CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

Expressed in Canadian Dollars

Unaudited

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

"Bahman Yamini"	*"Kerry Spong"*
President and Chief Executive Officer	**Vice President, Finance & CFO**

May 27, 2016

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CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars
Unaudited

ASSETS		March 31, 2016		December 31, 2015
Current				
Cash	$	1,035,260	$	203,294
Marketable securities *(Note 3)*		546,000		371,000
Receivables		126,357		162,306
Prepaid expenses		8,266		7,354
		1,715,883		743,954
Reclamation bonds		28,000		28,000
Property and equipment		49,336		50,602
	$	1,793,219	$	822,556
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	160,225	$	201,509
Accounts payable and accrued liabilities – related parties *(Note 8)*		41,876		98,132
Due to related parties *(Notes 8 and 11)*		439,000		519,000
		641,101		818,641
SHAREHOLDERS' EQUITY				
Share capital *(Note 5)*		18,734,319		17,588,877
Convertible debenture *(Note 7)*		-		4,323,549
Contributed surplus		6,172,258		1,783,712
Accumulated other comprehensive income		231,382		21,000
Deficit		(23,985,841)		(23,713,223)
		1,152,118		3,915
	$	1,793,219	$	822,556

Nature of operations and going concern *(Note 1)*
Commitment *(Note 9)*
Subsequent event *(Note 11)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

- See Accompanying Notes -

CANASIL RESOURCES INC.

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

Expressed in Canadian Dollars
Unaudited

	Number of Shares	Share Capital *(Note 5)*	Convertible Debenture *(Note 7)*	Contributed Surplus *(Notes 6,7)*	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2014	81,059,872	$ 17,418,851	$ 3,179,030	$ 1,640,077	$ -	$ (22,072,230)	$ 165,728
Convertible debenture	-	-	93,022	-	-	-	93,022
Comprehensive loss for the period	-	-	-	-	-	(380,243)	(380,243)
Balance – March 31, 2015	81,059,872	17,418,851	3,272,052	1,640,077	-	(22,452,473)	(121,493)
Private placement	3,000,000	150,000	-	-	-	-	150,000
Private placement	600,000	27,000	-	-	-	-	27,000
Share issuance costs	-	(6,974)	-	-	-	-	(6,974)
Convertible debenture	-	-	1,051,497	-	-	-	1,051,497
Share-based compensation	-	-	-	143,635	-	-	143,635
Comprehensive loss for the period	-	-	-	-	21,000	(1,260,750)	(1,239,750)
Balance – December 31, 2015	84,659,872	17,588,877	4,323,549	1,783,712	21,000	(23,713,223)	3,915
Private placement	2,000,000	300,000	-	-	-	-	300,000
Private placement	4,100,000	902,000	-	-	-	-	902,000
Share issuance costs	-	(56,558)	-	-	-	-	(56,558)
Convertible debenture forfeited without repayment	-	-	(4,323,549)	4,323,549	-	-	-
Share-based compensation	-	-	-	64,997	-	-	64,997
Comprehensive loss for the period	-	-	-	-	210,382	(272,618)	(62,236)
Balance – March 31, 2016	90,759,872	$ 18,734,319	$ -	$ 6,172,258	$ 231,382	$ (23,985,841)	$ 1,152,118

CANASIL RESOURCES INC.

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

Expressed in Canadian Dollars
Unaudited

		2016		2015
General and administrative expenses				
Accounting and audit	$	7,689	$	8,400
Depreciation		1,266		1,631
Exploration and evaluation *(Note 4)*		259,392		312,225
Foreign exchange loss (gain)		11,614		(20,405)
Interest income		(675)		(2,041)
Investor relations and promotions		2,474		924
Legal fees		1,641		-
Listing and filing fees		7,261		5,200
Management fees		19,500		15,000
Office rent, services and supplies		18,116		17,306
Salaries, wages and consulting		45,017		37,500
Shareholder communications		6,055		1,000
Share-based compensation *(Note 6)*		64,997		-
Transfer agent fees		2,078		1,467
Travel and accommodation		4,291		2,036
Total operating expenses		(450,716)		(380,243)
Gain on sale of marketable securities *(Note 3)*		143,524		-
Loss for the period before taxes		(307,192)		(380,243)
Deferred income tax recovery *(Note 3)*		34,574		-
Loss for the period		(272,618)		(380,243)
Other comprehensive income				
Realized gains on marketable securities *(Note 3)*		(143,524)		-
Item that may be reclassified subsequently to profit or loss:				
Change in fair value of marketable securities, net of taxes *(Note 3)*		353,906		-
Comprehensive loss for the period	$	(62,236)	$	(380,243)
Loss per share – basic and diluted	$	(0.00)	$	(0.00)
Weighted-average number of shares outstanding – basic and diluted		86,611,520		81,059,872

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)		2016		2015
Operating activities				
Loss for the period	$	(272,618)	$	(380,243)
Items not involving cash				
Depreciation		1,266		1,631
Gain on sale of marketable securities		(143,524)		-
Deferred income tax recovery		(34,574)		-
Share-based compensation		64,997		-
Changes in non-cash working capital				
Receivables		35,949		77,537
Prepaid expenses		(912)		82
Accounts payable and accrued liabilities		(41,284)		51,483
Accounts payable and accrued liabilities – related parties		(56,256)		51,636
		(446,956)		(197,874)
Investing activities				
Proceeds on sale of marketable securities		213,480		-
Financing activities				
Share capital issued for cash		1,202,000		-
Share issuance costs		(56,558)		-
Convertible debenture		-		93,022
Due to related parties, net of repayments		(80,000)		110,000
		1,065,442		203,022
Change in cash for the period		831,966		5,148
Cash position - beginning of period		203,294		125,226
Cash position - end of period	$	1,035,260	$	130,374

Supplemental schedule of non-cash financing transactions				
Convertible debenture forfeited without repayment	$	4,323,549	$	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 1760 – 750 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its 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. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. The Company has incurred operating losses since inception and as at March 31, 2016 had an accumulated deficit of $23,985,841 and working capital of $1,074,782.

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.

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, 2015. All financial information presented herein is unaudited. The Company's board of directors approved these financial statements for issue on May 27, 2016.

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 available-for-sale financial assets, using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary, CRD Minerals Corp. ("CRD"), and its wholly owned Mexican subsidiaries, 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 translation gains or losses have been eliminated.

Foreign currency translation

The presentation and 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.

3. MARKETABLE SECURITIES

In September 2015, the Company acquired 1,400,000 common shares of Orex Minerals Inc. ("Orex") under a private placement at a cost of $350,000. On September 25, 2015, Orex and Barsele Minerals Corp. ("Barsele") completed a plan of arrangement such that each old share of Orex was exchanged for one new share of Orex plus one common share of Barsele. In February 2016, the Company sold 700,000 Orex shares. These shares are designated as available-for-sale securities. Details as at March 31, 2016 are as follows:

	Shares		Cost		Fair Value
Orex Minerals Inc.	700,000	$	69,956	$	308,000
Barsele Minerals Corp.	1,400,000		210,088		238,000
		$	280,044	$	546,000

Changes in the fair value of these securities for the period ended March 31, 2016 are as follows:

Fair value – beginning of period	$	371,000
Sold – 700,000 Orex shares		(213,480)
Change in fair value		388,480
Fair value – end of period	$	546,000

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

During the period, the Company sold 700,000 Orex shares for net cash proceeds of $213,480 and a gain on sale of $143,524. The Company also recorded unrealized gains of $210,382, net of deferred income tax impact of $34,574, through accumulated other comprehensive income.

4. EXPLORATION AND EVALUATION

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. The Company's principal mineral interests include:

Sandra-Escobar project, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In accordance with a 2008 agreement with Pan American Silver Corp. ("Pan American"), the Company also earned a 40% interest in Pan American's Escobar claims in 2012, which are contiguous with the Sandra claims. In addition to these claims, the Company has also acquired various other claims in the area from third parties, all of which form the Sandra-Escobar project.

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

Salamandra project, Mexico

The Salamandra project, located in Durango State, Mexico, was acquired through staking of claims and an option to purchase a 100% interest in the central 900 hectares of claims, subject to a net smelter returns royalty ("NSR") of 2% of which 1% may be purchased by the Company for US$1,000,000. To acquire the claims under option, the Company can make payments based on a specific schedule that totals US$600,000 over a period of eight years from 2012 to 2019, of which US$175,000 has been paid to date.

In May 2013, the Company signed an option agreement with MAG Silver Corp. ("MAG") on the Salamandra project providing MAG with the right to earn up to a 70% interest in the project. In February 2016, MAG withdrew from the agreement without earning an interest. The Company received cash payments from MAG totalling $500,000 during the term of the agreement.

The Salamandra property is held by Minera CRD, a wholly-owned subsidiary of CRD, a wholly-owned subsidiary of the Company. Under the agreement, MAG had the option of incurring qualifying expenditures on the Salamandra property either directly, or by advancing funds to CRD under a non-interest bearing convertible debenture, which funds would be used to incur expenditures on the property by Minera CRD. The agreement provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture without repayment *(Note 7)*.

4. EXPLORATION AND EVALUATION *- continued*

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in certain claims within the La Esperanza project, subject to an NSR of up to 1%, which can be purchased by the Company for US$100,000. The claims are located in Zacatecas State, Mexico. The Company acquired these claims by making option payments of US$160,000 over a four-year period to May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

Other projects

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

Mineral title

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

Expenditures for the periods ending March 31 are as follows:

		2016		2015
Administration	$	69,637	$	62,457
Consulting		7,307		11,941
Field costs		6,354		11,718
Geology		10,911		23,554
Land holding costs		164,262		164,506
Legal		-		35,522
Transportation and rentals		921		2,527
	$	259,392	$	312,225

4. EXPLORATION AND EVALUATION *- continued*

Expenditures for the period and cumulative expenditures as at March 31 are as follows:

2016	Exploration	Cumulative Expenditures
Brenda, Canada	$ -	$ 2,331,353
- Expenditure recoveries	-	(206,329)
Other, Canada	4,290	283,975
- Expenditure recoveries	-	(32,433)
Sandra-Escobar, Mexico	20,478	1,672,758
- Option payments received	-	(500,000)
- Expenditure recoveries	-	(52,386)
Salamandra, Mexico	116,413	5,864,064
- Expenditure recoveries	-	(223,652)
- Option payments received	-	(553,989)
La Esperanza, Mexico	60,729	1,551,855
- Expenditure recoveries	-	(262,373)
- Option payments received	-	(300,000)
Carina, Mexico	17,837	298,807
- Expenditure recoveries	-	(17,498)
- Option payments received	-	(111,875)
Other, Mexico	39,645	2,780,575
	$ 259,392	$ 12,522,852

2015		
Brenda, Canada	$ -	$ 2,331,353
- Expenditure recoveries	-	(206,329)
Other, Canada	315	261,342
- Expenditure recoveries	-	(21,787)
Sandra-Escobar, Mexico	26,526	1,463,828
Salamandra, Mexico	134,202	4,575,031
- Expenditure recoveries	-	(223,652)
- Option payments received	-	(353,989)
La Esperanza, Mexico	97,623	1,396,124
- Expenditure recoveries	-	(260,939)
- Option payments received	-	(300,000)
Carina, Mexico	14,522	251,186
- Expenditure recoveries	-	(17,498)
- Option payments received	-	(111,875)
Other, Mexico	39,037	2,677,966
	$ 312,225	$ 11,460,761

5. SHARE CAPITAL

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

Private placements

In August 2015, the Company closed a private placement by issuing 3,000,000 units at a price of $0.05 per unit for cash proceeds of $150,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company at a price of $0.10 for a period of one year.

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

In February 2016, the Company completed a private placement of 2,000,000 shares at price of $0.15 per share for gross proceeds of $300,000. The Company paid legal and filing fees of $3,108 in respect of this private placement.

In March 2016, the Company completed a private placement of 4,100,000 shares at price of $0.22 per share for gross proceeds of $902,000. The Company paid a 6% finder's fee of $33,000 for a portion of the shares placed. The Company also paid a due diligence fee of $15,190 and filing fees of $5,260 in respect of this private placement.

6. STOCK OPTIONS AND WARRANTS

Stock option and share purchase warrant activity is summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2014	144,850	$	0.10	4,675,000	$	0.21
Issued/granted	3,000,000	$	0.10	5,000,000	$	0.06
Expired	(144,850)	$	0.10	(2,625,000)	$	0.22
Outstanding, December 31, 2015	3,000,000	$	0.10	7,050,000	$	0.10
Granted	-	$	-	450,000	$	0.21
Expired	-	$	-	(200,000)	$	0.35
Outstanding, March 31, 2016	3,000,000	$	0.10	7,300,000	$	0.10
Exercisable, March 31, 2016	3,000,000	$	0.10	7,300,000	$	0.10

6. STOCK OPTIONS AND WARRANTS – *continued*

At March 31, 2016, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	1,175,000	$ 0.20	January 20, 2017
	300,000	$ 0.18	October 29, 2017
	375,000	$ 0.10	January 4, 2019
	5,000,000	$ 0.06	December 21, 2020
	450,000	$ 0.21	March 1, 2021
	7,300,000		
Warrants	2,400,000	$ 0.10	July 16, 2016
	600,000	$ 0.10	August 6, 2016
	3,000,000		

Share-based compensation

Details of incentive stock options granted to directors, officers and consultants of the Company during the periods ended March 31 are as follows:

	2016	2015
Total options granted	450,000	-
Average exercise price	$ 0.21	$ -
Estimated fair value of options granted	$ 64,997	$ -
Estimated fair value per option	$ 0.14	$ -

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2016	2015
Risk-free interest rate	0.66%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	89%	-
Expected forfeiture rate	0.00%	-
Expected option life in years	5.00	-

Share-based compensation is recorded over the vesting period of each option grant. The Company has recorded share-based compensation during the period as follows:

	2016	2015
Number of options vested in period	450,000	-
Compensation recognized in period	$ 64,997	$ -

7. CONVERTIBLE DEBENTURE

Under the terms of its option agreement on the Salamandra project *(Note 4)*, MAG funded certain exploration expenditures on the Salamandra project by advancing funds to CRD under an unsecured, non-interest bearing convertible debenture. Funds received under the debenture were used for incurring such qualifying exploration expenditures on the Salamandra project. In February 2016, MAG withdrew from the agreement without earning an interest in the project. To the date of its withdrawal, MAG had advanced a total of $4,323,549 under the convertible debenture.

The terms of the option agreement provided MAG with the right to convert the debenture into common shares of CRD such that MAG would hold up to a 70% interest in CRD upon exercise of the option. The agreement also provided that should MAG withdraw from the agreement prior to earning an interest, it would forfeit its interest in the convertible debenture. Since the convertible debenture would either be converted into shares or forfeited without repayment, it has been treated as an equity instrument in these financial statements. Accordingly, upon MAG's withdrawal from the agreement, the balance of the convertible debenture has been reclassified to contributed surplus within shareholders' equity.

8. 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 as follows:

- accounts payable and accrued liabilities – related parties includes $1,876 (2015 – $nil) in legal fees due to a law firm in which an officer of the Company is a partner, $nil (2015 - $187,500) in salaries due to the chief executive officer, and $40,000 (2015 – $75,000) in management fees due to the chief financial officer;
- due to related parties consists of loan advances totaling $439,000 (2015 – $295,000) made to the Company by a director, an officer, and a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment *(Note 11)*;
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management for the periods ended March 31 is as follows:

		2016		2015
Salaries and wages	$	37,500	$	37,500
Management fees		19,500		15,000
Legal fees		1,641		-
	$	58,641	$	52,500

9. COMMITMENT

The Company has entered into a three-year lease agreement for office premises that expires on September 30, 2018. As at March 31, 2016, monthly payments are $3,210 and include basic rent and common operating costs.

Minimum future annual lease payments (based on current common operating costs) are as follows:

		Amount
2016	$	29,123
2017		39,681
2018		30,283
	$	99,087

10. SEGMENTED INFORMATION

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

March 31, 2016		Canada		Mexico		Total
Property and equipment	$	6,513	$	42,823	$	49,336

December 31, 2015		Canada		Mexico		Total
Property and equipment	$	6,921	$	43,681	$	50,602

11. SUBSEQUENT EVENT

Subsequent to March 31, 2016, the Company repaid $132,000 of advances due to related parties.