metres in six follow-up drill holes. These were designed to test for mineralization in more favorable host rocks (limestones) at depth beneath the strongest silver-copper-antimony mineralization with associated skarn alteration seen at surface and in earlier drilling. Assays for the Phase-3 program are pending. With completion of the Phase-3 drill program MAG's required \$5.5 million in exploration expenditures under the 55% earn-in option have been fulfilled. MAG has until May 23, 2017 to elect to earn its 55% interest in the project; a final cash payment of \$250,000 is due by May 23, 2016 to maintain the agreement in good standing.

On September 15, 2015, the Company signed an option agreement with Orex Minerals Inc. ("Orex") on its Sandra-Escobar project in Durango State, Mexico. Orex has a first option to earn 55% interest in the project by making a payment of \$500,000 to Canasil (received) and incurring US\$2,000,000 in exploration expenditures over three years. The first year expenditure requirement of US\$675,000 is a firm commitment. Orex has a second option to earn an additional 10% interest, for a cumulative 65% interest in the project, by paying the Company \$500,000 in cash or shares and incurring a further US\$2,000,000 in exploration expenditures within two years of exercising the first option. In October 2015, Orex undertook an initial surface sampling program at the project to define drill targets and has applied for a drill permit to commence drilling at the project. The results of the initial surface sampling program were announced by Orex and Canasil on November 9, 2015.

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.

Gary Nordin, P. Geo. British Columbia and Director of Canasil until September 15, 2015, was the Company's designated Qualified Person in accordance with National Instrument 43-101 in relation to data provided with regards to exploration programs undertaken by the Company on its exploration projects up to September 15, 2015. On projects under option with MAG and Orex, the Company relies on the Qualified Persons at these companies who are responsible for the exploration programs under the terms of option agreements. For any data resulting from work carried out by Canasil after September 15, 2015, Jerry Blackwell, P. Geo. British Columbia and Advisor to the Board of Canasil, is the Company's designated Qualified Person in accordance with National Instrument 43-101.

As at September 30, 2015, the Company had working capital of \$247,307. During the period, the Company received advances of \$1,135,210 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. 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. In September 2015, the Company received an option payment from Orex in the amount of \$500,000 due under the Sandra-Escobar option agreement. The Company acquired 1,400,000 shares of Orex under a private placement for \$350,000 – the private placement was completed prior to the reorganization of Orex, following which these shares were converted to 1,400,000 new shares of Orex and 1,400,000 shares of Barsele Minerals Corp. (see "*Liquidity and Capital Resources*").

Gold and silver prices continued to trade at relatively low levels during the period. After increasing to over \$18 per ounce in January, the Silver price fluctuated between \$14.50 and \$17.50 per ounce on a declining path through the period before closing at \$14.50 per ounce by September 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

CANASIL RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the nine months ended September 30, 2015

reduced expenditures and has not undertaken direct high cost exploration expenditures such as drilling (except at Salamandra, which is currently being funded by MAG, and at Sandra-Escobar under the new option agreement with Orex), which would be highly dilutive if financed at current share prices.

Outlook

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 option payment received from MAG in May 2015, the closing of two private placements in August 2015, and the option payment received from Orex in September 2015 improved the Company's working capital position and will assist management in continuing with initiatives in the coming months. In addition, the Company is currently awaiting results from a Phase-3 drill program at Salamandra. MAG has now fulfilled the \$5.5 million exploration expenditure commitment, and to maintain its option in the Salamandra project must make an additional payment of \$250,000 on (or before, at its option) May 23, 2016. Orex is currently conducting preliminary work at the Company's Sandra-Escobar project and has entered into a 2,000-metre drill contract with the intention of starting the drill program as soon as permits are received. Positive results at these projects would improve the Company's prospects of raising additional equity financing in the coming year.

Mineral Properties

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

Durango and Zacatecas, Mexico:	British Columbia, Canada
<ul style="list-style-type: none"> • Salamandra zinc-silver project – 100% in part, plus option to earn 100%, subject to option agreement with MAG • La Esperanza silver-zinc-lead project – 100% • Sandra gold-silver-project – 100%, and Escobar gold silver claims – 40%, subject to option agreement with Orex • Carina silver project – 100% • Colibri silver-zinc-lead-copper project – 100% • Vizcaino silver-gold project – 100% • Victoria zinc-silver project – 100% • Nora silver-gold-copper project – 100% 	<ul style="list-style-type: none"> • Brenda, gold-copper property – 100% • Vega, gold-copper property – 100% • Granite, gold property – 100% • LIL, silver property – 100%

Exploration projects in Mexico

Salamandra silver-copper-zinc-lead 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 a Net Smelter Returns Royalty 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 ("Zn") over 7.45 metres and 102 grams/tonne ("g/t") silver ("Ag") over 9.85 metres within wider mineralized sections. 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 Ag, 5.39% copper ("Cu") and 1.89% Zn, 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-Sabinas silver-base metal mines, located 80 kilometres southeast of the project.

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 would forfeit its interest in the convertible debenture without repayment.

MAG reported completion of \$5.5 million in cumulative qualifying expenditures at Salamandra up to September 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 10,112 metres in 17 drill holes in 2013 and 2014. 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 of 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.

In the Phase-1 drill program, hole SM14-15 intersected high-grade silver-copper mineralization over 7.89 metres, which reported 166 g/t Ag and 1.2% Cu, including: 2.3 metres grading 393 g/t Ag and 3.6% Cu with appreciable lead ("Pb") and zinc. 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 was SA14-20, which cut 0.63 metres grading 258 g/t (7.5 ounces per ton ("opt")) Ag with 0.27% Cu lying immediately above 9.9 metres grading 2.3% Zn. 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% Zn 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 Phase-3 drill program consisted of 4,270 metres in six drill holes to test for mineralization in more favorable host rocks (limestones) at depth beneath the strongest silver-copper-antimony mineralization with associated skarn alteration seen at surface and in earlier drilling. Assays for the Phase-3 program are pending. With completion of the Phase-3 drill program MAG's required \$5.5 million in exploration expenditures under the 55% earn-in option have been fulfilled.

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 under an option agreement between August 2010 and May 2013. Canasil's initial Phase-1 drill program included 1,432 metres in nine 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 eleven drill holes on the La Esperanza vein, and a Phase-2 drill program of twelve 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.

In September 2015, the Company signed an option agreement with Orex providing Orex with the right to earn up to a 65% interest in the project. Orex can earn an initial 55% interest by paying the Company \$500,000 (received) and incurring US\$2,000,000 in exploration expenditures over a three-year period. The first year expenditure requirement of US\$675,000 is a firm commitment. Orex can earn an additional 10% interest by paying the Company \$500,000 in cash or shares, at Orex's option, and incurring an additional US\$2,000,000 in exploration expenditures within two years.

In October 2015, Orex undertook an initial surface sampling program at the project to define drill targets and has applied for a drill permit to commence drilling at the project. The results of the initial surface sampling program were announced by Orex and Canasil on November 9, 2015.

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 kilometers 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 being advanced by AuRico Metals Inc.

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 ("Au") and 0.079% Cu over a combined intercept length of 394 metres, and the average grade of 3 intercepts below 450 metres returning 0.68 g/t Au and 0.116% Cu over a combined intercept length of 93 metres. A significant number of drill core samples returned assays of over 1.0 g/t Au and 0.15% Cu. 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.

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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 September 30 follows:

	2015	2014
Canada		
Other Properties		
Field costs	\$ -	\$ 1,216
Geological	-	9,298
Land holding costs	676	3,756
Mapping and surveying	6,996	15,321
Transportation and rentals	-	2,676
Expenditure recoveries	(10,646)	(1,207)
	<u>(2,974)</u>	<u>31,060</u>
Mexico		
Salamandra Property		
Acquisition and option payments	90,969	54,294
Administration	21,942	72,614
Assays	117,046	323,980
Consulting	152,404	215,676
Drilling	580,044	1,279,476
Field costs	39,750	72,579
Geological	12,346	18,783
Land holding costs	115,560	153,903
Legal	71,551	17,716
Transportation and rentals	36,040	97,550
Expenditure recoveries	-	(62,392)
Option payments received	(200,000)	(150,000)
	<u>1,037,652</u>	<u>2,094,179</u>
Sandra and Escobar Properties		
Acquisition and option payments	5,573	1,711
Administration	38,108	9,776
Field costs	2,534	1,921
Geological	23,015	7,163
Land holding costs	83,761	25,592
Mapping and surveying	-	263
Transportation and rentals	331	-
Option payments received	(500,000)	-
	<u>(346,678)</u>	<u>46,426</u>
La Esperanza Property		
Administration	44,979	29,245
Field costs	1,852	552
Geological	25,599	31,452
Land holding costs	105,214	76,365
Road building	2,439	-
Transportation and rentals	161	529
	<u>180,244</u>	<u>138,143</u>
Carina Property		
Administration	11,023	10,483
Geological	1,009	1,867
Land holding costs	32,274	37,125
	<u>\$ 44,306</u>	<u>\$ 49,475</u>

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

	2015	2014
Mexico – continued		
Victoria Property		
Administration	\$ 73	\$ 1,505
Field costs	156	-
Geological	-	2,283
Land holding costs	-	4,901
Transportation and rentals	63	-
	292	8,689
Colibri Property		
Administration	5,089	9,018
Geological	3,884	6,238
Land holding costs	11,379	27,376
	20,352	42,632
Other Properties		
Administration	19,734	15,996
Field costs	218	-
Geological	6,326	4,903
Land holding costs	49,148	54,664
Transportation and rentals	2,473	-
	77,899	75,563
Total costs for period	\$ 1,011,093	\$ 2,486,167

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

	2015	2014
Acquisition and option payments	\$ 96,542	\$ 56,005
Administration	140,948	148,970
Assays	117,046	323,980
Consulting	152,404	215,676
Drilling	580,044	1,279,476
Field costs	44,510	76,268
Geology	72,179	81,987
Land holding costs	398,012	383,682
Legal	71,551	17,383
Mapping and surveying	6,996	15,584
Road building	2,439	-
Transportation and rentals	39,068	100,755
Expenditure recoveries	(10,646)	(63,599)
Option payments received	(700,000)	(150,000)
	\$ 1,011,093	\$ 2,486,167

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Results of Operations

The Company had a loss for the current nine-month period of \$1,298,945, which compares to a loss of \$2,854,375 for the previous nine-month period. Significant items included in loss for the period are as follows:

	2015	2014
Accounting and audit	\$ 22,934	\$ 26,144
Exploration and evaluation	\$ 1,011,093	\$ 2,486,167
Interest income	\$ (6,353)	\$ (11,769)
Management fees	\$ 45,000	\$ 45,000
Office services and supplies	\$ 54,371	\$ 58,385
Salaries and wages	\$ 116,946	\$ 149,760
Share-based compensation	\$ -	\$ 17,428

The loss includes general and administrative expenses of \$287,852, which compare to \$368,208 incurred in the comparative period. Management has reduced general and administrative expenses wherever possible with most line-items being lower in the current period compared to the prior period. The Company also continued to receive value-added tax ("IVA") refunds in Mexico, which provided a small amount of interest income for each period. The largest reductions in the current administrative expenses were in salaries and wages, due to a reduction in staff made in 2014, and in share-based compensation as no stock options were granted in the current period.

The loss also includes exploration and evaluation expenditures of \$1,011,093 (2014 - \$2,486,167), which are net of option payments received of \$700,000 (2014 - \$150,000) and expenditure recoveries of \$10,646 (2014 - \$63,599). Total gross exploration and evaluation expenditures of \$1,721,739 (2014 - \$2,699,766) were significantly lower than those incurred in 2014 due to the drill programs conducted under the direction of MAG in accordance with the Salamandra option agreement. The drill program completed at Salamandra during the nine-month period to September 30, 2015 was 4,270 metres compared to 10,112 metres completed in the same period of 2014. Exploration and evaluation costs include \$1,237,652 (2014 - \$2,306,571) that were incurred on the Salamandra project; \$1,179,485 (2014 - \$2,180,251) 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. In addition, the Company received an initial option payment of \$500,000 from Orex under the Sandra-Escobar option agreement; no such amount was received in the comparative period. Exploration expenditures on the Company's other projects totalled \$484,087, which were higher than the \$393,195 incurred in the comparative period due primarily to an increase in land holding costs incurred on the Sandra and La Esperanza properties.

The Company had other comprehensive income of \$154,000 during the period (\$nil in 2014), which resulted from unrealized gains on available-for-sale marketable securities for the nine-month period ended September 30, 2015 (see "*Liquidity and Capital Resources*"). Comprehensive loss for the current nine-month period totalled \$1,144,945, which compares to a comprehensive loss of \$2,854,375 for the comparative period.

Net cash used for operating activities during the period, before changes in non-cash working capital items, was \$1,293,967 (2014 - \$2,830,531), which includes \$1,011,093 (2014 - \$2,486,167) in net exploration and evaluation expenditures. The decrease in cash used for operations is primarily due to less drilling being completed at the Salamandra project during 2015 than during the comparative period. Significant changes in non-cash working capital items for the current period include a decrease in receivables of \$70,425, due primarily to refunds of value-added taxes received from the government of Mexico, and a significant increase in accounts payable due to September invoices for drilling and assaying not being paid until after the quarter-end. Cash used in investing activities totalled \$351,122 and includes \$350,000 invested in Orex shares under a private placement (see "*Liquidity and Capital Resources*"). Net cash provided by financing activities during the period was \$1,440,236 (2014 - \$2,818,122) as a result of the Company receiving \$135,000 (2014 - \$140,000) in loan advances from related parties, and \$1,135,210 (2014 - \$2,568,822) in advances from MAG under the convertible debenture. The Company also received net cash proceeds of \$170,026 from share issuances under two private placements that closed in August 2015 – in 2014, the Company received \$109,300 for the final tranche of a private placement completed in February 2014 and for the exercise of warrants.

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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:	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Revenue	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Exploration and evaluation expenses	\$1,165,646	\$233,222	\$312,225	\$619,382	\$388,204	\$926,962	\$1,321,001	\$79,443
Option payments received	\$500,000	\$200,000	\$nil	\$nil	\$nil	\$150,000	\$nil	\$nil
Share-based compensation expense	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$17,428	\$nil
Loss for the period	\$770,924	\$147,778	\$380,243	\$723,081	\$477,484	\$899,601	\$1,477,290	\$190,933
Other comprehensive income	\$154,000	-	-	-	-	-	-	-
Comprehensive loss for the period	\$616,924	\$147,778	\$380,243	\$723,081	\$477,484	\$899,601	\$1,477,290	\$190,933
Loss per share: basic and diluted	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.02	\$0.00
Weighted-average shares	83,857,698	81,059,872	81,059,872	79,635,525	79,022,656	78,237,873	78,044,651	74,434,503

Discussion of Quarterly Information

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 at its Salamandra project, which is being directed and funded 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. In the third quarter of 2015, the Company recorded \$957,682 in exploration costs on its Salamandra project relating primarily to the Phase-3 drill program overseen by MAG during the quarter. The Company incurred \$212,391 in land holding and surface access costs, which compares to \$217,010 for the same quarter of 2014. In September 2015, the Company received the initial option payment of \$500,000 from Orex under its option agreement on the Sandra-Escobar project.

Discussion of Current Quarter

The loss for the current quarter includes general and administrative expenses of \$105,278 (2014 - \$89,280) and exploration and evaluation expenditures of \$665,646 (2014 - \$388,204), which are net of option payments received of \$500,000 (2014 - \$nil) and expenditure recoveries of \$10,646 (2014 - \$nil). Total gross exploration and evaluation expenditures of \$1,176,292 (2014 - \$388,204) were significantly higher than those incurred in 2014 due to the timing of drill programs conducted at Salamandra – the 2014 program was completed in May while the 2015 program was completed in September. Exploration and evaluation costs include \$957,682 (2014 - \$198,303) that were incurred on the Salamandra project. The Company incurred exploration and evaluation expenditures totalling \$218,610 (2014 - \$189,901) on its other projects.

Net cash used for operating activities during the quarter, before changes in non-cash working capital items, was \$769,209 (2014 - \$475,260), which includes \$665,646 (2014 - \$388,204) in net exploration and evaluation expenditures. The increase in cash used for operations is primarily due to the drill program conducted at the Salamandra project during the current quarter. Significant changes in non-cash working capital items for the current period include an increase in value-added taxes recoverable of \$153,418, and an increase in accounts payable of \$550,754, both of which relate primarily to the drill program at the Salamandra project. Cash provided by financing activities was \$1,063,677, which relates primarily to advances received from MAG under its convertible debenture during the period, and share subscriptions received under private placements.

Liquidity and Capital Resources

The Company has no income from operations and is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by 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 September 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 \$638,835 as at September 30, 2015 (December 31, 2014 - \$125,226), marketable securities of \$504,000 (December 31, 2014 - \$nil), receivables of \$388,505 (December 31, 2014 - \$458,930), accounts payable and accrued liabilities of \$721,352 (December 31, 2014 - \$110,046), and accounts payable and accrued liabilities – related parties of \$249,245 (December 31, 2014 - \$210,864). As at September 30, 2015, the Company had short-term debt consisting of loan advances totalling \$320,000 (December 31, 2014 - \$185,000) due to related parties. These advances are unsecured, non-interest bearing, and have no fixed repayment terms. The Company had working capital at September 30, 2015 of \$247,307 (December 31, 2014 - \$83,160).

In September 2015, the Company acquired 1,400,000 common shares of Orex under a private placement at a cost of \$350,000. These shares were subject to a four-month hold period. On September 25, 2015, Orex and Barsele Minerals Corp. ("Barsele") completed a plan of arrangement such that each old share of Orex was exchanged for one new share of Orex plus one common share of Barsele. At the time of the exchange, the fair value of the Barsele shares was estimated at \$210,088 with a residual value of \$139,912 being attributed to the new Orex shares. At September 30, 2015, the market values of the 1,400,000 new Orex shares and 1,400,000 Barsele shares were \$224,000 and \$280,000, respectively. As at the date of this report, the market values were \$147,000 and \$182,000, respectively.

To September 30, 2015, the Company had received \$4,314,240 (2014 - \$2,568,822) 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 September 30, 2015 includes \$576,766 that was advanced by MAG and will be applied towards related accounts payable of \$535,970. The balance of \$40,796 represents the additional funds advanced by MAG that are available only for future qualifying exploration expenditures at Salamandra. Receivables include \$329,729 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 \$283,000 and cash exploration and evaluation expenses of approximately \$1,711,000. Approximately \$1,238,000 of the exploration and evaluation expenditures relate to Salamandra, the majority of which are currently being funded by MAG. 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. In September 2015, the Company received an option payment of \$500,000 from Orex on the Sandra-Escobar project.

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The Company has an underlying option agreement on certain of the Salamandra claims that requires scheduled 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.

Management considers the Company's current working capital resources to be insufficient to meet its overhead and minimum exploration and land holding requirements for the ensuing twelve months. 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 \$17,584 (2014 – \$18,819) in legal fees due to Vector Corporate Finance Lawyers, a firm at which Graham Scott, an officer of the Company, is a partner; \$nil (2014 - \$5,513) in geological consulting fees due to Discovery Resource Corp., a company controlled by Gary Nordin, a former director of the Company; and \$231,661 (2014 – \$157,500) in salaries and management fees due to the Bahman Yamini, chief executive officer, and Kerry Spong, chief financial officer;

Due to related parties includes loan advances totaling \$320,000 (2014 – \$185,000) made to the Company by Bahman Yamini, a director, Kerry Spong, an officer, and Essec Enterprises Ltd., a company of which Bahman Yamini is a director. 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 for the periods ended September 30, 2015 is as follows:

	2015	2014
Salaries and wages – Bahman Yamini	\$ 112,500	\$ 112,500
Management fees – Kerry Spong	45,000	45,000
Legal fees – Vector Corporate Finance Lawyers	17,716	26,978
Share-based compensation (i)	-	9,295
	<u>\$ 175,216</u>	<u>\$ 193,773</u>

(i) Calculated using the Black-Scholes Option-Pricing Model using the assumptions detailed in Note 6 to the September 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 September 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.

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Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as at September 30, 2015 or the date of this report.

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:

	September 30, 2015	December 31, 2014
Cash		
Cash on deposit	\$ 62,069	\$ 114,884
Cash restricted (see "Liquidity and Capital Resources")	576,766	10,342
	\$ 638,835	\$ 125,226
Marketable securities		
	\$ 504,000	\$ -
Receivables		
Value-added taxes (see "Liquidity and Capital Resources")	\$ 388,505	\$ 458,048
Other	-	882
	\$ 388,505	\$ 458,930
Reclamation bonds		
	\$ 28,000	\$ 28,000
Accounts payable and accrued liabilities		
Accounts payable (see "Liquidity and Capital Resources")	\$ 661,057	\$ 80,046
Accrued audit, legal, exploration and other	60,295	30,000
	\$ 721,352	\$ 110,046
Accounts payable and accrued liabilities – related parties		
Accounts payable – legal fees	\$ 17,584	\$ 864
Accrued salaries, wages, and management fees	231,661	210,000
	\$ 249,245	\$ 210,864
Due to related parties		
	\$ 320,000	\$ 185,000

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The Company's financial instruments consist of cash, marketable securities, 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. Marketable securities are classified as available-for-sale financial assets 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.

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 \$269,607 during the period. Management continues to use its best efforts to obtain such refunds.

The Company's marketable securities consist of common shares of Orex and Barsele, which are subject to market downturns and declines in market value and therefore the Company is exposed to market risk in respect of these financial instruments.

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 September 30, 2015, the Company held the equivalent of \$24,132 in cash, \$377,220 in receivables, and \$266,389 in accounts payable, all of which are denominated in pesos. In addition, the Company held the equivalent of \$561,001 in cash and \$400,506 in accounts payable, which are denominated in U.S. dollars. Based on the Company's peso denominated monetary assets and liabilities as at September 30, 2015, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately \$1,350. Based on the Company's U.S. dollar denominated monetary assets and liabilities as at September 30, 2015, each 1% fluctuation in the exchange rate with the Canadian dollar would result in a gain or loss of approximately \$1,605. 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.

The Company is exposed to significant market risk in respect of its marketable securities. Due to the value and nature of the Company's other 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 September 30, 2015. The Company is exposed to liquidity risk due to its limited working capital 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 September 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.

Proposed Transactions

There were no proposed transactions as at September 30, 2015 or the date of this report.

Outstanding Share Data

Shares

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at September 30, 2015, the Company had 84,659,872 common shares issued and outstanding (diluted – 91,459,872) compared to 81,059,872 common shares issued and outstanding (diluted – 85,879,722) as at December 31, 2014.

During the nine-month period, the Company completed two private placements by issuing a total of 3,600,000 shares and 3,000,000 warrants; 144,850 warrants and 875,000 stock options expired unexercised. Notes 5 and 6 to the Company's September 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 89,709,872 shares outstanding on a diluted basis. The change from September 30, 2015 results from the expiry of 1,750,000 stock options on November 23, 2015 as detailed below.

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Options and Warrants

As at September 30, 2015, a total of 3,800,000 incentive stock options (2,050,000 as at the date hereof) were outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
1,750,000	\$ 0.28	November 23, 2015 (expired unexercised on 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 September 30, 2015 and 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 September 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 September 30, 2015, the Company did not acquire or dispose of any mineral properties. In September 2015, the Company signed an option agreement with Ores providing Ores with the right to earn up to a 65% interest in the Sandra-Escobar project (see "*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, 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. Gary Nordin resigned as a director of the Company on September 15, 2015; however, he has remained on the Company's advisory board. 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 September 30, 2015, the Company's accumulated deficit was \$23,371,175.

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 2,050,000 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.

CANASIL RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2015

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.