



Interim Management's Discussion and Analysis

Quarterly Highlights

For the Nine Months Ended September 30, 2018

INTRODUCTION

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

This Interim Management's Discussion and Analysis ("MD&A") is dated November 28, 2018, and provides information on the Company's activities for the nine months ended September 30, 2018, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2018 condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

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

QUARTERLY HIGHLIGHTS

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

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

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

OUTLOOK

Corporate Outlook

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

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

In December 2017, the Company, Pan American, and Orex entered into a non-binding letter of intent to enter into an option agreement whereby the three companies 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 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% 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. The proposed transaction will provide a significant source of non-dilutive financing which will be used to advance the Company's other projects.

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.

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

Market Conditions

Following a protracted downturn in precious metal and commodity prices and the resource sector from 2011 to 2015, gold, silver and metal prices staged a marked recovery during the first half of 2016, with Silver trading up to US\$20 per ounce by June/July 2016, up from US\$14 per ounce at the beginning of the year. During the second half of 2016 silver prices were volatile and gradually declined back to US\$16 by December 2016. In 2017, silver prices continued to be volatile, increasing to over US\$18 per ounce only to go back to below US\$16 in late December 2017. During the first and second quarter of 2018, silver prices fluctuated around US\$16.50 per ounce after increasing to US\$17.50 per ounce in late January and two short increases to over US\$17 per ounce in early April and late June. During the third quarter the silver price dropped markedly, trading around US\$14.50 per ounce, with a further drop down to a ten year low of US\$14.00 per ounce in November 2018. This downward trend is also reflected in gold and base metal prices. The precious metal and commodity prices have been negatively affected by the economic uncertainties resulting from trade disputes and tariffs imposed by the US, as well as a higher US dollar. With gold at US\$1,222 per ounce at the time of this report, the gold/silver price ratio remains close to an all-time high of 85, leading to speculation of a higher potential increase in the silver price. In spite of forecasts for increasing demand and low inventories, particularly for copper driven by expected increase in production of electric vehicles, copper and zinc prices have dropped in 2018 to date and remained stagnant. As of the date of this report, copper was trading at US\$2.85 per pound, and zinc at US\$1.15 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 has dampened some of the earlier optimism seen in the first half of 2016 for the resource and exploration sectors focused on these metals, resulting now in generally lower share prices, particularly for earlier stage exploration companies. There have also been significantly lower financing opportunities in 2017 and 2018 to date, and less urgency among larger companies to conclude cooperation agreements with explorers for advancing earlier stage projects. As a result, the Company has had to adopt a more conservative approach to conserve working capital resulting in delays in implementation of its plans.

FINANCIAL CONDITION

As at September 30, 2018, the Company had working capital of \$393,071, which compares to working capital of \$1,240,192 at December 31, 2017. The decrease in working capital is due to the resources used for operations exceeding the proceeds from the exercise of warrants and changes in fair values of marketable securities. The Company's working capital position consists of the following:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 308,082	\$ 202,029
Marketable securities (i)	84,000	1,060,500
Receivables	58,545	75,257
Prepaid expenses	14,515	11,989
Accounts payable and accrued liabilities	(72,071)	(109,583)
Working capital	\$ 393,071	\$ 1,240,192

- (i) At September 30, 2018, the Company held 700,000 shares of Ores Minerals Inc. and nil shares of Barsele Minerals Corp. ("Barsele") (December 31, 2017 – 700,000 shares and 1,400,000 shares, respectively). As at the date of this report, the market value of the Ores shares was \$70,000.

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

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

Liquidity and Financial Resources

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

During the current period, the Company incurred cash expenses of \$1,176,061, which included administrative expenses of \$472,676 and exploration and evaluation expenses of \$703,385. In May 2018, the Company began a drill program at La Esperanza with an initial budget of \$200,000 and incurred \$46,093 in drilling costs before stopping the programme due to weather conditions. The administrative budget and exploration and land holding budgets for each of the Company's properties are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources.

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

Commitments

The Company has an employment agreement with the chief executive officer and a management agreement with the chief financial officer for aggregate compensation totalling \$31,250 per month. The agreements provide for termination provisions should the contracts be terminated without cause or should there be a change of control of the Company. The Company has a lease agreement for its office premises that expires on September 30, 2021 and currently requires payments of \$3,713 per month.

FINANCIAL PERFORMANCE

Loss

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

	2018	2017
General and administrative expenses	\$ 160,894	\$ 204,154
Exploration and evaluation expenditures	325,073	199,005
Total operating expenses	485,967	403,159
Deferred income tax expense	2,863	1,365
Loss for the quarter	\$ 488,830	\$ 404,524

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

	2018	2017
General and administrative expenses	\$ 475,450	\$ 792,062
Exploration and evaluation expenditures	703,385	957,774
Total operating expenses	1,178,835	1,749,836
Deferred income tax expense	4,361	77,805
Loss for the period	\$ 1,183,196	\$ 1,827,641

General and administrative expenses for 2017 include share-based compensation, a non-cash item, of \$256,829. Excluding share-based compensation, general and administrative expenses were \$475,450 in the current nine-month period and \$535,233 for the comparative period. The Company did not grant any stock options in the current period; 735,000 stock options were granted and 1,175,000 existing stock options were extended in the comparative period.

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

The decrease in exploration and evaluation expenditures for the current quarter is due primarily to there being less drilling conducted during the current period. Drilling costs of \$46,093 were incurred on the La Esperanza project during the first nine months of 2018 while there was \$346,365 incurred during the first nine months of 2017. In addition, the Company received \$90,877 in expenditure recoveries during the current period; there were no expenditure recoveries received in the comparative period. Land holding costs increased to \$450,476 in the current period, compared to \$214,248 in the comparative period, due to timing of the payments on certain claims that were adjusted in size.

Comprehensive Loss

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

	2018		2017	
Loss for the quarter	\$	488,830	\$	404,524
Other comprehensive loss		19,157		9,135
Comprehensive loss for the quarter	\$	507,987	\$	413,659

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

	2018		2017	
Loss for the period	\$	1,183,196	\$	1,827,641
Other comprehensive loss		29,179		520,695
Comprehensive loss for the period	\$	1,212,375	\$	2,348,336

During the 2018 nine-month period, the Company experienced unrealized losses on its marketable securities of \$33,540 less deferred income tax expense of \$4,361; during the 2017 period, the Company experienced unrealized losses on its marketable securities of \$598,500 less deferred income tax expense of \$77,805.

In January 2018, the Company sold 700,000 Barsele shares for net cash proceeds of \$488,980 and a gain on sale of \$383,936. In July 2018, the Company sold the remaining 700,000 Barsele shares for net cash proceeds of \$453,980 and a gain on sale of \$348,936. In accordance with IFRS 9 adopted on January 1, 2018, gains realized upon sale remain in accumulated other comprehensive income and are not recognized in profit or loss.

Cash Flows

Cash used for operating activities during the period, before changes in non-cash working capital items, was \$1,176,061 and compares to \$1,489,407 used in the comparative period. The decrease in cash used for operations is due to the decrease in general and administrative costs as well as exploration costs as detailed above. Significant changes in non-cash working capital items for the current period include a decrease in accounts payable of \$37,512.

Cash provided by investing activities consisted of net proceeds of \$942,960 received from the sale of 700,000 Barsele shares less an increase in reclamation bonds of \$7,000. Under financing activities, the Company received proceeds of \$369,480 upon the exercise of warrants. During the comparative period, investing activities included the funding of \$12,000 in reclamation bonds; there were no financing activities in the comparative period.

MAJOR OPERATING MILESTONES

During the period under review, the Company sold marketable securities for gross proceeds of \$945,000 and issued 2,309,250 shares from treasury for proceeds of \$369,480 upon the exercise of warrants. The Company completed a surface rock sampling program at its Salamandra project, resumed drilling at its La Esperanza project before being stopped by weather, and followed up with plans for meeting the requirements to spin-off the BC projects into a new public company. In addition, the Company signed a non-binding letter of intent to sell its interest in the Sandra-Escobar project to Pan American, which, if completed, would supersede a previously signed letter of intent with Pan American and Orex providing for a three-way option agreement on the Sandra-Escobar project.

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

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:

	2018	2017
Salaries – chief executive officer	\$ 168,750	\$ 168,750
Management fees – chief financial officer	112,500	112,500
Director fees	33,000	36,000
Legal fees – law firm in which an officer is a partner	6,498	36,930
	<u>\$ 320,748</u>	<u>\$ 354,180</u>

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

As at September 30, 2018, accounts payable includes \$4,133 in legal fees due to a law firm of which an officer of the Company is a partner.

CHANGES IN ACCOUNTING POLICIES

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

Upon adoption of IFRS 9 on a retrospective basis, the Company made an irrevocable election to measure its marketable securities at FVTOCI, therefore, there was no impact on the carrying values or equity as at January 1, 2018 and no measurement differences due to adopting the new standard. Accordingly, the Company was not required to retroactively restate the comparative periods or to make an adjustment to deficit or accumulated other comprehensive income at January 1, 2018. A detailed discussion of the adoption of IFRS 9 is provided in Note 2 to the September 30, 2018 unaudited condensed interim consolidated financial statements.

The Company’s significant accounting policies are provided in Note 2 to the December 31, 2017 audited consolidated financial statements. A new accounting pronouncement – IFRS 16 – *Leases*, which the Company will adopt on January 1, 2019, is discussed in Note 2 to the September 30, 2018 unaudited condensed interim consolidated financial statements.

PROPOSED TRANSACTIONS

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

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

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

OUTSTANDING SHARE DATA

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

	November 28 2018	September 30 2018	December 31 2017
Shares issued and outstanding	104,206,622	104,206,622	101,897,372
Outstanding stock options	7,565,000	7,565,000	7,635,000
Outstanding warrants	2,309,250	2,309,250	4,194,250
Diluted shares outstanding	114,080,872	114,080,872	113,726,622

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

MINERAL PROPERTY SUMMARY

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

Durango and Zacatecas, Mexico:	British Columbia, Canada
<ul style="list-style-type: none"> • 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% 	<ul style="list-style-type: none"> • 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 on the border of Durango and Zacatecas States, 100 kilometres south-southeast of the City of Durango. The project is located in a prolific mining district on the important Fresnillo silver trend, 80 kilometres northwest of the Fresnillo mine, and approximately 35 kilometres from Pan American Silver's la Colorada mine, and First Majestic Silver's La Parrilla and Del Toro mines. Systematic and comprehensive exploration programs have been conducted on the project, including satellite imaging and high-resolution mapping, 1,330 line-kilometre ZTEM airborne geophysical survey, extensive geological mapping and sampling and 7,728 metres of drilling in 32 diamond drill holes. Prior drilling has returned wide high-grade silver-lead-zinc intercepts from the La Esperanza vein, located in the SE of the project area. that is open in all directions. Additional occurrences of silver-lead-zinc vein mineralization have also been identified in the northwest of the project area. Two of these have been tested with initial drill programs, which indicated potential for significant silver-lead-zinc mineralization.

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

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

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

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

La Esperanza 2018 Drill Program										
Hole ES-18-21										
	Interval - Metres		Width – Metres		Gold	Silver	Zinc	Lead	Copper	*Silver Eq
	From	To	Interval	True	Au g/t	Ag g/t	Zn %	Pb %	Cu %	*Ag Eq g/t
Entire Vein	314.99	329.10	14.11	12.20	0.11	68	1.02	0.17	0.07	143
HW Section	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 Section	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 Includ.	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 recovery of a wide, complete and non-faulted interval of the La Esperanza vein as projected in a previously untested zone is very encouraging. This opens the southeast extension of the La Esperanza vein for additional drilling along strike and to depth. The vein textures and symmetry of the vein suggests a well-developed epithermal environment, with the strongest mineralization within a breccia domain near the footwall contact. Re-logging of earlier vein intersections suggest similar controls on mineralization. The vein textures and symmetry of the vein suggests a well-developed epithermal environment, with the strongest mineralization within a breccia domain near the footwall contact. Re-logging of earlier vein intersections suggest similar controls on mineralization. The same mineralizing relationships are noted at other epithermal vein deposits and are interpreted to be the result of intense boiling. The La Esperanza vein remains open for expansion both to the northwest and southeast along strike and to depth.

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

Highlights of prior drill intercepts from the La Esperanza vein are listed 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

*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

Sandra-Escobar

The Sandra silver-gold project covers 6,333 hectares, located 200 kilometres northwest of the City of Durango. The Company has a 40% interest in the adjoining 634-hectare Escobar claims of Pan American Silver Corp., earned under an option agreement with Pan American between 2008 and 2012. The project hosts a high-level silver-gold system centered on a large altered rhyolite dome complex, with widespread silver, gold, and base metal mineralization indicating potential for disseminated mineralization, as well as several high-grade veins.

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

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

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

Salamandra

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

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

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

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

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 highlight the potential for a deep-seated porphyry gold-copper system at the Brenda project, possibly similar in style to mineralization found at Centerra Gold Inc.'s nearby Kemess Underground project and Kemess East deposit, located approximately 15 kilometres southeast of the Brenda property.

Two deep drill holes intersected broad gold-copper mineralized zones with increasing grades to a depth of 560 metres, with the average grade of five intercepts above a depth of 450 metres returning 0.48 g/t Au and 0.079% Cu over a combined intercept length of 394 metres; the average grade of three intercepts below 450 metres returned 0.68 g/t Au and 0.116% Cu over a combined intercept length of 93 metres. The mineralized system averages 300 to 400 metres in width and has been traced along a strike length of 400 metres by drilling, with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in a 3-Dimensional Induced Polarization geophysical survey. In August 2013, a 962-metre diamond drill hole, BR-13-01, was completed to twin BR-07-04 and investigate the possibility of higher grade gold-copper mineralization at depth. This drill hole returned lower grades than the equivalent intercepts in BR-97-04 from 504 metres to 572 metres, and the intercepts below 570 metres returned no significant gold-copper mineralization with only low copper and gold values over certain intervals.

In late 2016 and early 2017, the Company undertook a comprehensive technical review of the Brenda project data. All historical data has been reviewed and checked prior to modelling and analysis using modelling software. Detailed analysis of the data has identified targets for further exploration including additional mapping and sampling, deeper sensing ground and airborne geophysics and drill testing. The Company has applied for a five-year exploration permit including 10,000 metres of drilling. The Brenda project remains an attractive prospect based on the results to date, excellent road access and proximity to Kemess with its advanced infrastructure including power grid, year-round airfield, and mining facilities. There was \$41,000 in expenditures incurred on the Brenda project during the period which included field inspections required for completion of the technical report, an environmental assessment report and upgrades to the camp.

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 completed the data acquisition for an airborne LIDAR survey over the Vega project area. Analysis of the data and survey results are expected by the end of November 2018. The results of the LIDAR survey will assist with further surface sampling and geological mapping of these prospective zones to define drill targets.

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

Technical

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

Cautionary Note

Certain statements 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.