



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Expressed in Canadian Dollars**

**Unaudited**



**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

*"Bahman Yamini"*

*"Kerry Spong"*

---

**President and Chief Executive Officer**

---

**Vice President, Finance & CFO**

*August 20, 2018*

1760-750 West Pender Street, Vancouver, B.C. V6C 2T8

Tel: (604) 708-3788 Fax: (604) 708-3728

Email: [admin@canasil.com](mailto:admin@canasil.com)

**CANASIL RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

Expressed in Canadian Dollars  
*Unaudited*

<b>ASSETS</b>	June 30, 2018	December 31, 2017
<b>Current</b>		
Cash and cash equivalents	\$ 325,425	\$ 202,029
Marketable securities <i>(Note 3)</i>	560,000	1,060,500
Receivables	58,086	75,257
Prepaid expenses	26,845	11,989
	<hr/> 970,356	<hr/> 1,349,775
<b>Reclamation bonds</b>	40,000	40,000
<b>Property and equipment</b>	42,467	44,316
	<hr/> \$ 1,052,823	<hr/> \$ 1,434,091

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 63,223	\$ 109,583

**SHAREHOLDERS' EQUITY**

<b>Share capital</b> <i>(Note 5)</i>	21,837,835	21,437,985
<b>Contributed surplus</b>	6,484,218	6,514,588
<b>Accumulated other comprehensive income</b>	668,975	678,997
<b>Deficit</b>	(28,001,428)	(27,307,062)
	<hr/> 989,600	<hr/> 1,324,508
	<hr/> \$ 1,052,823	<hr/> \$ 1,434,091

**Nature and continuance of operations** *(Note 1)*

**Commitments** *(Note 8)*

**Contingency** *(Note 9)*

**Subsequent event** *(Note 12)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

**CANASIL RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES  
IN SHAREHOLDERS' EQUITY**

Expressed in Canadian Dollars

Unaudited

	Number of Shares	Share Capital (Note 5)	Contributed Surplus (Note 6)	Accumulated Other Comprehensive Income (loss)	Deficit	Total
<b>Balance – December 31, 2016</b>	101,897,372	\$ 21,437,985	\$ 6,257,759	\$ 1,199,692	\$ (24,974,859)	\$ 3,920,577
Share-based compensation	-	-	256,829	-	-	256,829
Comprehensive loss for the period	-	-	-	(511,560)	(1,423,117)	(1,934,677)
<b>Balance – June 30, 2017</b>	101,897,372	21,437,985	6,514,588	688,132	(26,397,976)	2,242,729
Comprehensive loss for the period	-	-	-	(9,135)	(909,086)	(918,221)
<b>Balance – December 31, 2017</b>	101,897,372	21,437,985	6,514,588	678,997	(27,307,062)	1,324,508
Exercise of warrants	2,309,250	369,480	-	-	-	369,480
Fair value of warrants exercised	-	30,370	(30,370)	-	-	-
Comprehensive loss for the period	-	-	-	(10,022)	(694,366)	(704,388)
<b>Balance – June 30, 2018</b>	104,206,622	\$ 21,837,835	\$ 6,484,218	\$ 668,975	\$ (28,001,428)	\$ 989,600

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

**CANASIL RESOURCES INC.**

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

Expressed in Canadian Dollars

Unaudited

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
<b>Expenses</b>				
Accounting and audit	\$ 19,503	\$ 12,018	\$ 29,645	\$ 20,859
Depreciation	925	1,309	1,849	2,400
Director fees	12,000	12,000	24,000	24,000
Exploration and evaluation (Note 4)	202,930	210,939	378,312	758,769
Foreign exchange loss (gain)	1,128	18,338	(10,750)	11,204
Interest income	(66)	(2,383)	(687)	(6,340)
Investor relations and promotions	932	-	1,324	1,877
Legal fees	3,855	491	4,770	6,696
Listing and filing fees	-	4,800	10,876	11,600
Management fees	37,500	37,500	75,000	75,000
Office rent, services and supplies	18,111	19,837	37,058	38,373
Salaries, wages and consulting	57,003	61,005	118,483	119,949
Shareholder communications	9,199	5,654	17,049	16,811
Share-based compensation (Note 6)	-	-	-	256,829
Transfer agent fees	1,868	2,456	3,285	4,560
Travel and accommodation	-	-	2,654	4,090
<b>Loss for the period before taxes</b>	<b>(364,888)</b>	<b>(383,964)</b>	<b>(692,868)</b>	<b>(1,346,677)</b>
Deferred income tax expense (Note 3)	(1,365)	(67,795)	(1,498)	(76,440)
<b>Loss for the period</b>	<b>(366,253)</b>	<b>(451,759)</b>	<b>(694,366)</b>	<b>(1,423,117)</b>
<b>Other comprehensive loss</b>				
Change in fair value of marketable securities, net of taxes (Note 3)	(9,135)	(453,705)	(10,022)	(511,560)
<b>Comprehensive loss for the period</b>	<b>\$ (375,388)</b>	<b>\$ (905,464)</b>	<b>\$ (704,388)</b>	<b>\$ (1,934,677)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted-average shares</b>				
<b>Outstanding – basic and diluted</b>	<b>104,206,622</b>	<b>101,897,372</b>	<b>103,122,168</b>	<b>101,897,372</b>

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

**CANASIL RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30**

Expressed in Canadian Dollars

*Unaudited*

<b>CASH RESOURCES PROVIDED BY (USED IN)</b>	2018	2017
<b>Operating activities</b>		
Loss for the period	\$ (694,366)	\$ (1,423,117)
Items not involving cash		
Depreciation	1,849	2,400
Deferred income tax expense	1,498	76,440
Share-based compensation	-	256,829
Changes in non-cash working capital		
Receivables	17,171	(47,418)
Prepaid expenses	(14,856)	(32,284)
Accounts payable and accrued liabilities	(46,360)	(75,919)
	<u>(735,064)</u>	<u>(1,243,069)</u>
<b>Investing activities</b>		
Proceeds on sale of marketable securities	488,980	-
Purchase of equipment	-	(1,929)
Reclamation bonds	-	(12,000)
	<u>488,980</u>	<u>(13,929)</u>
<b>Financing activities</b>		
Shares issued for cash	<u>369,480</u>	-
<b>Change in cash for the period</b>	123,396	(1,256,998)
Cash position - beginning of period	<u>202,029</u>	<u>2,265,376</u>
<b>Cash position - end of period</b>	<u>\$ 325,425</u>	<u>\$ 1,008,378</u>
<b>Supplemental schedule of non-cash investing and financing transactions</b>		
Unrealized losses on marketable securities	\$ 11,520	\$ 588,000
Fair value of warrants exercised	\$ 30,370	\$ -

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

## **CANASIL RESOURCES INC.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

---

#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Canasil Resources Inc. (“Canasil” or the “Company”) is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interests in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain 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. As at June 30, 2018 the Company had working capital of \$907,133, which is not considered to be adequate to fund its overhead and currently planned exploration activities for the ensuing twelve months. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. The Company has incurred operating losses since inception and as at June 30, 2018 had an accumulated deficit of \$28,001,428.

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.

#### **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.

Except for the adoption of IFRS 9 on January 1, 2018, as detailed below, 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, 2017. All financial information presented herein is unaudited. The Company’s board of directors approved these financial statements for issue on August 20, 2018.

##### **Basis of measurement**

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

## CANASIL RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

Expressed in Canadian Dollars

Unaudited

---

## 2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

### Principles of consolidation

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

### Foreign currency translation

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

### Adoption of new accounting standard

On January 1, 2018, the Company adopted IFRS 9 – *Financial Instruments*, which replaces IAS 39 *Financial Instruments – Recognition and Measurement*. The new standard provides guidance that is based on the Company's business model for managing its financial instruments, which includes the purpose for which the financial instruments were acquired as well as their contractual cash flow characteristics.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL"). It also includes a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own-credit risk in other comprehensive income for any liabilities designated as FVTPL.

Determination of the classification of financial instruments is made at initial recognition and reclassifications are made only upon the Company changing its business model for managing its financial instruments. Financial assets are derecognized when they mature or are sold, and substantially all of the risks and rewards of ownership have been transferred. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, upon initial recognition the Company can make a one-time irrevocable election to designate them as FVTOCI.

Upon adoption of IFRS 9 on a retrospective basis, the Company made an irrevocable election to measure its marketable securities at FVTOCI, therefore, there was no impact on the carrying values or equity as at January 1, 2018 and no measurement differences due to adopting the new standard. Accordingly, the Company was not required to retroactively restate the comparative periods or to make an adjustment to deficit or accumulated other comprehensive income at January 1, 2018. As a result of adopting IFRS 9, the Company's accounting policy for financial instruments has been modified to include the following:

Financial assets

#### *FVTPL*

Financial assets classified as FVTPL are initially recognized at fair value with transaction costs being expensed in the period incurred. Realized gains and losses recognized upon derecognition and unrealized gains and losses arising from changes in the fair value of the financial assets are included in profit or loss in the period in which they arise.



**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

**2. SIGNIFICANT ACCOUNTING POLICIES - continued****Adoption of new accounting standard - continued***FVTOCI*

Investments in equity instruments classified as FVTOCI are initially recognized at fair value plus transaction costs. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income with no subsequent reclassification to profit or loss upon derecognition. Realized gains and losses recognized upon derecognition remain within accumulated other comprehensive income.

*Amortized cost*

A financial asset is measured at amortized cost if the objective of the Company's business model is to hold the instrument for the collection of contractual cash flows, which are comprised solely of payments of principal and interest. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Impairment losses are included in profit or loss in the period the impairment is recognized.

## Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities and are measured at amortized cost.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table summarizes the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Marketable securities	Available-for-sale	FVTOCI
Receivables	Amortized cost	Amortized cost
Reclamation bonds	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost

**3. MARKETABLE SECURITIES**

The Company holds common shares of Orex Minerals Inc. ("Orex") and Barsele Minerals Corp. ("Barsele"), which were acquired through a private placement with, and subsequent reorganization of, Orex and which have not been designated as held for trading. The Company and Orex have an option agreement on the Sandra-Escobar project (*Note 4*). Prior to January 1, 2018, these shares were classified as available-for-sale financial assets. Upon adopting IFRS 9 on January 1, 2018, the Company elected to measure these shares at FVTOCI.

Details as at June 30 are as follows:

	Shares 2018	Cost 2018	Fair Value 2018	Fair Value 2017
Orex Minerals Inc.	700,000	\$ 69,956	\$ 91,000	\$ 91,000
Barsele Minerals Corp. ( <i>Note 12</i> )	700,000	105,044	469,000	980,000
		\$ 175,000	\$ 560,000	\$ 1,071,000

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

**3. MARKETABLE SECURITIES - continued**

Changes in the fair value of these securities for the periods ended June 30 are as follows:

	2018	2017
Fair value – beginning of period	\$ 1,060,500	\$ 1,659,000
Sold – 700,000 Barsele shares	(488,980)	-
Change in fair value	(11,520)	(588,000)
Fair value – end of period	\$ 560,000	\$ 1,071,000

The carrying value of the Company's marketable securities is determined by using the quoted closing price of the security as at the balance sheet date. During the period, the Company sold 700,000 Barsele shares for net cash proceeds of \$488,980 and a gain on sale of \$383,936 (*Note 12*). In accordance with IFRS 9 adopted on January 1, 2018, gains realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss. The Company also recorded unrealized losses of \$10,022, net of deferred income tax impact of \$1,498, through accumulated other comprehensive income.

**4. EXPLORATION AND EVALUATION**

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

**Sandra-Escobar project, Mexico**

Between 2004 and 2006, the Company acquired, by staking, the Sandra claims located in Durango State, Mexico. In accordance with a 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. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which form the Sandra-Escobar project.

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 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. Orex could 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 January 2017, Orex advised the Company that it had completed the required expenditures of US\$2,000,000 to earn a 55% interest in the project. The Company and Orex intend to form a 45:55 joint venture to further develop the project.

In December 2017, the Company signed a non-binding letter of intent with Pan American and Orex, which provides the basis for entering into a definitive option agreement whereby the three companies will advance the Sandra-Escobar project jointly (*Note 9*). The terms of the letter of intent provide for the parties to incur optional expenditures of US\$6,000,000 (US\$5,000,000 by Pan American and US\$1,000,000 jointly by Canasil and Orex) over a period of four years. Following completion of these expenditures, Pan American will have earned a 51% interest in the Sandra property and Orex and Canasil will have increased their interest in the Escobar property to 49%, such that Pan American will hold a 51% interest and Canasil and Orex will jointly hold a 49% interest in the combined Sandra and Escobar properties. Pan American will have a further option to increase its interest to 60% in the combined properties by completing a pre-feasibility study on the project.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

**4. EXPLORATION AND EVALUATION - continued****Salamandra project, Mexico**

The Salamandra project, located in Durango State, Mexico, was acquired through staking and an option to purchase a 100% interest in certain claims comprising the central 900 hectares of the project area. During 2017, the Company renegotiated the terms of this option agreement such that it acquired a 100% interest in the 900 hectares by making a final payment of US\$25,000 bringing the total paid for these claims to US\$250,000. These claims are subject to a 0.5% net smelter returns royalty ("NSR") that can be purchased from the owner for US\$500,000.

**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 was purchased by the Company in 2016. The claims are located in Zacatecas State, Mexico. The Company acquired a 100% interest in these claims in May 2011 and from 2006 to 2010 has added further claims, by direct staking, to increase the size of the project area.

**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 projects (Note 10).

**Mineral title**

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

**Expenditures for the periods ending June 30, by activity, are as follows:**

	2018	2017
Administration	\$ 68,130	\$ 81,131
Assays	18,574	27,465
Drilling	46,093	346,365
Field costs	18,976	20,388
Geological	63,110	100,557
Land holding costs	214,977	122,608
Legal	3,298	2,755
Mapping and surveying	4,134	31,938
Road building	1,666	19,613
Transportation and rentals	2,462	5,949
Expenditure recoveries	(63,108)	-
	<u>\$ 378,312</u>	<u>\$ 758,769</u>

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

**4. EXPLORATION AND EVALUATION** - *continued***Expenditures for the periods ended June 30 and cumulative expenditures to June 30, 2018 are as follows:**

	Expenditures 2018	Expenditures 2017	Cumulative 2018
Brenda, Canada	\$ -	\$ 8,852	\$ 2,385,524
- Expenditure recoveries	-	-	(209,879)
Vega, Canada	561	4,795	252,198
- Expenditure recoveries	-	-	(35,577)
Other, Canada	-	2,310	141,767
- Expenditure recoveries	-	-	(22,073)
La Esperanza, Mexico	241,727	626,900	2,898,607
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Sandra-Escobar, Mexico	61,999	43,194	1,936,367
- Expenditure recoveries	(63,108)	-	(149,717)
- Option payments received	-	-	(500,000)
Salamandra, Mexico	75,651	32,763	6,168,352
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
Other, Mexico	61,482	39,955	3,469,158
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	<u>\$ 378,312</u>	<u>\$ 758,769</u>	<u>\$ 14,729,896</u>

**5. SHARE CAPITAL**

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

There were no shares issued from treasury during the year ended December 31, 2017.

In March 2018, the Company granted the holders of 4,194,250 share purchase warrants, with an exercise price of \$0.50 per share, the right to exercise their warrants at a reduced price of \$0.16 on or before March 23, 2018. In March 2018, 2,309,250 warrants were exercised for cash proceeds of \$369,480. Holders exercising their warrants also received a replacement warrant with an exercise price of \$0.25 per share expiring on February 28, 2020, subject to an acceleration clause should the closing price of the Company's shares exceed \$0.33 per share for a period of ten consecutive trading days. The terms of the 1,885,000 unexercised warrants remained unchanged and these warrants expired unexercised in June 2018.

The related fair value of \$30,370, which was recognized in contributed surplus upon issuance of 134,250 of the exercised warrants, has been recorded as share capital.

**CANASIL RESOURCES INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

**6. STOCK OPTIONS AND WARRANTS**

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

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2016	4,194,250	\$ 0.50	7,162,500	\$ 0.10
Granted	-	\$ -	735,000	\$ 0.20
Expired	-	\$ -	(262,500)	\$ 0.18
Outstanding, December 31, 2017	4,194,250	\$ 0.50	7,635,000	\$ 0.10
Issued	2,309,250	\$ 0.25	-	\$ -
Exercised	(2,309,250)	\$ 0.16	-	\$ -
Expired	(1,885,000)	\$ 0.50	(70,000)	\$ 0.13
Outstanding, June 30, 2018	2,309,250	\$ 0.25	7,565,000	\$ 0.10
Exercisable, June 30, 2018	2,309,250	\$ 0.25	7,565,000	\$ 0.10

At June 30, 2018, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	325,000	\$ 0.10	January 4, 2019
	4,950,000	\$ 0.06	December 21, 2020
	400,000	\$ 0.21	March 1, 2021
	1,155,000	\$ 0.20	January 20, 2022 (i)
	<u>735,000</u>	\$ 0.20	January 25, 2022
	7,565,000		

(i) On January 20, 2017, these options were amended to extend their expiry date from January 20, 2017 to January 20, 2022 with all other terms remaining unchanged.

	Number of Shares	Exercise Price	Expiry Date
Warrants	2,309,250	\$ 0.25	February 28, 2020

At June 30, 2018, the weighted-average remaining life for the outstanding stock options was 2.68 years and 1.67 years for the outstanding warrants.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

**6. STOCK OPTIONS AND WARRANTS - *continued*****Share-based compensation**

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

	2018	2017
Total options granted/extended	-	1,910,000
Average exercise price	\$ -	\$ 0.20
Estimated fair value of options granted/extended	\$ -	\$ 256,829
Estimated fair value per option	\$ -	\$ 0.13

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:

	2018	2017
Risk-free interest rate	-	1.14%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	95%
Expected forfeiture rate	-	0.00%
Expected option life in years	-	5.00

The Company has recorded share-based compensation as follows:

	2018	2017
Number of options vested in period	-	1,910,000
Compensation recognized in period	\$ -	\$ 256,829

**7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Key management includes officers and non-executive directors. The compensation paid or payable to key management for the periods ended June 30 is as follows:

	2018	2017
Salaries and wages	\$ 112,500	\$ 112,500
Management fees	75,000	75,000
Director fees	24,000	24,000
Legal fees	4,981	7,707
	\$ 216,481	\$ 219,207

In addition, the Company recorded share-based compensation of \$nil (2017 - \$197,415), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 6.

Accounts payable includes \$2,500 (December 31, 2017 - \$28,282) in legal fees due to a law firm of which an officer of the Company is a partner.

**CANASIL RESOURCES INC.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

---

**8. COMMITMENTS**

The Company has a lease agreement for office premises that expires on September 30, 2021. As at June 30, 2018, monthly payments were \$3,442 and include basic rent and common operating costs. Minimum future annual lease payments (based on current common operating costs) are as follows:

	Amount
2018	\$ 21,465
2019	44,785
2020	45,481
2021	34,111
	<u>\$ 145,842</u>

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate monthly compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company.

**9. CONTINGENCY**

In September 2017, Pan American filed a legal action against the Company in the Supreme Court of British Columbia claiming certain rights under the 2008 option agreement on the Sandra-Escobar project. Pan American has not served the Company in respect of this action and the Company believes that the action is without merit. In December 2017, the Company, Pan American, and Orex entered into a non-binding letter of intent to enter into an option agreement whereby the three companies will advance the Sandra-Escobar project jointly (*Note 4*). A condition precedent to signing the definitive option agreement is Pan American withdrawing its legal action.

**10. PROPOSED SPIN-OFF TRANSACTION**

In July 2017, the Company announced its intention to undertake a spin-off transaction to segregate its British Columbia properties into a separate company, Canmine, a wholly-owned subsidiary of the Company. Upon completion, shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. The transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company approved the transaction at a special meeting held on December 12, 2017 and the Company received final court approval on December 20, 2017. Completion of the transaction is subject to the conditional listing of the shares of Canmine on the TSX Venture Exchange.

**CANASIL RESOURCES INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018**

Expressed in Canadian Dollars

Unaudited

---

**11. 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:

June 30, 2018	Canada	Mexico	Total
Property and equipment	\$ 5,322	\$ 37,145	\$ 42,467

  

December 31, 2017	Canada	Mexico	Total
Property and equipment	\$ 6,275	\$ 38,041	\$ 44,316

**12. SUBSEQUENT EVENT**

Subsequent to June 30, 2018, the Company sold 700,000 Barsele shares (*Note 3*) for gross cash proceeds of \$455,000 and a gain on sale of \$348,936.





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

### **Quarterly Highlights**

**For the Six Months Ended June 30, 2018**

---

#### **INTRODUCTION**

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

This Interim Management's Discussion and Analysis ("MD&A") is dated August 20, 2018, and provides information on the Company's activities for the six months ended June 30, 2018, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's June 30, 2018 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The Company has elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2017 MD&A and audited consolidated financial statements, available for viewing at [www.sedar.com](http://www.sedar.com).

#### **QUARTERLY HIGHLIGHTS**

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

- sold marketable securities for gross proceeds of \$490,000 in January 2018 and \$455,000 in July 2018;
- received proceeds of \$369,480 in March 2018 upon the exercise of 2,309,250 warrants;
- pursued discussions with major copper-gold producers for cooperation on its BC projects;
- pursued arrangements for meeting the funding requirements for the proposed spin-off of its BC projects;
- completed a surface trenching and sampling program on the Salamandra project;
- continued drilling at its La Esperanza project, completing a 347-metre diamond drill hole before suspending the program due to weather conditions;
- followed up to finalize the definitive option agreement with Pan American Silver Corp. ("Pan American") together with Orex Minerals Inc. ("Orex"), to advance the Sandra-Escobar project.

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

## **OUTLOOK**

### **Corporate Outlook**

The Company has reviewed the encouraging drill results obtained in 2017 from the La Esperanza project, and completed further surface sampling over the La Esperanza vein area, located in the southeast of the project area, to investigate buried extensions of the vein along strike in both directions. This data was evaluated to plan further drilling at La Esperanza, and in June 2018 drill-hole ES-18-21 was completed to a downhole depth of 347 metres, targeted below ES-17-16 on the southeastern extension of the La Esperanza vein. This hole cut the La Esperanza vein at 315 metres downhole intersecting a core length of 14.11 metres (true width 12.20 metres) with strong epithermal textures and disseminated sulphide minerals. The entire vein structure intersected was mineralized including bands of higher grade silver-zinc-lead mineralization as detailed below under the La Esperanza project summary. The recovery of a wide, complete and non-faulted interval of the La Esperanza vein as projected in a significant step-out hole is very encouraging. This opens the southeast extension of the La Esperanza vein for additional drilling along strike and to depth. Following completion of ES-18-21 the drill program was suspended due to weather conditions and heavy rainfall in the area. The Company also completed a surface trench sampling program and further geological evaluation at its Salamandra project in late 2017 and early 2018.

In British Columbia, the Company has been pursuing opportunities to arrange funding for the proposed spin-off transaction to segregate the BC properties into a separate company, which received shareholder and court approvals in December 2017. Completion of the transaction is subject to the Company meeting the minimum listing requirements and obtaining a conditional listing of the shares of the new company on the TSX Venture Exchange (see "*Proposed Transactions*"). Progress in this respect has been impacted by the weak market conditions in 2018 to date. There has been interest from larger gold and copper producers in exploration opportunities in British Columbia, particularly in the area where the Company's Brenda gold-copper project is located. The Company has been actively exploring opportunities for cooperation agreements to advance its Brenda and Vega projects, both of which host multiple porphyry copper-gold targets.

In December 2017, the Company, Pan American, and Orex entered into a non-binding letter of intent to enter into an option agreement whereby the three companies will advance the Sandra-Escobar project jointly. The terms provide for the parties to incur optional expenditures of US\$6,000,000 (US\$5,000,000 by Pan American and US\$1,000,000 jointly by Canasil and Orex) over four years, following which Pan American will hold a 51% interest and Canasil and Orex will jointly hold a 49% interest in the combined Sandra and Escobar properties. Pan American will have a further option to increase its interest to 60% in the combined properties by advancing the project to pre-feasibility. In September 2017, Pan American filed a legal action against the Company in the Supreme Court of British Columbia claiming certain rights under the 2009 option agreement on the Sandra-Escobar project. Pan American has not served the Company in respect of this action and the Company believes that the action is without merit. A condition precedent to signing the definitive option agreement is Pan American withdrawing its legal action. Progress is being made on completing the definitive agreement.

### **Market Conditions**

Following a protracted downturn in precious metal and commodity prices and the resource sector from 2011 to 2015, gold, silver and metal prices staged a marked recovery during the first half of 2016, with Silver trading up to US\$20 per ounce by June/July 2016, up from US\$14 per ounce at the beginning of the year. During the second half of 2016 silver prices were volatile and gradually declined back to US\$16 by December 2016. In 2017, silver prices continued to be volatile, increasing to over US\$18 per ounce only to go back to below US\$16 in late December 2017. During the first quarter of 2018, silver prices fluctuated around US\$16.50 per ounce after increasing to US\$17.50 per ounce in late January. During the second quarter, apart from two short increases to over US\$17 per ounce in early April and late June, the silver price gradually decreased to US\$14.70 per ounce at the time of this report. This downward trend is also reflected in gold and base metal prices. The precious metal and commodity prices have been negatively affected by the economic uncertainties resulting from trade disputes and tariffs imposed by the US, as well as a higher US dollar. With gold down to US\$1,192 per ounce at the time of this report, the gold/silver price ratio remains close to an all-time high of 80, leading to speculation of a higher potential increase in the silver price. While copper and zinc prices have performed better since early 2016, they were also lower during the second quarter of 2018 to the date of this report with copper trading down to US\$2.73 per pound, and zinc down to US\$1.10 per pound, from US\$3.00 per pound and US\$1.40 per pound respectively in May 2018.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

---

The uncertain economic conditions and lower precious and base metal prices has dampened some of the earlier optimism for the resource and exploration sectors focusing on these metals seen in the first half of 2016, resulting in generally lower share prices, particularly in the earlier stage exploration companies. There have also been significantly lower financing opportunities in 2017 and 2018 to date, and less urgency among larger companies to conclude cooperation agreements with explorers for advancing earlier stage projects. As a result, the Company has had to adopt a more conservative approach to conserve working capital resulting in delays in implementation of its plans.

**FINANCIAL CONDITION**

As at June 30, 2018, the Company had working capital of \$907,133, which compares to working capital of \$1,240,192 at December 31, 2017. The decrease in working capital is due to the resources used for operations exceeding the proceeds from the exercise of warrants and changes in fair values of marketable securities. The Company's working capital position consists of the following:

	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 325,425	\$ 202,029
Marketable securities (i)	560,000	1,060,500
Receivables	58,086	75,257
Prepaid expenses	26,845	11,989
Accounts payable and accrued liabilities	(63,223)	(109,583)
Working capital	\$ 907,133	\$ 1,240,192

- (i) At June 30, 2018, the Company held 700,000 shares of Orex Minerals Inc. and 700,000 shares of Barsele Minerals Corp. ("Barsele") with market values of \$91,000 and \$469,000, respectively. In July 2018, the Company sold the 700,000 Barsele shares for gross proceeds of \$455,000. As at the date of this report, the market value of the Orex shares was \$70,000.

The Company had no short- or long-term debt at June 30, 2018.

**Liquidity and Financial Resources**

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

During the current period, the Company incurred cash expenses of \$691,019, which included administrative expenses of \$312,707 and exploration and evaluation expenses of \$378,312. In May 2018, the Company began a drill program at La Esperanza with an initial budget of \$200,000 and incurred \$46,093 in drilling costs before stopping the programme due to weather conditions. The administrative budget and exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources.

Management of the Company considers its current working capital to be insufficient to meet its budgeted overhead and planned exploration and land holding requirements for the ensuing twelve months. A portion of the Company's working capital consists of marketable securities that fluctuate in value and may have to be sold to raise cash. In the long-term there can be no assurance that the Company will be successful in securing the financing required to continue operations and advance its mineral projects.

**Commitments**

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company. The Company has a lease agreement for its office premises that expires on September 30, 2021 and currently requires payments of \$3,442 per month.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

---

**FINANCIAL PERFORMANCE**

**Loss**

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

	2018		2017	
General and administrative expenses	\$	161,958	\$	173,025
Exploration and evaluation expenditures		202,930		210,939
Total operating expenses		364,888		383,964
Deferred income tax expense		1,365		67,795
Loss for the quarter	\$	366,253	\$	451,759

The Company's loss for the current and comparative six-month periods includes the following:

	2018		2017	
General and administrative expenses	\$	314,556	\$	587,908
Exploration and evaluation expenditures		378,312		758,769
Total operating expenses		692,868		1,346,677
Deferred income tax expense		1,498		76,440
Loss for the period	\$	694,366	\$	1,423,117

General and administrative expenses for 2017 include share-based compensation, a non-cash item, of \$256,829. Excluding share-based compensation, general and administrative expenses were \$314,556 in the current six-month period and \$331,079 for the comparative period. The Company did not grant any stock options in the current period; 735,000 stock options were granted and 1,175,000 existing stock options were extended in the comparative period.

The decrease in exploration and evaluation expenditures for the current quarter is due primarily to there being less drilling conducted during the current period. Drilling costs of \$46,093 were incurred on the La Esperanza project during the first six months of 2018 while there was \$346,365 incurred during the first six months of 2017. In addition, the Company received \$63,108 in expenditure recoveries during the current period; there were no expenditure recoveries received in the comparative period. Land holding costs increased to \$214,977 in the current period, compared to \$122,608 in the comparative period, due to timing of the payments on certain claims that were adjusted in size.

**Comprehensive Loss**

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

	2018		2017	
Loss for the quarter	\$	366,253	\$	451,759
Other comprehensive loss		9,135		453,705
Comprehensive loss for the quarter	\$	375,388	\$	905,464

The Company's comprehensive loss for the current and comparative six-month periods includes the following:

	2018		2017	
Loss for the period	\$	694,366	\$	1,423,117
Other comprehensive loss		10,022		511,560
Comprehensive loss for the period	\$	704,388	\$	1,934,677

During the 2018 period, the Company experienced unrealized losses on its marketable securities of \$11,520 less deferred income tax expense of \$1,498; during the 2017 period, the Company experienced unrealized losses on its marketable securities of \$588,000 less deferred income tax expense of \$76,440.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

---

In January 2018, the Company sold 700,000 Barsele shares for net cash proceeds of \$488,980 and a gain on sale of \$383,936. In accordance with IFRS 9 adopted on January 1, 2018, gains realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss.

**Cash Flows**

Cash used for operating activities during the period, before changes in non-cash working capital items, was \$691,019 and compares to \$1,087,448 used in the comparative period. The decrease in cash used for operations is primarily due to the decrease in exploration costs as detailed above. Significant changes in non-cash working capital items for the current period include a decrease in accounts payable of \$46,360.

Cash provided by investing activities consisted of net proceeds of \$488,980 received from the sale of 700,000 Barsele shares. Under financing activities, the Company received proceeds of \$369,480 upon the exercise of warrants. During the comparative period, investing activities included the funding of \$12,000 in reclamation bonds; there were no financing activities in the comparative period.

**MAJOR OPERATING MILESTONES**

During the period under review, the Company sold marketable securities for gross proceeds of \$490,000 and issued 2,309,250 shares from treasury for proceeds of \$369,480 upon the exercise of warrants. The Company completed a surface rock sampling program at its Salamandra project, resumed drilling at its La Esperanza project before being stopped by weather, and followed up to complete the definitive option agreement with Pan American and Orex on its Sandra-Escobar project and with plans for meeting the requirements to spin-off the BC projects into a new public company. In July 2018, the Company sold marketable securities for gross proceeds of \$455,000.

**RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Company relies heavily on its directors and officers for many of its administrative and professional services. Key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the six-month periods ended June 30 is as follows:

	2018	2017
Salaries – chief executive officer	\$ 112,500	\$ 112,500
Management fees – chief financial officer	75,000	75,000
Director fees	24,000	24,000
Legal fees – law firm in which an officer is a partner	4,981	7,707
	<u>\$ 216,481</u>	<u>\$ 219,207</u>

In addition, the Company recorded share-based compensation of \$nil (2017 - \$197,415), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 6 to the June 30, 2018 condensed interim consolidated financial statements.

There were no related party balances as at June 30, 2018.

**CHANGES IN ACCOUNTING POLICIES**

On January 1, 2018, the Company adopted IFRS 9 – *Financial Instruments*, which replaces IAS 39 *Financial Instruments – Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”).

Upon adoption of IFRS 9 on a retrospective basis, the Company made an irrevocable election to measure its marketable securities at FVTOCI, therefore, there was no impact on the carrying values or equity as at January 1, 2018 and no measurement differences due to adopting the new standard. Accordingly, the Company was not required to retroactively restate the comparative periods or to make an adjustment to deficit or accumulated other comprehensive income at January 1, 2018.

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

The Company's significant accounting policies, and recent pronouncements, are provided in Note 2 to the December 31, 2017 audited consolidated financial statements. A detailed discussion of the adoption of IFRS 9 is provided in Note 2 to the June 30, 2018 unaudited condensed interim consolidated financial statements.

**PROPOSED TRANSACTIONS**

The Company is currently in various discussions with other companies with respect to the funding and advancement of its projects, however, it does not have any proposed transactions in this regard as at the date of this report.

In July 2017, the Company announced its intention to undertake a spin-off transaction to segregate its BC properties into a separate company, Canmine Minerals Inc. ("Canmine"), a wholly-owned subsidiary of the Company. Upon completion, shareholders of the Company will receive shares of Canmine in proportion to their shareholdings of the Company, which will continue to hold its Mexican properties. The transaction will be carried out as a Plan of Arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company approved the transaction at a special meeting held on December 12, 2017 and the Company received final court approval on December 20, 2017. Completion of the transaction is subject to the Company meeting the minimum listing requirements and obtaining a conditional listing of the shares of Canmine on the TSX Venture Exchange. Additional information can be found contained in the Company's information circular dated November 3, 2017 available for viewing at [www.sedar.com](http://www.sedar.com).

**OUTSTANDING SHARE DATA**

Details of the Company's outstanding shares, options, and warrants are as follows:

	August 20 2018	June 30 2018	December 31 2017
Shares issued and outstanding	104,206,622	104,206,622	101,897,372
Outstanding stock options	7,565,000	7,565,000	7,635,000
Outstanding warrants	2,309,250	2,309,250	4,194,250
Diluted shares outstanding	114,080,872	114,080,872	113,726,622

In March 2018, the Company granted the holders of 4,194,250 share purchase warrants, with an exercise price of \$0.50 per share, the right to exercise their warrants at a reduced price of \$0.16 on or before March 23, 2018. In March 2018, 2,309,250 warrants were exercised for cash proceeds of \$369,480. Holders exercising their warrants also received a replacement warrant with an exercise price of \$0.25 per share expiring on February 28, 2020, subject to an acceleration clause should the closing price of the Company's shares exceed \$0.33 per share for period of ten consecutive trading days. The terms of the 1,885,000 unexercised warrants remain unchanged and expired unexercised in June 2018. In June 2018, 70,000 incentive stock options expired unexercised. Notes 5 and 6 to the Company's June 30, 2018 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the period.

**MINERAL PROPERTY SUMMARY**

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

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

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

**La Esperanza**

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

In November 2016, the Company received a drill permit covering up to 30 additional drill holes in the La Esperanza vein area. From December 2016 to April 2017, the Company undertook a drill program for a total of 2,452 metres in eight drill holes, testing the La Esperanza vein along strike and to depth beyond previous drill intercepts. Results from this program were announced in news releases dated February 9, March 23, April 5, and May 2, 2017. All eight drill holes intercepted the La Esperanza vein and the results were particularly encouraging, extending the confirmed envelope of the La Esperanza vein to over 400 metres along strike to the southeast and to the northwest, and 425 metres to depth. Furthermore, drill hole ES-17-19 returned the highest gold values recorded to date from the La Esperanza vein together with high silver values. These results open the La Esperanza vein for further expansion by drilling in both directions along strike and to depth.

In late May 2018 a drill program was initiated to drill below and along strike from the previous high grade intercepts on the southeastern and northwestern sides of the main La Esperanza vein. Drill-hole ES-18-20 was lost before reaching target depth, while ES-18-21 was completed to 347 metres in June 2018, both targeted below ES-17-16. This hole intersected the La Esperanza vein at 315 metres downhole over a core length of 14.11 metres (true width 12.20 metres) with strong epithermal textures and disseminated sulphide minerals with assay results announced on July 24, 2018. The entire vein structure was mineralized returning 68 g/t silver, 0.11 g/t gold, 1.02% zinc, 0.17% lead and 0.07% copper, including bands of higher grade mineralization detailed below.

The highest grade zone was close to the footwall of the vein structure from 325.33 metres to 327.55 metres, returning 2.22 metres (true width 1.92 metres) of 190 g/t silver, 0.13 g/t gold, 1.35% zinc, 0.22% lead and 0.06% copper, including 0.80 metres (true width 0.69 metres) of 248 g/t silver, 0.14 g/t gold, 1.28% zinc, 0.31% lead and 0.09% copper. A lower footwall section from 328.45 metres to 329.10 metres returned 0.65 metres (true width 0.56 metres) of 255 g/t silver, 0.02 g/t gold, 0.18% zinc, 0.15% lead and 0.26% copper. A hanging wall section from 314.99 metres to 315.54 metres returned 0.55 metres (true width 0.48 metres) of 136 g/t silver, 0.22 g/t gold, 2.63% zinc, 0.60% lead and 0.05% copper.

<b>La Esperanza 2018 Drill Program</b>										
<b>Hole ES-18-21</b>										
	Interval - Metres		Width – Metres		Gold	Silver	Zinc	Lead	Copper	*Silver Eq
	From	To	Interval	True	Au g/t	Ag g/t	Zn %	Pb %	Cu %	*Ag Eq g/t
Entire Vein	314.99	329.10	<b>14.11</b>	<b>12.20</b>	0.11	68	1.02	0.17	0.07	<b>143</b>
HW Section	314.99	316.50	<b>1.51</b>	<b>1.31</b>	0.17	69	<b>2.89</b>	0.40	0.05	<b>253</b>
Including	314.99	315.54	0.55	0.48	0.22	136	<b>2.63</b>	0.60	0.05	<b>318</b>
FW Section	323.15	329.10	<b>5.95</b>	<b>5.15</b>	0.11	117	1.33	0.18	0.08	<b>209</b>
Including	325.33	327.55	<b>2.22</b>	<b>1.92</b>	0.13	<b>190</b>	1.35	0.22	0.06	<b>285</b>
Including	326.75	327.55	0.80	0.69	0.14	<b>248</b>	1.28	0.31	0.09	<b>346</b>
And Includ.	328.45	329.10	0.65	0.56	0.02	<b>255</b>	0.18	0.15	0.26	<b>273</b>
<i>*Silver equivalents calculated assuming 100% recoveries (for Ag Eq calculation only – may not reflect actual recoveries) and Ag US\$17/oz, Au US\$1,250/oz, Cu US\$2.50/lb, Zn US\$1.30/lb, and Pb US\$1.00/lb</i>										

The recovery of a wide, complete and non-faulted interval of the La Esperanza vein as projected in a previously untested zone is very encouraging. This opens the southeast extension of the La Esperanza vein for additional drilling along strike and to depth. The vein textures and symmetry of the vein suggests a well-developed epithermal environment, with the strongest mineralization within a breccia domain near the footwall contact. Re-logging of earlier vein intersections suggest similar controls on mineralization. The vein textures and symmetry of the vein suggests a well-developed epithermal environment, with the strongest mineralization within a breccia domain near the footwall contact. Re-logging of earlier vein intersections suggest similar controls on mineralization. The same

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

mineralizing relationships are noted at other epithermal vein deposits and are interpreted to be the result of intense boiling. The La Esperanza vein remains open for expansion both to the northwest and southeast along strike and to depth.

Highlights of prior drill intercepts from the La Esperanza vein are listed in the table below:

<b>La Esperanza Vein Selected Drill Intercepts</b>										
	Interval - Metres		Width – Metres		Gold	Silver	Zinc	Lead	Copper	Silver Eq*
	From	To	Interval	True	Au g/t	Ag g/t	Zn %	Pb %	Cu %	Ag Eq g/t
<b>Hole ES-06-02</b>										
	100.22	107.74	7.52	4.29	0.03	210	1.25	1.03	0.03	319
Including	101.68	107.74	6.06	3.46	0.03	249	1.48	1.22	0.03	381
Including	101.68	104.17	2.49	1.42	0.04	458	2.20	2.31	0.06	675
And	102.60	103.75	1.15	0.66	0.01	615	3.37	2.12	0.05	882
<b>Hole-ES-06-04</b>										
HW Vein	88.45	90.80	2.35	1.79	0.09	142	2.32	1.07	0.07	308
La Esp Vn	116.83	127.25	9.86	7.52	0.22	388	1.36	1.35	0.09	516
Including	118.92	121.58	2.66	2.03	0.24	634	1.56	1.45	0.10	801
And	124.47	127.25	2.78	2.12	0.07	593	0.35	1.09	0.04	664
<b>Hole ES-06-05</b>										
HW Vein	118.46	119.88	1.42	1.12	0.03	471	3.11	6.40	0.22	891
Stockwork	119.88	147.82	27.94	21.96	0.06	17	0.25	0.67	0.01	62
La Esp Vn	147.82	160.92	13.10	10.30	0.04	396	0.71	1.96	0.04	516
Including	147.82	152.03	4.21	3.31	0.04	746	0.57	2.20	0.05	872
Including	148.22	150.15	1.93	1.52	0.06	1,380	0.38	3.40	0.05	1,546
including	148.22	149.17	0.95	0.75	0.01	2,144	0.29	3.20	0.06	2,294
And	154.35	159.10	4.75	2.73	0.02	389	0.97	3.30	0.03	577
<b>ES-12-03</b>										
La Esp Vn	266.66	276.94	10.28	8.22	0.19	97	2.3	1.1	0.32	241
Including	266.66	273.20	6.54	5.23	0.23	139	3.3	1.5	0.43	432
Including	266.66	270.67	4.01	3.20	0.14	189	5.2	2.2	0.33	614
Including	266.66	269.08	2.42	1.94	0.17	278	5.8	2.8	0.09	715
<b>Hole ES-17-16</b>										
	139.41	145.35	5.94	4.92	0.01	257	0.64	0.63	0.03	321
Including	143.00	145.35	2.35	1.95	0.03	628	0.90	1.52	0.08	750
Including	144.20	145.35	1.15	0.95	0.06	1,133	1.56	2.98	0.16	1,362
<b>Hole ES-17-17</b>										
<b>HW 1 Vn</b>	240.15	242.48	2.33	2.02	0.00	89	1.82	1.00	0.01	228
<b>HW 2 Vn</b>	248.33	248.60	0.27	0.23	0.04	236	0.28	8.43	0.06	618
<b>HW 3 Vn</b>	250.02	252.00	1.98	1.71	0.03	225	1.30	0.59	0.12	332
Including	250.02	251.21	1.19	1.03	0.03	277	2.01	0.81	0.19	438
<b>Main Vn</b>	258.70	265.41	6.71	5.81	0.10	204	1.83	1.46	0.07	376
Including	259.25	260.60	1.35	1.17	0.03	233	0.98	1.03	0.08	338
And	261.84	262.75	0.91	0.79	0.11	347	2.98	2.20	0.02	606
And	264.51	265.41	0.90	0.78	0.10	244	3.00	2.04	0.03	498
<b>FW Vein</b>	272.60	272.72	0.12	0.10	0.12	30	3.61	1.84	0.04	310
<b>Holes ES-17-18</b>										
	257.49	265.31	7.82	6.77	0.04	79	0.68	0.53	0.03	141
Including	257.49	259.65	2.16	1.87	0.03	231	1.19	1.38	0.03	357
Including	258.98	259.65	0.67	0.58	0.04	358	0.70	1.85	0.03	479
<b>Hole ES-17-19</b>										
	296.44	309.41	12.97	11.23	0.74	219	0.90	0.43	0.05	382
HW Vein	296.44	298.83	2.39	2.07	0.04	261	2.09	0.92	0.15	406
Main Vein	298.33	302.01	3.18	2.75	2.76	552	1.16	0.63	0.08	850
Including	300.73	302.01	1.28	1.11	6.39	1,281	2.23	1.25	0.18	1,938
FW Vein	306.88	308.62	1.74	1.51	0.39	256	1.68	0.74	0.02	406
*Silver equivalents calculated assuming 100% recoveries (for Ag Eq calculation only – may not reflect actual recoveries) and Ag US\$17/oz, Au US\$1,250/oz, Cu US\$2.50/lb, Zn US\$1.30/lb, and Pb US\$1.00/lb										



**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

**Sandra-Escobar**

The Sandra silver-gold project covers 6,333 hectares, located 200 kilometres northwest of the City of Durango. The Company has 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 silver-gold system centered on a large altered rhyolite dome complex, with widespread silver, gold, and base metal mineralization indicating potential for disseminated mineralization, as well as several high-grade veins.

The Company's previous exploration programs included geological mapping and surface sampling, a 420 line-km ZTEM airborne geophysical survey, petrographic analysis of surface samples, high resolution satellite imaging and topographic mapping surveys, an 1,848-metre diamond drill program in eleven drill holes, ASTER satellite alteration imaging survey and a 11.8 line-kilometre ground IP survey. These programs suggest a large hydrothermal system centred on an intrusive feature and identified five silver-gold-base metal drill targets over an area of 25 square kilometres.

In September 2015, the Company signed an option agreement 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 (completed). Upon vesting its 55% interest, Orex could 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. The Company has a director in common with Orex. On January, 10, 2017, Orex advised the Company that it would be electing to earn a 55% interest in the Sandra-Escobar project to form a 55:45 joint venture, and elected to forego the option to earn up to 65% in the project. Orex reported expenditures of approximately US\$2,100,000 under the option agreement.

During 2016 Orex completed extensive surface sampling including 3,652 soil samples and 381 chip samples, geological mapping over an area of 3,880 hectares, and a helicopter borne radiometric survey over an area of 2,400 hectares. Orex also completed four phases of core drilling for a total of 65 holes and 9,953 metres of drilling in the southeast part of the project area. These drill programs delineated an area with disseminated near-surface silver mineralization over a strike distance of approximately 750 metres and a width of approximately 250 metres in a tabular body with a thickness varying between 25 metres to 45 metres (the "Main Zone" or subsequently the "Boleras Deposit"). The consistency of grades within the mineralized intervals of the Boleras Deposit was favourable, with continuous silver mineralization throughout the mineralized zone and within individual drill intercepts. Step-out holes drilled in adjacent zones to the west and northwest of the Boleras Deposit indicated potential for additional mineralized zones in these areas.

On October 31, 2016, Orex released the results of an initial resource estimate completed by Mining Plus Consultants focused on the Main Zone for an Inferred Resource of 9.8 million tonnes grading 106 g/t Ag for a total of 33.3 million ounces Ag at a "Base Case" of 45 g/t Ag cut-off, as detailed in the table below and in Canasil and Orex news releases dated October 31, 2016.

<b>Boleras Silver Deposit – Inferred Resource Estimate by Cut-Off Grade</b>					
Cut-off Grade	Tonnes	Grade	Grade	Silver	Silver
Ag (g/t)		Ag (g/t)	Ag (oz/t)	(M-g)	(oz)
15	12,100,000	92	3.0	1,120	35,800,000
30	11,500,000	96	3.0	1,100	35,400,000
<b>45</b>	<b>9,800,000</b>	<b>106</b>	<b>3.4</b>	<b>1,040</b>	<b>33,300,000</b>
60	8,000,000	118	3.8	950	30,400,000
75	6,400,000	131	4.2	840	26,900,000
90	5,000,000	145	4.7	720	23,100,000

*Note: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.*

The technical report containing the foregoing Resource Estimate is available on SEDAR ([www.sedar.com](http://www.sedar.com)). The report titled "Sandra-Escobar Project Technical Report, Boleras Mineral Resource Estimate", dated December 1, 2016 (the "Technical Report") was prepared for Orex by J.M. Collins, P. Geo., A. Fowler, MAusIMM CP (Geo), and S. Butler, P. Geo., of Mining Plus Canada consulting Ltd. Messrs. Collins, Fowler and Butler are qualified persons as defined under National Instrument 43-101 of the Canadian Securities Administrators – Standards of Disclosure for Minera Projects.

***Canasil Resources Inc. - Interim Management's Discussion and Analysis  
Quarterly Highlights for the Six Months Ended June 30, 2018***

---

On December 15, 2016, Orex announced that metallurgical testing using conventional methods returned very low recoveries from composite samples prepared to represent the average grades reported in the Boleras deposit. The Boleras deposit is located on a very small area of less than 1.0 square kilometre in the southeast of the property, which covers over 60.0 square kilometres. There are several other prospective zones and mineralized targets within the project area which were not tested by the Orex exploration program to date that could be investigated in future programs.

In December 2017, the Company, Pan American, and Orex entered into a non-binding letter of intent to enter into an option agreement whereby the three companies will advance the Sandra-Escobar project jointly. A condition precedent to signing the definitive option agreement is Pan American withdrawing its legal action. The terms of the letter of intent with Pan American and Orex provide for the parties to incur optional expenditures of US\$6,000,000 (US\$5,000,000 by Pan American and US\$1,000,000 jointly by Canasil and Orex) over a period of four years. Following completion of these expenditures, Pan American will hold a 51% interest and Canasil and Orex will jointly hold a 49% interest in the combined Sandra and Escobar properties. Pan American will have a further option to increase its interest to 60% in the combined properties by completing a pre-feasibility study on the project.

**Salamandra**

The Salamandra zinc-silver project is located in Durango State, 35 kilometres northeast of the City of Durango, with excellent access by paved and gravel roads. The project area covers 14,719 hectares and was acquired through staking of claims and an option agreement to purchase a 100% interest in the central 900 hectares of claims based on a schedule of payments of which US\$225,000 has been paid to date, and subject to a net smelter returns royalty ("NSR"). In April 2017, this agreement was renegotiated to provide for the Company to acquire a 100% interest in the 900 hectares within the project area by making a final payment of US\$25,000, for a total of US\$250,000 over the term of the agreement. These claims will be subject to a 0.5% NSR that can be purchased from the owner for US\$500,000.

Past exploration by Canasil at Salamandra includes geological mapping and surface sampling, 3D-IP ground geophysics, ZTEM airborne geophysics and twelve diamond drill holes for a total of 3,595 metres. In May 2013, the Company signed an option agreement with MAG on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement without earning an interest in the project and as a result Canasil retains a 100% interest in Salamandra. The Company received cash payments totaling \$500,000 from MAG during the period of the agreement.

MAG reported completion of \$5.8 million in cumulative qualifying expenditures to December 31, 2015. The exploration programs included surface sampling and data review in 2013, followed by Phase-1, Phase-2, and Phase-3 diamond drill programs for a total of 14,382 metres in 23 drill holes completed between 2013 and 2015. The surface sampling and data review identified indications of large carbonate replacement deposits at Salamandra. The drill programs reported encouraging high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and finally, an interesting interval of gold-tungsten mineralization. Selected mineralized drill intervals reported in the Company's prior news releases are listed in the table below

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

**Canasil Resources Inc. - Interim Management's Discussion and Analysis**  
**Quarterly Highlights for the Six Months Ended June 30, 2018**

Selected drill intercepts from the Salamandra project include:

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

**Brenda**

The Brenda gold-copper project covers 4,450 hectares, and is located in north-central British Columbia, 20 kilometres northwest of the past producing Kemess South Mine. Comprehensive exploration programs carried out to date include satellite surveys, airborne and ground geophysics, extensive geological mapping and sampling and 11,000 metres of diamond drilling in 64 drill holes. These programs highlight the potential for a deep-seated porphyry gold-copper system at the Brenda project, possibly similar in style to mineralization found at the nearby Kemess Underground (North Kemess) deposit being advanced by AuRico Metals Inc., located approximately 15 kilometres southeast of the Brenda property.

Two deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of five intercepts above a depth of 450 metres returning 0.48 g/t Au and 0.079% Cu over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t Au and 0.116% Cu over a combined intercept length of 93 metres. 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 Polarization geophysical survey. In August 2013, a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-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.

In late 2016 and early 2017, the Company undertook a comprehensive technical review of the Brenda project data. All historical data has been reviewed and checked prior to modelling and analysis using modelling software. Detailed analysis of the data has identified targets for further exploration including additional mapping and sampling, deeper sensing ground and airborne geophysics and drill testing. The Company has applied for a five-year exploration permit including 10,000 metres of drilling. The Brenda project remains an attractive prospect based on

## ***Canasil Resources Inc. - Interim Management's Discussion and Analysis Quarterly Highlights for the Six Months Ended June 30, 2018***

---

the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid, year-round airfield, and mining facilities. There was \$41,000 in expenditures incurred on the Brenda project during the period which included field inspections required for completion of the technical report, an environmental assessment report and upgrades to the camp. Assessment filings based on exploration work completed to date at the Brenda project have extended the claim validity on all Brenda claims to May 30, 2024.

### **Vega**

The Vega project is located in north-central British Columbia, approximately 300 kilometres northwest of Prince George, BC, with access via the Omineca Mines Access Road and logging roads. The project covers 9,002 hectares on the Quesnel trough trend running through central British Columbia and hosting the Mount Milligan, Chuchi, Kwanika, Lorraine and Cat porphyry deposits. There are several showings in the eastern and western sectors of the Vega property prospective for hosting copper-gold porphyry mineralization. Most of the past exploration work done by Canasil has been focused on the Vega Showings located in the eastern portion of the property. More recent work has identified additional gold/copper showings on the western side of the property, most notably the Pluto showing.

In September 2016, the Company carried out prospecting field work on the Pluto and Vega showings. This work confirmed past observations on the Vega showing, and in particular highlighted the Pluto showing identifying the surface signature typical of the upper levels of porphyry copper-gold mineralized systems. The Company conducted an airborne magnetics geophysical survey covering the Vega property area in November 2016. This survey returned encouraging results highlighting structural corridors which are prospective for hosting porphyry mineralized systems both in the east and west of the project area. Assessment filings from this work extended the mineral claims covering the prospective areas of the Vega project to October 2018.

The Company plans to follow up on this work with further surface sampling and geological mapping of these zones to define drill targets. There were no significant expenditures on the Vega property during the period.

### **Technical**

Jerry Blackwell, P. Geo. British Columbia, and Advisor to the Board of Canasil, is the Company's designated Qualified Person in accordance with National Instrument 43-101 in relation to data provided with regard to exploration programs undertaken by the Company. On projects under option with MAG and Orex, the Company has also relied on the Qualified Persons at these companies who are responsible for the exploration programs under the terms of option agreements.

### **Cautionary Note**

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

### **Approval**

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