



Canasil Resources

(CLZ-TSXV)

The following is extracted from the October 2013-1 Issue

Drilling is about to get underway on one of Canasil's Mexican silver projects, funded by a joint venture partner. At a time when many exploration companies are struggling to find money or partners, Canasil has attracted one of the top silver explorers to fund a drilling program.

The company has interests in 10 silver exploration projects in Mexico and four gold-copper projects in British Columbia. The company utilizes joint venture funding for a large portion of its exploration budget.

The company recently reported the results of a single hole drilled on the Brenda porphyry gold-copper project in northern BC. That hole tested the depth potential of two holes which were drilled in 2007 to about 500 meters. Those holes encountered highly encouraging values of gold and copper through much of their lengths. That recent hole encountered post-mineral sills below 500 meters and therefore no significant values. (Post-mineral sills are rock units that were intruded into the porphyry system after the mineralizing event.) While the results were disappointing, the information adds to the understanding of the system and will help to guide the next round of drilling. Previous drilling at Brenda has outlined a large gold-copper deposit. Further drilling is needed to delineate the size and grade of the deposit.

Canasil's next drilling will be at the Salamandra silver-zinc-copper project in Durango. Mag Silver, a highly successful silver exploration company, is funding the drilling under an option agreement. Mag can earn a 55% interest for \$5.5 million in exploration spending plus \$750,000 in cash payments over four years. Mag has made a firm commitment to spend \$1 million in the first year, including at least 3,000 meters of drilling. Mag can earn an additional 15 percent

interest for another \$20 million in expenditures or completion of a feasibility study.

Mag was attracted to the Salamandra project by the geological setting, which is similar to the large deposits in the area. Geophysics on the property (ZTEM and IP), extensive sampling and 12 drill holes by Canasil in 2007 demonstrate the potential for a large carbonate replacement deposit (CRD).

The silver values encountered in the 2007 drilling were modestly interesting (up to 102 g/t over 9.8 meters), and there were also high base metal values, including 7.4 meters at 12% zinc and 0.22% copper. The Mag geological team includes considerable expertise with regard to carbonate replacement deposits.

They are using the results of the geophysics, the 12 drill holes and the other information to vector toward what they believe to be the heart of a large silver system. Positive results from the drilling program pointing to the discovery of a carbonate replacement deposit would have a big impact on the value of Canasil. With 13 other exploration projects, investors have some level of downside protection while gaining exposure to the upside potential of a new silver discovery.

*Price October 31, 2013: C\$0.065
Shares Outstanding: 67 million
Shares Fully Diluted: 73 million
Market Cap: C\$4.4 million
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