Canasil resources inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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"

President and Chief Executive Officer

"Kerry Spong"

Vice President, Finance & CFO

May 29, 2019

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CANASIL RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars
Unaudited

		March 31, 2019		December 31, 2018
ASSETS				
Current				
Cash	$	79,460	$	118,314
Marketable securities *(Note 3)*		-		56,000
Receivables		28,724		57,282
Prepaid expenses		9,486		12,618
		117,670		244,214
Reclamation bonds		47,000		47,000
Right-of-use asset – office *(Note 8)*		99,631		-
Property and equipment		39,992		40,618
	$	304,293	$	331,832
LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Note 7)*	$	207,563	$	127,048
Current portion of lease liability		35,559		-
		243,122		127,048
Long-term				
Lease liability *(Note 8)*		64,797		-
		307,919		127,048
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital *(Note 5)*		21,837,835		21,837,835
Contributed surplus		6,484,218		6,484,218
Accumulated other comprehensive income		624,830		625,458
Deficit		(28,950,509)		(28,742,727)
		(3,626)		204,784
	$	304,293	$	331,832

Nature and continuance of operations *(Note 1)*
Commitments *(Note 9)*
Contingency *(Note 10)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

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

CANASIL RESOURCES INC.

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

Expressed in Canadian Dollars

Unaudited

	Number of Shares		Share Capital *(Notes 5,6)*		Contributed Surplus *(Note 6)*		Accumulated Other Comprehensive Income (loss)		Deficit		Total
Balance – December 31, 2017	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	-		-		-		(887)		(328,113)		(329,000)
Balance – March 31, 2018	104,206,622		21,837,835		6,484,218		678,110		(27,635,175)		1,364,988
Comprehensive loss for the period	-		-		-		(52,652)		(1,107,552)		(1,160,204)
Balance – December 31, 2018	104,206,622		21,837,835		6,484,218		625,458		(28,742,727)		204,784
Comprehensive loss for the period	-		-		-		(628)		(207,782)		(208,410)
Balance – March 31, 2019	104,206,622	$	21,837,835	$	6,484,218	$	624,830	$	(28,950,509)	$	(3,626)

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31

Expressed in Canadian Dollars
Unaudited

	2019	2018
Expenses		
Accounting and audit	$ 9,511	$ 10,142
Depreciation – equipment	626	924
Depreciation – right-of-use asset – office *(Note 8)*	9,963	-
Director fees	9,000	12,000
Exploration and evaluation *(Note 4)*	59,718	175,382
Foreign exchange gain	(1,127)	(11,878)
Interest – lease liability *(Note 8)*	3,051	-
Legal fees	6,359	915
Listing and filing fees	5,700	10,876
Management fees	37,500	37,500
Office rent, services and supplies	7,082	18,718
Salaries, wages and consulting	57,773	61,480
Shareholder communications	1,341	7,850
Transfer agent fees	1,285	1,417
Travel and accommodation	-	2,654
Loss for the period before taxes	(207,782)	(327,980)
Deferred income tax expense *(Note 3)*	-	(133)
Loss for the period	(207,782)	(328,113)
Other comprehensive loss		
Change in fair value of marketable securities, net of taxes *(Note 3)*	(628)	(887)
Comprehensive loss for the period	$ (208,410)	$ (329,000)
Loss per share – basic and diluted	$ (0.00)	$ (0.00)
Weighted-average number of shares outstanding – basic and diluted	104,206,622	102,025,664

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

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

Expressed in Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)		2019		2018
Operating activities				
Loss for the period	$	(207,782)	$	(328,113)
Items not involving cash				
Depreciation – equipment		626		924
Depreciation – right-of-use asset - office		9,963		-
Deferred income tax expense		-		133
Changes in non-cash working capital				
Receivables		28,558		1,311
Prepaid expenses		3,132		2,353
Accounts payable and accrued liabilities		80,515		(20,083)
		(84,988)		(343,475)
Investing activities				
Proceeds on sale of marketable securities		55,372		488,980
Financing activities				
Share capital issued for cash		-		369,480
Principal payments – lease liability		(9,238)		-
		(9,238)		369,480
Change in cash for the period		(38,854)		514,985
Cash position - beginning of period		118,314		202,029
Cash position - end of period	$	79,460	$	717,014

Supplemental schedule of non-cash financing and investing transactions				
Unrealized losses on marketable securities	$	628	$	1,020
Fair value of warrants exercised	$	-	$	30,370
Right-of-use asset – office	$	109,594	$	-
Lease liability	$	109,594	$	-

Supplemental cash flow information				
Interest paid – lease liability	$	2,028	$	-

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

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 March 31, 2019 the Company had a working capital deficiency of $125,452, which it considers to be inadequate to fund its overhead and currently planned exploration activities for the ensuing twelve months. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred operating losses since inception and as at March 31, 2019 had an accumulated deficit of $28,950,509.

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 16 on January 1, 2019, 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, 2018. All financial information presented herein is unaudited. The Company's board of directors approved these financial statements for issue on May 29, 2019.

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 or fair value through other comprehensive income, using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, CRD Minerals Corp. (“CRD”), Minera Canasil S.A. de C.V. and Minera CRD S.A. de C.V. (“Minera CRD”). 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, 2019, the Company adopted IFRS 16 – *Leases,* according to which all leases are presented in the balance sheet of the lessee, except those that meet the limited exception criteria. The Company currently leases its office premises under a three-year lease agreement, which in previous years has been accounted for as an operating lease applying IAS 17. Under IFRS 16, the Company has presented a right-of-use asset representing its office premises, and an offsetting lease liability representing the future cash payments due under the lease agreement.

The Company elected to apply IFRS 16 retrospectively with the cumulative effect of initially applying the standard at the date of initial application such that there is no restatement of comparative information and no adjustment to opening deficit. Accordingly, on January 1, 2019, the date of initial application, the Company has recorded a lease liability measured at the present value of the remaining lease payments due under its lease agreement using the Company’s estimated incremental borrowing rate. The right-of-use asset has been measured at an amount equal to the initial lease liability.

Payments made under the lease agreement, which were previously recorded as rent expense, are now recorded as principal and interest due under the lease liability. The right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease. Accordingly, in the statement of cash flows, interest expense has been included in operating activities and the principal reduction of the lease liability has been presented as a financing activity.

Subsequent to the date of initial application, the carrying amounts of the lease liability and right-of-use asset are subject to remeasurement to reflect any lease modifications or revised in-substance fixed lease payments.

Expressed in Canadian Dollars

3. MARKETABLE SECURITIES

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

Details as at March 31 are as follows:

	Shares 2019	Cost 2019	Fair Value 2019	Fair Value 2018
Orex Minerals Inc.	-	$ -	$ -	$ 80,500
Barsele Minerals Corp.	-	-	-	490,000
		$ -	$ -	$ 570,500

Sales and changes in the fair value of these securities for the periods ended March 31 are as follows:

	2019	2018
Fair value – beginning of period	$ 56,000	$ 1,060,500
Sold – 700,000 Barsele shares	(55,372)	-
Sold – 700,000 Barsele shares	-	(488,980)
Change in fair value	(628)	(1,020)
Fair value – end of period	$ -	$ 570,500

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 Orex shares for net cash proceeds of $55,372 and a loss of $14,584. In accordance with IFRS 9, gains realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss. The Company also recorded unrealized losses of $628 (2018 - $887), net of deferred income tax impact of $nil (2018 - $133), through accumulated other comprehensive income.

4. EXPLORATION AND EVALUATION

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

Sandra-Escobar project, Mexico

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

4. EXPLORATION AND EVALUATION *- continued*

Sandra-Escobar project, Mexico *- continued*

In September 2015, the Company signed an option agreement with Orex on the Sandra-Escobar project providing Orex with the right to earn 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 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 and declined the second option to earn an additional 10% interest.

In December 2017, the Company signed a non-binding letter of intent with Pan American and Orex, which provided the basis for entering into a definitive option agreement whereby the three companies would advance the Sandra-Escobar project jointly. In October 2018, prior to signing a definitive option agreement, the Company and Pan American signed a non-binding letter of intent providing Pan American with the right to purchase the Company's rights, title, and interest in the project. The definitive purchase agreement with Pan American will provide for the Company to receive $2,000,000 and a 2% net smelter returns royalty ("NSR") payable on Pan American's share of the project; the NSR can be reduced to 1% upon payment of $4,000,000 to the Company *(Note 10)*.

La Esperanza project, Mexico

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

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking 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% NSR that can be purchased from the owner for US$500,000.

Other projects

The Company has staked other claims located in Durango State, Mexico, which include the Colibri, Carina, Vizcaino, and Nora projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects *(Note 11)*. The Company holds a 100% interest in all of these projects.

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION *- continued*

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

	2019	2018
Administration	$ 30,795	$ 37,057
Assays	-	18,574
Field costs	1,658	2,316
Geological	25,319	21,919
Land holding costs	-	157,004
Mapping and surveying	1,869	-
Transportation and rentals	-	236
Travel and accommodation	77	1,384
Expenditure recoveries	-	(63,108)
	$ 59,718	$ 175,382

Expenditures for the periods ended March 31 and cumulative expenditures to March 31, 2019 are as follows:

	Expenditures 2019	Expenditures 2018	Cumulative 2019
Brenda, Canada	$ -	$ -	$ 2,392,170
- Expenditure recoveries	-	-	(222,580)
Vega, Canada	1,869	-	286,987
- Expenditure recoveries	-	-	(37,016)
Other, Canada	-	-	141,767
- Expenditure recoveries	-	-	(22,776)
La Esperanza, Mexico	26,498	45,643	3,181,751
- Expenditure recoveries	-	-	(262,373)
- Option payments received	-	-	(300,000)
Sandra-Escobar, Mexico	760	62,647	2,010,384
- Expenditure recoveries	-	(63,108)	(177,486)
- Option payments received	-	-	(500,000)
Salamandra, Mexico	17,483	68,562	6,227,460
- Expenditure recoveries	-	-	(223,652)
- Option payments received	-	-	(553,989)
Other, Mexico	13,108	61,638	3,540,876
- Expenditure recoveries	-	-	(131,346)
- Option payments received	-	-	(133,471)
	$ 59,718	$ 175,382	$ 15,216,706

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.

Expressed in Canadian Dollars

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 period ended March 31, 2019.

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.

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, 2017	4,194,250	$	0.50	7,635,000	$	0.10
Exercised	(2,309,250)	$	0.16	-	$	-
Issued	2,309,250	$	0.25	-	$	-
Expired	(1,885,000)	$	0.50	(70,000)	$	0.13
Outstanding, December 31, 2018	2,309,250	$	0.25	7,565,000	$	0.10
Expired	-	$	-	(325,000)	$	0.10
Outstanding, March 31, 2019	2,309,250	$	0.25	7,240,000	$	0.10
Exercisable, March 31, 2019	2,309,250	$	0.25	7,240,000	$	0.10

Expressed in Canadian Dollars

6. STOCK OPTIONS AND WARRANTS

At March 31, 2019, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares		Exercise Price	Expiry Date
Options	4,950,000	$	0.06	December 21, 2020
	400,000	$	0.21	March 1, 2021
	1,155,000	$	0.20	January 20, 2022
	735,000	$	0.20	January 25, 2022
	7,240,000			

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

At March 31, 2019, the weighted-average remaining life for the outstanding stock options was 2.02 years and 0.92 years for the outstanding warrants.

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

		2019		2018
Salaries and wages	$	56,250	$	56,250
Management fees		37,500		37,500
Director fees		9,000		12,000
Legal fees		-		915
	$	102,750	$	106,665

Accounts payable and accrued liabilities includes $18,000 (December 31, 2018 - $9,000) in accrued director fees, $41,250 (December 31, 2018 - $nil) in accrued salary payable to the chief executive officer, and $50,625 (December 31, 2018 - $13,125) in management fees payable to the chief financial officer.

Expressed in Canadian Dollars

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its office premises that expires September 30, 2021 and contains no renewal clause. Current monthly payments are $3,755 and include basic rent and a pro rata share of common operating costs.

On January 1, 2019, the date of initial application under IFRS 16, the Company recorded this agreement as a lease liability with an initial measurement equal to the present value of the remaining lease payments using the Company's estimated incremental borrowing rate of 12%. The right-of-use asset has been measured at an amount equal to the initial lease liability.

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

		2019
Balance – initial application	$	109,594
Depreciation for the period		(9,963)
Balance – end of period	$	99,631

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

		2019
Balance – initial application	$	109,594
Payments made during period		(11,266)
Interest portion of payments		2,028
		100,356
Less: current portion		(35,559)
Balance – end of period	$	64,797

Accrued interest payable on the lease liability to March 31, 2019 totalled $1,023.

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

		Amount
2019	$	34,117
2020		46,837
2021		35,986
	$	116,940

9. COMMITMENTS

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.

Expressed in Canadian Dollars

10. 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 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. In October 2017, the Company and Pan American entered into a non-binding letter of intent to enter into a definitive agreement whereby Pan American will purchase the Company's interest in the Sandra-Escobar project *(Note 4)*. A condition precedent to signing the definitive purchase agreement is Pan American withdrawing its legal action.

11. 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, which has been delayed due to market conditions.

12. SEGMENTED INFORMATION

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

March 31, 2019		Canada		Mexico		Total
Property and equipment	$	4,058	$	35,934	$	39,992
Right-of-use asset – office	$	99,631	$	-	$	99,631

December 31, 2018		Canada		Mexico		Total
Property and equipment	$	4,368	$	36,250	$	40,618
Right-of-use asset – office	$	-	$	-	$	-

Interim Management's Discussion and Analysis

Quarterly Highlights

For the Three Months Ended March 31, 2019

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 May 29, 2019, and provides information on the Company's activities for the three months ended March 31, 2019, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's March 31, 2019 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, 2018 MD&A and audited consolidated financial statements, available for viewing at www.sedar.com.

QUARTERLY HIGHLIGHTS

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

- followed up with Pan American Silver Corp. ("Pan American") to finalize the definitive agreement in respect of the letter of intent to sell the Company's interest in the Sandra-Escobar project to Pan American for $2,000,000 and a 2% net smelter returns royalty ("NSR"), one-half of which can be purchased by Pan American for $4,000,000;
- analyzed the results of a LIDAR survey conducted in late 2018 on the Vega property;
- followed up on possibilities for cooperation agreements and funding opportunities to advance the Company's exploration projects in Mexico and Canada;
- sold marketable securities for gross proceeds of $56,000 in February 2019.

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

OUTLOOK

Corporate Outlook

In the light of the current market conditions and challenges for funding mineral exploration activities, the Company has focused on completing the agreement with Pan American Silver for sale of its interest in the Sandra-Escobar project. While this process has taken significantly longer than planned, when completed it will provide significant non-dilutive funding to advance the Company's exploration projects. Past exploration programs have identified prospective targets for further exploration and drilling on the Company's project portfolio. They have also returned encouraging drill results, particularly from the La Esperanza high-grade silver, gold, zinc, lead project in Mexico, which warrants further drilling. Details are noted below under the mineral properties section.

In October 2018, the Company and Pan American signed a letter of intent providing Pan American with the right to purchase the Company's rights, title, and interest in the project. The definitive purchase agreement with Pan American will provide for the Company to receive $2,000,000 and a 2% NSR payable on Pan American's share of the project; the NSR can be reduced to 1% upon payment of $4,000,000 to the Company.

In September 2017, Pan American filed a legal action against the Company in the Supreme Court of British Columbia claiming certain rights under a 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 purchase agreement is Pan American withdrawing its legal action.

Market Conditions

During the period, gold prices traded between US$1,275 per ounce and US$1,340 per ounce in mid-February 2019, closing at US$1,281 per ounce at the time of this report. Silver prices traded between US$14.12 per ounce and US$16.04 per ounce in late January and mid-February 2019, closing at US$14.40 at the time of this report. 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. The gold silver price ratio continues close to at an all-time high of 89. As at the date of this report, copper was trading at US$2.65 per pound, and zinc at US$1.22 per pound, down from US$3.20 per pound and US$1.60 per pound respectively in January 2018.

The uncertain economic conditions and lower precious and base metal prices have resulted in a very difficult environment for the resource and exploration sectors focused on these metals, resulting in generally lower share prices, particularly for earlier stage exploration companies. There have also been significantly lower financing opportunities 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 very conservative approach resulting in delays in implementation of its plans.

FINANCIAL CONDITION

As at March 31, 2019, the Company had a working capital deficiency of $125,452, compared to working capital of $117,166 at December 31, 2018. The decrease in working capital is due primarily to the resources used for operations during the quarter. The Company's working capital position consists of the following:

		March 31, 2019		December 31, 2018
Cash	$	79,460	$	118,314
Marketable securities (i)		-		56,000
Receivables		28,724		57,282
Prepaid expenses		9,486		12,618
Accounts payable and accrued liabilities		(207,563)		(127,048)
Current portion of lease liability		(35,559)		-
Working capital position	$	(125,452)	$	117,166

(i) At December 31, 2018, the Company held 700,000 shares of Orex, which were sold in February 2019 for net proceeds of $55,372.

Upon adoption of IFRS 16 on January 1, 2019, the Company recorded a lease liability of $109,594 in respect of its leased office premises. This item represents the Company's only short- or long-term debt, details of which are provided in note 8 to its March 31, 2019 condensed interim consolidated financial statements.

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 quarter, the Company incurred expenses, net of non-cash items, of $197,193, which included administrative expenses of $137,475 and exploration and evaluation expenses of $59,718. 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. Given the current market conditions, the Company has endeavoured to keep operating and exploration expenditures to a minimum in order to conserve its working capital.

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. 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 $3,755 per month.

FINANCIAL PERFORMANCE

Loss

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

		2019		2018
General and administrative expenses	$	148,064	$	152,598
Exploration and evaluation expenditures		59,718		175,382
Total operating expenses		207,782		327,980
Deferred income tax expense		-		133
Loss for the quarter	$	207,782	$	328,113

General and administrative expenses for 2018 remained relatively consistent with the comparative quarter.

The decrease in exploration and evaluation expenditures for the current quarter is due primarily to reduced exploration activities in the field and a delay in paying claim fees on the Company's Mexican properties. In addition, the Company received $63,108 in expenditure recoveries during the comparative quarter; there were no expenditure recoveries received in the current quarter.

Comprehensive Loss

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

		2019		2018
Loss for the quarter	$	207,782	$	328,113
Other comprehensive loss		628		887
Comprehensive loss for the quarter	$	208,410	$	329,000

During the 2019 quarter, the Company experienced unrealized losses on its marketable securities of $628; during the 2018 quarter, the Company experienced unrealized losses on its marketable securities of $1,020 less deferred income tax expense of $133.

In February 2019, the Company sold 700,000 Barsele shares for net cash proceeds of $55,372 and a loss on sale of $14,584. In accordance with IFRS 9 adopted on January 1, 2018, gains and losses 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 quarter, before changes in non-cash working capital items, was $197,193 and compares to $327,056 used in the comparative quarter. 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 quarter include a decrease in receivables of $28,558, due primarily the collection of a GST refund, and an increase in accounts payable of $80,515, due primarily to the accrual of unpaid salaries and management fees due to the chief executive officer and the chief financial officer.

Cash provided by investing activities consisted of net proceeds of $55,372 received from the sale of 700,000 Orex shares. Under financing activities, the Company made principal payments of $9,238 on its lease liability. During the comparative quarter, investing activities consisted of net proceeds of $488,980 received from the sale of 700,000 Barsele shares; financing activities in the comparative quarter consisted of proceeds of $369,480 received upon the exercise of warrants.

MAJOR OPERATING MILESTONES

During the period under review, the Company sold marketable securities for gross proceeds of $56,000. In addition, the Company analyzed the results of a LIDAR survey conducted on the Vega property in late 2018, and worked towards finalizing a definitive agreement in respect of the letter of intent to sell its interest in the Sandra-Escobar project to Pan American.

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 quarters ended March 31 is as follows:

		2019		2018
Salaries – chief executive officer	$	56,250	$	56,250
Management fees – chief financial officer		37,500		37,500
Director fees		9,000		12,000
Legal fees – law firm in which an officer was a partner		-		915
	$	102,750	$	106,665

Accounts payable and accrued liabilities includes $18,000 (December 31, 2018 - $9,000) in accrued director fees, $41,250 (December 31, 2018 - $nil) in accrued salary payable to the chief executive officer, and $50,625 (December 31, 2018 - $13,125) in management fees payable to the chief financial officer.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2019, the Company adopted IFRS 16 – *Leases,* according to which all leases are presented in the balance sheet of the lessee, except those that meet the limited exception criteria. The Company currently leases its office premises under a three-year lease agreement, which in previous years has been accounted for as an operating lease applying IAS 17. Under IFRS 16, the Company has presented a right-of-use asset representing its office premises, and an offsetting lease liability representing the future cash payments due under the lease agreement. A detailed discussion of the adoption of IFRS 16 is provided in Note 2 to the March 31, 2019 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, which has been delayed due to market conditions. Additional information can be found contained in the Company's information circular dated November 3, 2017 available for viewing at www.sedar.com.

OUTSTANDING SHARE DATA

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

	May 29, 2019	March 31, 2019	December 31, 2018
Shares issued and outstanding	104,206,622	104,206,622	104,206,622
Outstanding stock options	7,240,000	7,240,000	7,565,000
Outstanding warrants	2,309,250	2,309,250	2,309,250
Diluted shares outstanding	113,755,872	113,755,872	114,080,872

In January 2019, 325,000 incentive stock options expired unexercised. Notes 5 and 6 to the Company's March 31, 2019 condensed interim consolidated financial statements provide additional details regarding share capital, stock option, and warrant activity for the quarter.

MINERAL PROPERTY SUMMARY

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

Durango and Zacatecas, Mexico:	British Columbia, Canada:
• Sandra silver-gold project – 100%, and Escobar silver-gold claims – 40%, subject to option agreement with Orex • Salamandra zinc-silver project – 100% • La Esperanza silver-zinc-lead project – 100% • Carina silver project – 100% • Colibri silver-zinc-lead-copper project – 100% • Vizcaino silver-gold project – 100% • Nora silver-gold-copper project – 100%	• Brenda, gold-copper property – 100% • Vega, gold-copper property – 100% • Granite, gold property – 100% • LIL, silver property – 100%

La Esperanza

The La Esperanza silver-zinc-lead project claims cover 14,916 hectares and are located spanning 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-18-21 was completed to 347 metres targeted below ES-17-16, and intersected the La Esperanza vein at 315 metres downhole over a core length of 14.11 metres (true width 12.20 metres) with well-developed epithermal textures and disseminated sulphide minerals. The entire vein structure was mineralized with silver, gold, zinc, lead and copper, including bands of higher-grade mineralization as detailed in the table below.

The recovery of a wide, complete and non-faulted interval of the La Esperanza vein as projected in a previously untested zone was very encouraging and 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, consistent with mineralizing relationships noted at other epithermal vein deposits. 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 included in the table below.

La Esperanza Vein Selected Drill Intercepts										
	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
Hole ES-06-02										
	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**
Hole-ES-06-04										
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**
Hole ES-06-05										
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**
ES-12-03										
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**
Hole ES-17-16										
	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**
Hole ES-17-17										
HW 1 Vn	240.15	242.48	**2.33**	**2.02**	0.00	89	1.82	1.00	0.01	**228**
HW 2 Vn	248.33	248.60	0.27	0.23	0.04	**236**	0.28	**8.43**	0.06	**618**
HW 3 Vn	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**
Main Vn	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**
FW Vein	272.60	272.72	0.12	0.10	0.12	30	**3.61**	1.84	0.04	**310**
Holes ES-17-18										
	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**
Hole ES-17-19										
	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**
Hole ES-18-21										
Entire Vein	314.99	329.10	**14.11**	**12.20**	0.11	68	1.02	0.17	0.07	**143**
HW Sect.	314.99	316.50	**1.51**	**1.31**	0.17	69	**2.89**	0.40	0.05	**253**
Including	314.99	315.54	0.55	0.48	0.22	136	**2.63**	0.60	0.05	**318**
FW Sect.	323.15	329.10	**5.95**	**5.15**	0.11	117	1.33	0.18	0.08	**209**
Including	325.33	327.55	**2.22**	**1.92**	0.13	**190**	1.35	0.22	0.06	**285**
Including	326.75	327.55	0.80	0.69	0.14	**248**	1.28	0.31	0.09	**346**
And Incl.	328.45	329.10	0.65	0.56	0.02	**255**	0.18	0.15	0.26	**273**

**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.*
The metal prices used are for reference, and at the time of this report may differ.

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 could 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. In January 2017, Orex advised the Company that it had completed the required expenditures to earn a 55% interest in the Sandra-Escobar project, 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. 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 relatively small part of the project area, and there are several other prospective zones and mineralized targets within the project area which 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 would advance the Sandra-Escobar project jointly. The terms provided 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 would hold a 51% interest and Canasil and Orex would jointly hold a 49% interest in the combined Sandra and Escobar properties. Pan American would have a further option to increase its interest to 60% in the combined properties by advancing the project to pre-feasibility.

In October 2018, prior to finalizing the option agreement, the Company and Pan American signed a non-binding letter of intent providing Pan American with the right to purchase the Company's rights, title, and interest in the project. The definitive purchase agreement with Pan American will provide for the Company to receive $2,000,000 and a 2% NSR payable on Pan American's share of the project; the NSR can be reduced to 1% upon payment of $4,000,000 to the Company. A condition precedent to signing the definitive option agreement is Pan American withdrawing its legal action.

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 and subject to an 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, which has been paid. 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 three 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 hosts 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 and requires additional drilling.

Selected drill intercepts from the Salamandra project include:

Salamandra Project, Durango, Mexico – Selected Drill Intercepts						
Drill Hole	Intercept From – To: m	Width m	Silver g/t	Zinc %	Copper %	Lead %
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 highlighted the possibility of a deep-seated porphyry gold-copper system at the Brenda project, possibly similar to Centerra Gold Inc.'s nearby Kemess Underground and Kemess East deposits, located approximately 15 kilometres southeast of the Brenda property.

In 2007, 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 gold and 0.079% copper over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t gold and 0.116% copper over a combined intercept length of 93 metres. Unmineralized dykes separate the mineralized intervals. 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 when including 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-07-04 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. It appears that BR-13-01 entered a post-mineralization intrusive dyke at depth and remained within it to the end of the hole. Additional drilling will be required to test the true depth-extent of mineralization.

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 Brenda project remains an attractive prospect based on the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid, year-round airfield, and mining facilities.

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 a surface signature suggesting the upper levels of a porphyry copper-gold mineralized system. 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.

In September 2018, the Company engaged McElhanney Consulting Services Ltd. to undertake an airborne LiDAR survey over the core area of the Vega Property. The objective of the survey was to obtain 'bare earth" and orthophoto imagery to use in future exploration programmes. LiDAR measures the height of forest canopies and maps the ground beneath the forest to create high-resolution digital elevation models (DEMs) that can reveal micro-topographic features that are otherwise hidden by the forest. This permits the identification of faults and fractures, bedrock trends and surficial deposits such as moraine, eskers and gravel terraces. LiDAR-derived products can be easily integrated into a Geographic Information System (GIS) for analysis and interpretation, and viewed in combination with previously collected geological, geophysical and geochemical data.

As a result of the survey previously un-documented features are noted at Vega, some of which require confirmation on the ground. The site was flown September 29, 2018; data was delivered in November and December. Review and analysis are on-going. The results of the LiDAR survey will assist with further surface sampling and geological mapping of these prospective zones to define drill targets.

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 also relied on the Qualified Persons at these companies who were 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, and on the Company's website at www.canasil.com.