



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED  
AUGUST 31, 2017 AND 2016**

*(Unaudited – Prepared by Management)*

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the 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 interim condensed 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 financial statements in accordance with the standards established by Chartered Professional Accountants ("CPA") Canada for a review of interim financial statements by an entity's auditor.

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*Unaudited - Prepared by Management*  
*Expressed in Canadian Dollars*

	August 31, 2017	November 30, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 468,720	\$ 520,207
Marketable securities (Note 4)	3,286	3,055
Receivables	27,929	33,398
Prepaid expenses	5,637	3,976
	<b>505,572</b>	<b>560,636</b>
<b>Non-current assets</b>		
Reclamation deposit	2,000	2,000
Equipment	11,789	2,182
Exploration advances	3,729	3,477
Mineral properties (Note 5)	79,165	79,165
	<b>\$ 602,255</b>	<b>\$ 647,460</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 18,391	\$ 85,974
<b>Shareholders' equity</b>		
Share capital (Note 7)	11,759,479	10,976,378
Equity reserves (Note 7)	1,805,700	1,704,443
Deficit	(12,981,315)	(12,119,335)
	<b>583,864</b>	<b>561,486</b>
	<b>\$ 602,255</b>	<b>\$ 647,460</b>

**Nature of operations and going concern (Note 1)**  
**Subsequent events (Note 9)**

**APPROVED AND AUTHORIZED BY THE DIRECTORS ON OCTOBER 27, 2017:**

“ C. PRENTER ” , Director  
“ R. STUART ANGUS ” , Director

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*Unaudited - Prepared by Management*  
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	For the three months ended August 31,		For the nine months ended August 31,	
	2017	2016	2017	2016
<b>EXPENSES</b>				
Accounting and audit fees	\$ 17,251	\$ 18,501	\$ 74,394	\$ 47,217
Depreciation	378	1,769	1,133	2,283
Exploration and evaluation (Note 5)	348,559	36,463	714,519	51,234
Foreign exchange (gain) loss	(2,473)	3,926	11,204	5,895
Insurance	1,383	2,025	6,308	6,558
Investor relations	12,045	3,549	42,699	3,689
Legal and professional fees	21,056	18,397	54,753	34,883
Management fees (Note 6)	13,300	4,900	44,800	38,400
Office and administration expenses	8,905	7,832	30,914	15,760
Property investigation	3,500	120,949	13,300	263,942
Share-based payments (Note 7)	78,785	116,304	109,283	117,263
Transfer agent and filing fees	7,845	2,550	20,935	18,335
Travel	10,327	686	23,177	4,051
<b>Total Expenses</b>	<b>520,861</b>	<b>337,851</b>	<b>1,147,419</b>	<b>609,510</b>
<b>OTHER ITEMS</b>				
Gain on sale of mineral property	281,955	-	281,955	-
Interest income	863	439	3,253	766
Unrealized (loss) gain on marketable securities	(965)	(224)	231	(3,077)
<b>Total Other Items</b>	<b>281,853</b>	<b>215</b>	<b>285,439</b>	<b>(2,311)</b>
<b>NET AND COMPREHENSIVE LOSS</b>	<b>\$ (239,008)</b>	<b>\$ (337,636)</b>	<b>\$ (861,980)</b>	<b>\$ (611,821)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>56,167,593</b>	<b>38,678,886</b>	<b>53,726,625</b>	<b>32,820,026</b>

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*Unaudited - Prepared by Management*  
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	Nine months ended August 31, 2017	Nine months ended August 31, 2016
<b>OPERATING ACTIVITIES</b>		
Net and comprehensive loss for the period	\$ (861,980)	\$ (611,821)
Items not affecting cash:		
Depreciation	1,133	2,283
Share-based payments	109,283	117,263
Unrealized (gain) loss on marketable securities	(231)	3,077
Non-cash generative exploration expense	-	90,000
Foreign exchange	(252)	353
Changes in non-cash working capital items:		
Receivables	5,469	(668)
Prepaid expenses	(1,661)	(376)
Accounts payable and accrued liabilities	(67,583)	(21,338)
Net cash used in operating activities	(815,822)	(421,227)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(10,740)	(2,424)
Mineral properties	-	(20,900)
Net cash used in investing activities	(10,740)	(23,324)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	439,550
Share issuance costs	-	(14,586)
Proceeds from exercise of warrants and stock options	775,075	342,350
Net cash provided by financing activities	775,075	767,314
CHANGE IN CASH	(51,487)	322,763
CASH, BEGINNING OF THE PERIOD	520,207	126,291
<b>CASH, END OF THE PERIOD</b>	<b>\$ 468,720</b>	<b>\$ 449,054</b>

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
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	Share Capital		Equity		Total
	Common Shares		Reserves	Deficit	Shareholders' Equity
	Number	\$	\$	\$	\$
Balance at November 30, 2015	27,852,712	9,732,162	1,558,673	(11,158,773)	132,062
Private placement	8,791,000	439,550	-	-	439,550
Fair value of finders' fee - Shares	391,370	23,482	-	-	23,482
Issuance costs - Cash	-	(14,586)	-	-	(14,586)
issuance costs - Shares	-	(23,482)	-	-	(23,482)
Warrant exercise	4,235,000	342,350	-	-	342,350
Fair value of warrants exercised	-	35,351	(35,351)	-	-
Shares issued for property investigation rights	1,000,000	90,000	-	-	90,000
Share-based payments	-	-	117,263	-	117,263
Loss and comprehensive loss for the period	-	-	-	(611,821)	(611,821)
<b>Balance at August 31, 2016</b>	<b>42,270,082</b>	<b>10,624,827</b>	<b>1,640,585</b>	<b>(11,770,594)</b>	<b>494,818</b>
Balance at November 30, 2016	46,781,082	10,976,378	1,704,443	(12,119,335)	561,486
Share-based payments	-	-	109,283	-	109,283
Exercise of warrants	9,340,750	760,075	-	-	760,075
Exercise of stock options	150,000	23,026	(8,026)	-	15,000
Net and comprehensive loss for the period	-	-	-	(861,980)	(861,980)
<b>Balance at August 31, 2017</b>	<b>56,271,832</b>	<b>11,759,479</b>	<b>1,805,700</b>	<b>(12,981,315)</b>	<b>583,864</b>

**SAN MARCO RESOURCES INC.**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

San Marco Resources Inc. (“the Company”) was incorporated on September 27, 2005 under the *Business Corporations Act* of British Columbia. The Company’s mailing address is 11<sup>th</sup> Floor – 1050 West Pender Street, Vancouver, BC, V6E 3S7. The registered and records office address is Suite 704 – 595 Howe Street, Vancouver, BC, V6C 2T5.

The Company is engaged in the acquisition, exploration and development of precious metal properties in Mexico and Canada.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain resources that are economically recoverable. The realization of amounts shown for mineral properties and related deferred costs is dependent upon the discovery and exploitation of economically recoverable resources, the ability of the Company to obtain necessary financing to complete development, and attaining future profitable production or proceeds from the disposition of such properties.

These consolidated financial statements have been prepared by management 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. At August 31, 2017, the Company had not yet achieved profitable operations and has an accumulated deficit of \$12,981,315 since its inception. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. 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 and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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**2. BASIS OF PRESENTATION**

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2016, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies adopted are consistent with those of the previous financial year, except for recent accounting pronouncements as described in Note 3 below. The Board of Directors approved the interim condensed consolidated financial statements on October 27, 2017.

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**3. RECENT ACCOUNTING PRONOUNCEMENTS**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”). The following item has been issued and is effective for annual periods beginning on or after January 1, 2016:

- *IAS 1 Presentation of Financial Statements:* In December 2014, amendments to IAS 1 were issued to address perceived impediments to preparers exercising their judgement in presenting their financial statements. The amendments clarify the definition of materiality, the presentation of items on the statement of financial position and statement of profit or loss and other comprehensive income, and ordering of notes in the financial statements. The adoption of these amendments did not have an impact on the financial statements of the Company.

**4. MARKETABLE SECURITIES**

The Company holds 17,500 common shares of Rise Resources Inc.

	August 31, 2017		November 30, 2016	
	# of Shares	Amount	# of Shares	Amount
Opening balance	17,500	\$ 3,055	17,500	\$ 5,833
Mark-to-Market valuation	-	231	-	(2,778)
	<b>17,500</b>	<b>\$ 3,286</b>	<b>17,500</b>	<b>\$ 3,055</b>

**5. MINERAL PROPERTIES**

A summary of capitalized acquisition costs is as follows:

	<b>CUATRO DE MAYO PROJECT</b>	
Balance at November 30, 2015	\$	24,654
Cash payments		54,511
<b>Balance at November 30, 2016 and August 31, 2017</b>	<b>\$</b>	<b>79,165</b>

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**5. MINERAL PROPERTIES (continued)**

Exploration and evaluation costs incurred during the nine months ended August 31, 2017 and 2016 are as follows:

	<b>CHUNIBAS</b>	<b>1068</b>	<b>MARIANA</b>	<b>OTHER PROJECTS</b>	<b>TOTAL MINERAL PROPERTIES</b>
Field supplies and on-site expenses	\$ 26,883	\$ 20,059	\$ 5,698	\$ 10,825	\$ 63,465
Geological consulting	103,332	61,095	27,962	86,089	278,478
Geophysics, topographic, mapping	39	3,619	-	-	3,658
Mineral rights	9,866	13,759	-	38,112	61,737
Sampling, prospecting, study	221,234	21,083	20,813	9,203	272,333
Travel expenses	10,047	9,574	4,045	11,182	34,848
<b>Expenses for the nine months ending August 31, 2017</b>	<b>\$ 371,401</b>	<b>\$ 129,189</b>	<b>\$ 58,518</b>	<b>\$ 155,411</b>	<b>\$ 714,519</b>
Field supplies and on-site expenses	\$ -	\$ -	\$ -	\$ 3,081	\$ 3,081
Geological consulting	-	-	-	20,360	20,360
Mineral rights	-	-	-	22,853	22,853
Travel expenses	-	-	-	4,940	4,940
<b>Expenses for the nine months ending August 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,234</b>	<b>\$ 51,234</b>

**Chunibas**

On January 22, 2015, the Company signed an option agreement with Argonaut Gold Inc. (“Argonaut”) to acquire a concession in the El Chunibas area of the Cuatro de Mayo District in northern Mexico, for cash payments of US\$50,000 over two years. The Company paid \$12,250 (US\$10,000) during fiscal 2015 and the remaining \$54,511 (US\$40,000) during the year ended November 30, 2016. Argonaut retains a 1% net smelter return (“NSR”) royalty on any future production, one half of which can be purchased by the Company for US\$100,000.

On January 27, 2015, the Company acquired 100% ownership of an additional claim in the El Chunibas area of the Cuatro de Mayo District in northern Mexico for \$12,404 (US\$10,000). There is no retained interest or future royalty payable to the counterparty to the acquisition agreement, a private Mexican citizen.

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**5. MINERAL PROPERTIES (continued)**

**Other Projects**

During the period ended August 31, 2017, the Company incurred \$13,300 (2016 - \$263,942) in property investigation costs.

On May 3, 2016, the Company entered into an Exploration Alliance Agreement with GlobeTrotters Resources Group Inc. (“GlobeTrotters”) to generate and acquire new high potential mineral targets primarily in the state of Sonora, Mexico. The Company was granted an exclusive three-year license to use the data generated from GlobeTrotters’ analysis, filtering and initial target selection through the imagery and data files which GlobeTrotters acquired from the state of Sonora. The data from GlobTrotters has resulted in identification of various properties, such as La Caridad Este, La Pithaya, Aqua Zarca, Ofelia, and Suzanne.

Pursuant to the Exploration Alliance Agreement, the Company will hold all interest in properties acquired as part of the collaborative effort with GlobeTrotters entitled to a 2% NSR royalty on all properties in which San Marco acquires a 100% interest. For properties in which the Company acquires less than 100% interest, it will pay GlobeTrotters 20% of all future consideration received in respect of the property, reducing to 10% after the commencement of commercial production. As consideration for the acquisition of the license, the Company issued 1,000,000 common shares to GlobeTrotters on May 20, 2016, valued at \$90,000, which was recognized as property investigation costs within exploration and evaluation expenses.

During the period ended August 31, 2017, the Company completed the sale of its La Pinta 06 concession located in Zacatecas, Mexico to a subsidiary of Goldcorp Inc. for gross proceeds of US\$225,000 (CAD\$281,955) and a 1% net smelter return royalty on future production from the concession. As all previous costs incurred for the La Pinta 06 concession were recorded in the statement of comprehensive loss, the Company recorded a gain on the sale of mineral property for the gross proceeds received.

**6. RELATED PARTY TRANSACTIONS**

**Compensation of key management personnel**

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

The remuneration of the directors, chief executive office and the chief financial officer were as follows:

	August 31, 2017	August 31, 2016
Accounting fees	\$ 63,450	\$ 41,500
Management fees	94,500	84,100
Share based payments	87,552	98,376
<b>Total</b>	<b>\$ 245,502</b>	<b>\$ 223,976</b>

(i) Management fees includes \$43,400 (2016 – 38,400) in management fees, \$9,800 in property investigation (2016 - \$42,700) and \$41,300 in exploration and evaluation costs (2016 - \$18,400) in these interim consolidated financial statements.

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**6. RELATED PARTY TRANSACTIONS (continued)**

At August 31, 2017, there was \$4,500 (November 30, 2016 - \$10,480) included in accounts payable and accrued liabilities that was owing to a related party for accounting fees.

**Transactions with other related parties**

Certain of the Company's officers render services to the Company through companies in which they are an officer, director, or partner.

The Company incurred the following fees and expenses with these related parties as follows:

	Nine months Ended August 31, 2017	Nine months Ended August 31, 2016
Legal fees	32,816	22,968
Legal fees related to share issuance costs	-	11,540
<b>Total</b>	<b>\$ 32,816</b>	<b>\$ 34,508</b>

**7. SHARE CAPITAL AND EQUITY RESERVES**

a) Authorized

Unlimited number of common shares without par value

b) Issued

During the period ended August 31, 2017:

The Company issued 150,000 common shares for gross proceeds of \$15,000 pursuant to the exercise of stock options and 9,340,750 common shares for gross proceeds of \$760,075 pursuant to the exercise of share purchase warrants.

During the period ended August 31, 2016:

- 1) On April 22, 2016, the Company completed a private placement of 8,791,000 units at \$0.05 per unit for total proceeds of \$439,550. Each unit consisted of one common share and one non-transferable warrant, each warrant exercisable to purchase a further share for three years at \$0.05 per share in the first year, \$0.10 per share in the second year and \$0.15 per share in the third year. After the four-month restricted resale period expired on August 22, 2016, the expiry of the warrants may be accelerated if the closing price of the Company's shares equals or exceeds, for 15 consecutive trading days, \$0.10 per share in the first year, \$0.20 per share in the second year or \$0.30 per share in the third year. A total of 391,370 shares with fair value of \$23,482 were issued as fees to qualified finders in respect of a portion of the units sold. Three insiders of the Company purchased a total of 900,000 units in the placement.

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**7. SHARE CAPITAL AND EQUITY RESERVES (continued)**

- 2) The Company issued 4,235,000 common shares for gross proceeds of \$342,350 pursuant to the exercise of share purchase warrants.
- 3) On May 20, 2016, the Company issued 1,000,000 common shares with a fair value on the date of issuance of \$90,000 to GlobeTrotters pursuant to the formal Alliance Agreement (Note 6).
- c) Stock options

The Company's stock option transactions are as follows:

	<b>Number of Shares issuable under Options</b>	<b>Weighted Average Exercise Price</b>
Shares issuable under Options outstanding at November 30, 2015	1,345,000	\$0.64
Granted	2,150,000	\$0.11
Forfeited	(100,000)	\$0.10
Expired	(185,000)	\$1.51
<b>Shares issuable under Options outstanding at November 30, 2016</b>	<b>3,210,000</b>	<b>\$0.26</b>
Granted	1,700,000	\$0.19
Exercised	(150,000)	\$0.10
<b>Shares issuable under Options outstanding at August 31, 2017</b>	<b>4,760,000</b>	<b>\$0.24</b>
<b>Shares issuable under Options exercisable at August 31, 2017</b>	<b>3,485,000</b>	<b>\$0.26</b>

As at August 31, 2017, the following stock options were outstanding:

<b>Number of Shares issuable under Options Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
580,000	\$0.65	November 14, 2017
380,000	\$0.50	December 8, 2018
100,000	\$0.10	April 30, 2020
1,650,000	\$0.10	June 6, 2021
250,000	\$0.20	August 15, 2021
100,000	\$0.20	November 16, 2021
1,700,000	\$0.19	June 2, 2022
<b>4,760,000</b>		

As at August 31, 2017, the stock options outstanding have a weighted average outstanding life of 3.48 years.

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**7. SHARE CAPITAL AND EQUITY RESERVES (continued)**

On June 2, 2017, the Company granted stock options to directors, officers and consultants of the Company to purchase a total of 1,700,000 common shares. The options are exercisable for five years from the date of grant at a price of \$0.19 per share, and vest, as to 25% each, on the date of grant, and every three months thereafter.

On June 6, 2016, the Company granted options to directors, officers and consultants to purchase a total of 1,800,000 shares at a price of \$0.10 per share for five years. On August 15, 2016, the Company granted an option to a consultant to purchase a total of 250,000 shares at a price of \$0.20 per share for five years. The options vest, as to 25% each, on granting and on the next three, six and nine months.

The fair value of the stock options granted during the period ended August 31, 2017 was \$312,065 (\$144,310). The Company recognized \$109,283 (2016 - \$117,263) of share-based payments relating to stock options that vested during the period. The fair value of each option grant was estimated as at the date of the grant using the Black-Scholes option pricing model and the following weighted average assumptions:

	2017	2016
Risk free interest rate	0.96%	0.60%
Expected life of options	4.63 years	2.5 years
Expected dividend yield	0%	0%
Expected stock price volatility	197%	231%
Exercise price	\$0.19	\$0.11
Stock price	\$0.19	\$0.11
<b>Weighted average fair value per option</b>	<b>\$0.18</b>	<b>\$0.09</b>

d) Warrants

The Company's warrant transactions are as follows:

	Number of Shares issuable under Warrants	Weighted Average Exercise Price
Shares issuable under Warrants outstanding at November 30, 2015	15,766,000	\$0.05
Issued	8,791,000	\$0.05
Exercised	(8,746,000)	\$0.08
Shares issuable under Warrants outstanding at November 30, 2016	15,811,000	\$0.08
Exercised	(9,340,750)	\$0.08
<b>Shares issuable under Warrants outstanding at August 31, 2017</b>	<b>6,470,250</b>	<b>\$0.11</b>

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**7. SHARE CAPITAL AND EQUITY RESERVES (continued)**

As at August 31, 2017, the following share purchase warrants were outstanding:

Number of Shares issuable under Warrants	Exercise Price	Expiry Date
2,540,250	\$0.15	January 28, 2018
1,430,000	\$0.05	October 16, 2018
2,500,000	\$0.10 <sup>(1)</sup>	April 22, 2017
<b>6,470,250</b>		

<sup>(1)</sup> Each warrant is exercisable to purchase one common share of the Company for \$0.10 until April 22, 2018 and \$0.15 until April 22, 2019.

**8. SEGMENTED INFORMATION**

The Company currently conducts substantially all of its operations in Canada and Mexico in one business segment being the exploration and development of mineral properties. Geographical information for the Company's significant non-current assets is as follows:

<b>August 31, 2017</b>	<b>Canada</b>		<b>Mexico</b>	
Reclamation deposit	\$	2,000	\$	-
Equipment		1,854		9,935
Exploration advances		-		3,729
Mineral properties		-		79,165
	<b>\$</b>	<b>3,964</b>	<b>\$</b>	<b>92,829</b>
<hr/>				
<b>November 30, 2016</b>	<b>Canada</b>		<b>Mexico</b>	
Reclamation deposit	\$	2,000	\$	-
Equipment		2,182		-
Exploration advances		-		3,477
Mineral properties		-		79,165
	<b>\$</b>	<b>4,182</b>	<b>\$</b>	<b>82,642</b>

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**9. SUBSEQUENT EVENTS**

- a) The Company granted a stock option to a consultant of the Company to purchase 200,000 common shares at an exercise price of \$0.18 per share for five years. The stock option vests as to 25% on each of three months, six months, nine months and twelve months following the date of grant.
- b) The Company has announced a private placement of up to 7,000,000 units at a price of \$0.18 per unit for gross proceeds of up to \$1.26 million. Each unit will consist of one common share and one-half of one common share purchase warrant, each whole warrant exercisable to purchase one common share at a price of \$0.35 for 18 months after the completion of the private placement. The units issued pursuant to this private placement will be subject to a four month hold period. Completion of the private placement is subject to receipt of TSX Venture Exchange approval.