



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

### **Quarterly Highlights**

**For the Nine Months Ended September 30, 2020**

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#### **INTRODUCTION**

Canasil Resources Inc. ("Canasil" or the "Company") is a 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 six 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 November 18, 2020, and provides information on the Company's activities for the nine months ended September 30, 2020, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2020 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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, 2019 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:

- prepared plans for drill programs at the La Esperanza and Nora silver-gold projects in Mexico;
- reviewed Nora project data and prepared Phase 1 drill program targets and plans;
- completed a non-brokered private placement for gross proceeds of \$407,000 in March 2020;
- postponed the start of the Nora project drill program due to the COVID-19 outbreak and Mexican government directives which effectively stopped all non-essential activities including mining and mineral exploration between March and June 2020;
- prepared safety procedures and protocols to provide for safe operations protecting the Company's personnel and contractors, as well as the local communities, against risks of infection once operations re-start. The protocols were filed and accepted by the Mexican health authorities in June 2020;
- completed final preparations and commenced field work and drilling at the Nora project in early July 2020;
- completed a non-brokered private placement for gross proceeds of \$1,565,000 in July 2020;
- completed a total of eight core drill holes for 1,744 metres at the Nora project - encouraging results have been announced for the first four drill holes and assay results for the remaining four drill holes are pending;
- Started preparations for the planned drill program at the La Esperanza project.

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

## **OUTLOOK**

Past exploration programs have identified prospective targets for further exploration and drilling on the Company's project portfolio in Mexico and in British Columbia, Canada. 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. The Company has prepared plans for further drill programs at La Esperanza and has recently completed an initial drill program at the Nora project, in Durango and Zacatecas States, Mexico. Details are noted below under the mineral properties section.

Significant exploration plans are contingent on adequate funding to carry out drilling and other programs and maintain sufficient operating working capital. In March 2020 the Company completed a private placement of \$407,000 to fund the start of drilling on its high-grade silver-gold projects in Mexico. Plans to mobilize a drill to the Nora project in March 2020 were postponed due to the COVID-19 outbreak. The Company subsequently filed the required operating protocols and commenced the drill program at Nora in early July 2020. In July 2020, the Company completed a private placement of \$1,565,500, which will allow for additional drilling at both the Nora and La Esperanza projects, with plans for up to 5,000 metres of drilling at these two projects. An initial program of eight core drill holes for 1,744 metres to test the Candy and Nora veins at the Nora project has been completed with encouraging results, and the Company is now preparing to start the drill program at the La Esperanza project in November 2020.

### **Market Conditions**

During 2018 and through to the end of June 2019, gold and silver prices trended lower, with gold trading from US\$1,350 per ounce down to US\$1,175 per ounce, recovering to close at US\$1,340 per ounce. Silver traded from US\$17.50 per ounce to a low of US\$14.00 per ounce, closing at US\$15 per ounce. Since mid-June 2019 to the date of this report gold and silver prices have increased significantly, to a high of over US\$2,050 per ounce for gold and US\$29 per ounce for silver in early August 2020. As a result of the spreading COVID-19 pandemic and collapse of oil prices in early March 2020, both gold and silver prices initially dropped sharply trading down to US\$1,471 per ounce for gold and US\$11.94 per ounce for silver. At the time of this report, following uncertainty regarding continued economic stimulus measures in the US and with regards to the US Presidential and Congressional elections, gold and silver prices have been volatile and seen a correction to US\$1,870 and US\$24.30 per ounce respectively. The gold silver price ratio, which was at the high end of historical levels at 101 reflecting gold's role as a safe haven in times of crisis, has moved down to 77 with the relatively strong increase in silver prices. Copper and zinc prices, which had also collapsed due to the economic crisis and decline in industrial production, have also increased and as at the date of this report, copper was trading at US\$3.21 per pound, and zinc at US\$1.23 per pound, copper now back at the same level of US\$3.20 per pound but zinc still below US\$1.60 per pound in January 2018.

The overall improvement in gold and silver prices since mid-June 2019 has provided renewed optimism and better market conditions for both the larger mining companies as well as for the earlier stage exploration companies. This provided better opportunities for funding and more activity in the precious metals exploration sector. The Company was fortunate to take advantage of these developments in order to complete a private placement of \$407,000 in late February and early March 2020, just before the economic collapse due to the COVID-19 outbreak, and a further placement of \$1,565,000 in July 2020. This funding significantly strengthens the Company's working capital position and provides opportunities for an increased pace of exploration activities, particularly drill testing at the Company's drill-ready projects.

### **Impact of COVID-19 pandemic**

The Mexican government issued an emergency order in March 2020 stopping all non-essential operations and services, including mining and exploration, which effectively stopped field work and exploration activities from March to June 2020. The Company's personnel both in Vancouver and in Durango, Mexico, respected the lockdown orders working from home as far as possible. Since early July 2020, field operations resumed in Mexico with the drill program at the Nora project. None of the Company's personnel have been affected by the COVID-19 infection to date. All administrative and technical activities have continued uninterrupted. During the period, the Company has focused on the closing of the two private placements, the preparation of the 2019 year-end audit and 2020 quarterly reports, and the preparation of detailed plans and implementation of the drill program at the Nora project in Mexico.

The Company's personnel continue not only to comply with the directives and emergency orders, but also to take maximum precautions for the safety of local communities, contractors and themselves and in order to prevent the spread of the infection.

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**FINANCIAL CONDITION**

As at September 30, 2020, the Company had working capital of \$1,398,279 compared to working capital of \$752,977 at December 31, 2019. The change in working capital results from the Company's cash provided by financing activities exceeding the cash used in operating and investing activities. The Company's working capital position consisted of the following:

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 1,496,251	\$ 818,015
Receivables	54,162	36,164
Prepaid expenses	16,782	12,751
Accounts payable and accrued liabilities	(123,951)	(73,911)
Current portion of lease liability	(44,965)	(40,042)
<b>Working capital position</b>	<b>\$ 1,398,279</b>	<b>\$ 752,977</b>

Upon adoption of IFRS 16 on January 1, 2019, the Company recorded a lease liability in respect of its office premises. This item represents the Company's only short- or long-term debt, details of which are provided in Note 8 to its September 30, 2020 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 nine-month period, the Company incurred expenses, net of non-cash items, of \$1,244,764, which included administrative expenses of \$462,035 and exploration and evaluation expenses of \$782,729. 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.

During the period, the Company completed private placements for gross proceeds of \$1,972,500, which will be used to fund drill programs at the Nora and La Esperanza projects and for general corporate purposes. 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.

While the Company has been successful in completing its drill program at the Nora project, the ongoing COVID-19 pandemic has had an effect on the Company's ability to conduct its exploration activities and may affect its ability to raise additional funding in the future.

**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 \$3,879 per month.

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**FINANCIAL PERFORMANCE**

**Income (Loss)**

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

	2020	2019
General and administrative expenses	\$ 178,775	\$ 133,865
Exploration and evaluation expenditures	474,805	361,005
Loss for the quarter	\$ (653,580)	\$ (494,870)

The Company's income (loss) for the current and comparative nine-month periods includes the following:

	2020	2019
General and administrative expenses	\$ 587,464	\$ 449,579
Exploration and evaluation expenditures	782,729	505,216
Total operating expenses	(1,370,193)	(954,795)
Gain on sale of mineral property	-	2,000,000
Income (loss) for the period	\$ (1,370,193)	\$ 1,045,205

General and administrative expenses for the current nine-month period include share-based compensation, a non-cash item, of \$93,731 (2019 - \$nil). Accordingly, general and administrative expenses, excluding share-based compensation, were \$493,733 in the current period and \$449,579 for the comparative period. The most notable changes for 2020 were an increase in investor relations expenses and foreign exchange loss, and a decrease in legal and management fees. The gain on sale of mineral property results from the sale of the Company's interest in the Sandra-Escobar project in June 2019.

The increase in exploration and evaluation expenditures for the current period is due primarily to an increase in the claim fees paid on the Company's Mexican properties and the ongoing drill program at the Nora project.

**Comprehensive Income (Loss)**

The Company had no other comprehensive income (loss) for the current and comparative quarters.

The Company's comprehensive income (loss) for the current and comparative nine-month periods includes the following:

	2020	2019
Income (loss) for the period	\$ (1,370,193)	\$ 1,045,205
Other comprehensive loss	-	(628)
Comprehensive income (loss) for the period	\$ (1,370,193)	\$ 1,044,577

Other comprehensive loss consists of unrealized losses on marketable securities, net of deferred income tax effect. In February 2019, the Company sold 700,000 Orex Minerals Inc. ("Orex") shares for net cash proceeds of \$55,372 and a loss on sale of \$14,584. In accordance with the Company's election made under IFRS 9, gains and losses realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss.

**Cash Flows**

Cash used in operating activities during the nine-month period, before changes in non-cash working capital items, was \$1,244,764 and compares to \$923,028 in cash used in the comparative period. The increase in cash used in operations is due to the increase in general and administration expenses and exploration and evaluation expenditures as detailed above. Significant changes in non-cash working capital items for the current period include a decrease in receivables of \$17,998, resulting from the collection of a GST refund in Canada, and an increase in accounts payable of \$50,040 resulting primarily from costs relating to the ongoing drill program at the Nora project.

Financing activities for the current nine-month period provided net cash of \$1,928,850 from two private placements completed in March and July 2020. The Company also made principal payments of \$29,330 on its lease liability. During the comparative period, investing activities consisted of net proceeds of \$55,372 received from the sale of 700,000 Orex shares and \$2,000,000 received from the sale of the Company's interest in the Sandra-Escobar project; financing activities in the comparative quarter consisted of principal payments on its lease liability of \$26,120.

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**MAJOR OPERATING MILESTONES**

During the period under review, the Company completed two private placements for gross proceeds of \$407,000 in March 2020 and \$1,565,500 in July 2020. The Company also prepared plans for drill programs at the La Esperanza and Nora projects in Mexico, reviewed Nora project data, prepared Phase 1 drill program targets and plans, and completed preparations to mobilize the drill to the Nora project by mid-March 2020. The start of the drill program was postponed until early July 2020 due to the COVID-19 outbreak. At the date of this report, the Company had completed eight drill holes at the Nora project for a total of 1,744 metres, announced encouraging results for the first four drill holes, and is waiting for assay results for the remaining four drill holes. The company has started preparations for the drill program at the La Esperanza project.

**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 nine-month periods ended September 30 is as follows:

	2020	2019
Salaries – chief executive officer	\$ 168,750	\$ 168,750
Management fees – chief financial officer	72,500	112,500
Director fees	27,000	27,000
	\$ 268,250	\$ 308,250

**OUTSTANDING SHARE DATA**

A summary of the Company's outstanding shares, options, and warrants is as follows:

	November 18, 2020	September 30, 2020	December 31, 2019
Shares issued and outstanding	117,121,622	117,121,622	104,206,622
Outstanding stock options	8,990,000	8,990,000	7,240,000
Outstanding warrants	9,001,250	9,001,250	2,309,250
Diluted shares outstanding	135,112,872	135,112,872	113,755,872

In March 2020, the Company completed a non-brokered private placement by issuing 5,087,500 shares and 5,087,500 warrants. In February 2020, 2,309,250 warrants expired unexercised. In May 2020, the Company granted 1,750,000 five-year incentive stock options to directors, officers, advisors, and service providers.

In July 2020, the Company completed a non-brokered private placement by issuing 7,827,500 shares and 3,913,750 warrants.

Notes 5 and 6 to the Company's September 30, 2020 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>• La Esperanza silver-gold-zinc-lead project – 100%</li><li>• Salamandra zinc-silver project – 100%</li><li>• Nora silver-gold-copper project – 100%</li><li>• Colibri silver-zinc-lead-copper project – 100%</li><li>• Vizcaino silver-gold project – 100%</li><li>• Carina silver 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>

## **La Esperanza**

The La Esperanza silver-gold-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 were conducted on the project from 2006 to 2012, 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 southeast of the project area that is open in all directions (announced in past news releases). 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.

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. Several holes returned results of particular interest; drill hole ES-17-16 in the southeast extension of the vein returned 5.94 metres (TW 4.92 metres) of 257 g/t Ag, 0.64% Zn and 0.63% Pb, including 1.15 metres (TW 0.95 metres) 1,133 g/t Ag, 1.56% Zn and 2.98% Pb. Drill hole ES-17-17 in the northwest extension of the vein returned three separate hanging wall vein intercepts followed by the main vein and a footwall vein. The main vein returned an intercept of 6.71 metres (TW 5.81 metres) of 204 g/t Ag, 1.83% Zn, and 1.46% Pb, including 0.91 metres (TW 0.79 metres) of 347 g/t Ag, 2.98% Zn and 2.20% Pb. Drill hole ES-17-19, intercepted the vein below ES-17-17 with 12.97 metres (TW 11.23 metres) of 219 g/t Ag, 0.93% Zn and 0.43% Pb, including 1.28 metres (TW 1.11 metres) of 6.39 g/t Au, 1,281 g/t Ag, 2.23% Zn and 1.25% Pb. This was the highest gold value 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, zinc, and lead, including bands of higher-grade mineralization such an intercept of 2.22 metres (TW 1.92 metres) of 190 g/t Ag, 1.35% Zn and 0.22% Pb.

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 suggest 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. The next phase of drilling will be focused along strike and below drill holes ES-17-17 and ES-17-19 in the northwest, and along strike and below drill holes ES-17-16 and ES-18-21 in the southeast.

## **Nora**

The Nora project is located approximately 200 kilometers north-west of the City of Durango, with good access and infrastructure. There are two principal epithermal vein outcrops at the Nora project, the Candy and Nora veins. The Candy vein has been traced for approximately 750 metres at surface through pits and trenches from historical mining activity, and discontinuous outcrops. Mineralization is found adjacent to a fault structure that has been traced over three kilometers along strike. Historical mining activity on the Candy vein included a 115-metre long adit and a short cross-cut that exposed the vein approximately 50 metres below surface. Samples of vein outcrop and mineral dumps from the Candy vein returned significant gold, silver, copper, zinc and lead values. The highest-grade sample of outcropping vein returned 1.00 metre with 1.98 g/t Au, 514 g/t Ag, 1.03% Cu, 3.28% Zn and 4.45% Pb, and the highest grab sample collected from waste piles ("dumps") returned 1.34 g/t Au, 293 g/t Ag, 0.47% Cu, 0.38% Zn and 9.27% Pb. The second Nora vein is found 600 metres northeast of the Candy vein and can be traced for 230 metres along strike with widths of over 9.0 metres. Surface samples from this vein contained trace sulphides.

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Soil samples collected along a grid covering the area surrounding the Candy and Nora veins and projected extensions over an area of three kilometers by two kilometers return elevated silver, base metal (copper, lead and zinc) and pathfinder (molybdenum and arsenic) values over a large area. The combination of the vein outcrops with large areas of anomalous silver and base metal values in soil samples may indicate a larger buried mineral system at depth. Initial drilling is focused on testing the veins below high-grade vein outcrops at a depth of 100 metres to 200 metres below surface.

In August 2019 a surface sampling program was carried out to further evaluate the Candy and Nora vein outcrops – 21 samples were collected from outcrops of the Candy vein, 31 samples from adjacent country rocks, and 12 samples from dumps, over a distance of 918 metres. The objective of this work was to confirm the high-grade mineralization in the Candy vein and to identify possible locations for subsequent drilling. Ten samples from the Nora vein collected along a distance of 160 metres returned anomalous silver values and contained trace sulphides and a geochemical signature typical of the higher levels of an epithermal vein system.

The high gold, silver, copper, lead and zinc grades from the Candy vein over a significant strike length, and from mineralized dumps, are very encouraging. The average grade of 21 samples from the Candy vein is 1.69 g/t Au, 140 g/t Ag, 0.40% Cu, 1.59% Pb, and 0.57% Zn over 0.68 metres. The highest silver grade was in sample #14278 with 3.72 g/t Au, 605 g/t Ag, 0.97% Cu, 1.17% Pb and 0.40% Zn over 1.0 metre. The highest gold value was in sample #14311 with 12.55 g/t Au, 12.2 g/t Ag, 1.02% Cu, 2.67% Pb and 0.68% Zn over 0.40 metres (announced in news release dated September 26, 2019). The average grade of the 12 dump samples is 1.40 g/t Au, 86 g/t Ag, 1.06% Cu, 3.37% Pb, and 1.64% Zn.

Plans for an initial drill program to test the Candy vein were prepared in March 2020 and finalized in July 2020 to include six core drill holes along four sections over a strike distance of 500 metres to test below higher-grade silver, gold, copper, lead and zinc surface samples as outlined in the news releases dated July 10, 2020. The drill plans were updated in August 2020 to include initial testing of the Nora vein. The drill program started on July 10, 2020, and to the date of this report eight drill holes have been completed for a total of 1,744 metres. Six drill holes tested the Candy vein as planned and two drill holes were completed to test the Nora vein. Results from the first four drill holes on the Candy vein are encouraging with all four holes intercepting the vein at depth as detailed in the table below. Drill hole NRC-20-04 returned a wide high-grade intercept of 3.73 metres (3.05 metres true width) carrying 3.71 g/t Au, 489 g/t Ag and 0.53% Cu for 789 g/t AgEq\*. Drill holes NRC-20-01 and NRC-20-03 both returned narrow high-grade silver and gold intercepts carrying 440 g/t Ag and 8.69 g/t Au respectively, while NRC-20-02 returned a wide intercept of 8.15 metres but carrying lower silver and gold values. Both drill holes NRC-20-01 and NRC-20-02 returned some wider intercepts of disseminated mineralization with lower grades. These results were announced in news releases dated September 9 and October 21, 2020. Assay results for the remaining four drill holes are pending.

<b>Nora Silver-Gold Project, Durango State, Mexico – Candy Vein Drill Results NRC-20-01 to NRC-20-04</b>										
Vein/Structure	From	To	Width	TrueWidth	Gold	Silver	Copper	Lead	Zinc	Ag. Eq.*
	Metres	Metres	Metres	Metres	g/t	g/t	%	%	%	g/t
<b>NRC-20-04 - Total Depth 202.25 metres</b>										
CANDY VEIN	139.52	143.25	3.73	3.05	3.71	489	0.53	0.14	0.16	798
Includes	139.52	140.50	0.98	0.80	5.30	1,320	0.64	0.32	0.34	1,753
And	142.45	143.25	0.80	0.65	6.89	388	1.21	0.10	0.10	979
<b>NRC-20-03 - Total Depth 302.90 metres</b>										
CANDY VEIN	171.82	172.18	0.36	0.36	8.69	116	0.189	0.385	0.461	782
<b>NRC-20-02 - Total Depth 189.70 metres</b>										
UPPER ZONE	61.95	75.60	13.65	N/A	0.01	10	0.01	0.20	0.49	
CANDY VEIN	120.86	125.68	4.82	4.80	0.72	21	0.10	0.22	0.49	
Including	123.5	124.70	1.20	1.19	1.14	26	0.08	0.14	0.50	
And	123.95	124.35	0.40	0.38	1.81	62	0.08	0.12	0.61	193
FOOTWALL	125.68	129.05	3.37	3.35	0.07	8	0.04	0.03	0.39	
<b>NRC-20-01 - Total Depth 192.95 metres</b>										
HW CANDY VEIN	67.00	88.70	21.70	N/A	0.01	11	0.02	0.11	0.21	
Includes	75.00	83.00	8.00	N/A	0.01	16	0.05	0.11	0.22	
CANDY VEIN	88.70	88.99	0.29	0.29	1.60	440	2.51	2.11	0.61	792
<i>*Silver Equivalent calculated based on metal prices below and assuming the same recoveries for all metals</i>										
<i>Au US\$ 1,935/Oz, Ag US\$ 28/Oz, Cu US\$2.95/lb, Pb US\$ 0.86/lb, Zn US\$ 1.09/lb; Pb &amp; Zn less than 1% not included</i>										

## **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 the purchase of a 100% interest in the central 900 hectares within the project area, 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 Silver Corp. (MAG) providing the right to earn up to a 70% interest in the property. In February 2016, MAG withdrew from the agreement and Canasil retains a 100% interest in the project.

MAG spent \$5.8 million on exploration programs which included surface sampling, data review, and satellite imaging in 2013, followed by three phases of diamond drilling programs for a total of 14,382 metres in 23 drill holes between 2013 and 2015. The surface sampling and data review identified indications of large replacement deposits at Salamandra. The drill programs reported encouraging high-grade silver-copper-zinc intercepts, pervasive zinc mineralization, and an interesting interval of gold-tungsten mineralization.

Past drill intercepts of particular note at the Salamandra project are; SA-07-02 from 7.40 metres to 17.25 metres, an interval of 9.85 metres of 102 g/t Ag and 0.55% Zn, and from 27.65 metres to 35.10 metres, an interval of 7.45 metres with 50 g/t Ag, 12.00% Zn, and 0.22% Cu. Drill hole SA-07-03 returned 10.00 metres of 71 g/t Ag, 3.48% Zn, and 1.26% Pb. Drill hole SA-13-13 carried low grade zinc mineralization throughout an interval of 810.16 metres with 0.60% Zn, including 31.72 metres of 3.60% Zn. SA-14-15 returned 7.89 metres of 166 g/t Ag, 1.20% Zn, 1.2% Cu, and 0.60% Pb, including 2.30 metres of 393 g/t Ag, 2.8% Zn, 3.6% Cu, 0.40% Pb. These results have been reported in the Company's prior news releases dated 18 July, 2007, 17 March, 2014, and 21 July, 2014.

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.

## **Sandra-Escobar**

The Sandra-Escobar property is located 200 kilometers northwest of the city of Durango, Mexico. In September 2015, the Company signed an option agreement providing Orex with the right to earn up to a 65% interest in the project over a three-year period. In January 2017, Orex earned a 55% interest in the project and declined its option to earn an additional 10% interest. On June 28, 2019, the Company sold its interest in Sandra-Escobar to Pan American Silver Corp. ("Pan American") for \$2,000,000 plus a 2% NSR Royalty Interest on Pan American's interest in the project. The project is currently being advanced by a joint venture between Pan American (60%) and Orex (40%).

The property covers over 6,970 hectares hosting multiple mineralized structures with zones of disseminated silver mineralization as well as quartz veins and breccia structures. The Company's previous exploration programs included geological mapping and surface sampling, ASTER satellite imaging, 11.8 line-kilometre ground IP survey, 420 line-kilometer ZTEM airborne geophysical survey, petrographic analysis of surface samples, high resolution satellite imaging and topographic mapping surveys, and 1,848-metres of diamond drilling in eleven drill holes,

During the period of its option, Orex completed extensive surface sampling, geological mapping, and a helicopter borne radiometric survey within the project area, and 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 "Boleras Deposit").

On October 31, 2016, Orex released the results of an initial resource estimate completed by Mining Plus Consultants focused on the Boleras Deposit 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. 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.



## **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 identified porphyry gold-copper style mineralization. Similar mineralization is known in the area, including 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, and late 2019, the Company undertook comprehensive technical reviews 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 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, 2018, followed by review and analysis of the results in 2019. The results of the LiDAR survey will assist with further surface sampling and geological mapping of these prospective zones to define drill targets.

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In September 2019 a geological mapping and surface sampling program was completed to investigate prospective targets zones on the Vega project. The field work encompassed a detailed "base-of-slope" sampling programme on 100-metre spacings within a core area that is approximately 6.5 by 7.5 kilometres in size. The area selected is within the western half of the Vega Property and was intended to complete "first-pass" coverage of a prospective tract characterized by several copper, gold and silver showings and intense rock alteration that maybe related to magnetic anomalies and porphyritic intrusive rocks.

Recent results identified anomalous and often high-contrast copper, gold and molybdenum anomalies, sometimes associated with strong magnetic anomalies. Three large "clusters" are evident, including:

1. Anomaly 1, which suggests extensions to the Pluto showing, may exist up to 2,000 metres north from the original showing. This extension has not been previously mapped or prospected;
2. Anomaly 2, downslope from a new 2019 mapping/prospecting discovery of outcropping copper mineralization associated within an area of magnetite-epidote (propylitic) veining in quartz diorite intrusive. A grab sample from this area returned 2.26% Cu and 0.145 g/t Au;
3. Anomaly 3, occurring on both flanks of Thane Creek close to the possible contact of Hogem Batholith units with Triassic-aged volcanic rocks. This area is reported to have several (poorly located) RGS Minfile showings recording anomalous copper and gold values. Prospecting and mapping along Thane Creek identified abundant quartz-sericite-pyrite and potassic feldspar+biotite+hematite -altered quartz diorite float as well as localized fracture-controlled quartz+pyrite+mica veinlets with trace chalcopyrite;
4. Additional anomalies are present within the survey area.
5. Areas of silicification, sericite-pyrite and feldspar-hematite alteration were encountered that are very encouraging signs of a hydrothermal environment for hosting porphyry style copper-gold mineralization.

Additional exploration is recommended. Exploration interest in the region of the Vega Project has increased significantly in 2020. Several property option agreements have been signed by other companies, staking has increased, and numerous exploration initiatives are currently underway in the area.

### **Technical**

Robert Brown, P. Eng. 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.

### **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).