



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
FEBRUARY 28, 2017 AND FEBRUARY 29, 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



**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

	February 28, 2017	November 30, 2016
ASSETS		
Current assets		
Cash	\$ 884,737	\$ 520,207
Marketable securities (Note 4)	4,173	3,055
Receivables	31,625	33,398
Prepaid expenses	10,018	3,976
	930,553	560,636
Non-current assets		
Reclamation deposit	2,000	2,000
Equipment	2,073	2,182
Exploration advances	3,510	3,477
Mineral properties (Note 5)	79,165	79,165
	\$ 1,017,301	\$ 647,460
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 80,569	\$ 85,974
	80,569	85,974
Shareholders' equity		
Share capital (Note 7)	11,615,953	10,976,378
Equity reserves (Note 7)	1,729,792	1,704,443
Deficit	(12,409,013)	(12,119,335)
	936,732	561,486
	\$ 1,017,301	\$ 647,460

Nature of operations and going concern (Note 1)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON APRIL 28, 2017:

“ C. PRENTER ” , Director

“ R. STUART ANGUS ” , Director

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED
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	February 28, 2017	February 29, 2016
EXPENSES		
Accounting and audit fees	\$ 20,683	\$ 14,809
Depreciation	109	257
Exploration and evaluation (Note 5)	160,509	13,165
Foreign exchange	4,379	1,174
Insurance	2,058	2,508
Investor relations	19,544	-
Legal and professional fees	11,171	2,223
Management fees (Note 6)	18,900	19,500
Office and administration expenses	7,356	4,445
Property investigation	5,600	2,945
Share-based payments (Note 6)	25,349	689
Transfer agent and filing fees	9,614	6,110
Travel	6,543	437
Total Expenses	(291,815)	(68,262)
OTHER ITEMS		
Interest income	1,020	92
Unrealized gain (loss) on marketable securities	1,117	(3,940)
Total Other Items	2,137	(3,848)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (289,678)	\$ (72,110)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding		
– basic and diluted	49,883,890	27,852,712

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED
Unaudited - Prepared by Management
Expressed in Canadian Dollars

	February 28, 2017	February 29, 2016
OPERATING ACTIVITIES		
Net and comprehensive loss for the period	\$ (289,678)	\$ (72,110)
Items not affecting cash:		
Depreciation	109	257
Share-based payments	25,349	689
Unrealized (gain) loss on marketable securities	(1,117)	3,940
Foreign exchange	-	181
Changes in non-cash working capital items:		
Receivables	1,772	3,328
Prepaid expenses	(6,042)	(7,094)
Accounts payable and accrued liabilities	(5,405)	7,112
Exploration advances	(33)	-
Net cash used in operating activities	(275,045)	(63,697)
INVESTING ACTIVITIES		
Mineral properties	-	(20,900)
Net cash used in investing activities	-	(20,900)
FINANCING ACTIVITIES		
Proceeds from exercise of warrants	639,575	-
Net cash provided by financing activities	639,575	-
INCREASE (DECREASE) IN CASH	364,530	(84,597)
CASH, BEGINNING OF THE PERIOD	520,207	126,291
CASH, END OF THE PERIOD	\$ 884,737	\$ 41,694

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
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	Share Capital Common Shares Number	\$	Equity Reserves \$	Deficit \$	Total Shareholders' Equity \$
Balance at November 30, 2015	27,852,712	9,732,162	1,558,673	(11,158,773)	132,062
Share-based payments	-	-	689	-	689
Net and comprehensive loss for the period	-	-	-	(72,110)	(72,110)
Balance at February 29, 2016	27,852,712	9,732,162	1,559,362	(11,230,883)	60,641
Balance at November 30, 2016	46,781,082	10,976,378	1,704,443	(12,119,335)	561,486
Share-based payments	-	-	25,349	-	25,349
Exercise of warrants	7,070,750	639,575	-	-	639,575
Net and comprehensive loss for the period	-	-	-	(289,678)	(289,678)
Balance at February 28, 2017	53,851,832	11,615,953	1,729,792	(12,409,013)	936,732

SAN MARCO RESOURCES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016
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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 11th 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 February 28, 2017, the Company had not yet achieved profitable operations and has an accumulated deficit of \$12,409,013 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.

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 April 28, 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. These shares were originally valued at \$360,272 and obtained pursuant to an option agreement on the Company’s La Buena property.

	February 28, 2017		November 30, 2016	
	# of Shares	Amount	# of Shares	Amount
Opening balance	17,500	\$ 3,055	17,500	\$ 5,833
Mark-to-Market valuation	-	1,118	-	(2,778)
	17,500	\$ 4,173	17,500	\$ 3,055

5. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

	CUATRO DE MAYO PROJECT	
Balance at November 30, 2015	\$	24,654
Cash payments		54,511
Balance at November 30, 2016 and February 28, 2017	\$	79,165

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5. MINERAL PROPERTIES (continued)

Exploration and evaluation costs incurred during the three months ended February 28, 2017 and the three months ended February 29, 2016 are as follows:

	CUATRO DE MAYO PROJECT	ANGELES PROJECT	OTHER PROJECTS	TOTAL MINERAL PROPERTIES
Field supplies and on-site expenses	\$ 2,186	\$ 760	\$ 1,483	\$ 4,429
Geological consulting	44,554	25,617	22,139	92,310
Geophysics, topographic, mapping	36	-	-	36
Mineral rights	-	-	261	261
Sampling, prospecting, study	29,637	4,456	6,585	40,678
Travel expenses	7,072	8,209	7,514	22,795
Expenses for the three months ending February 28, 2017	\$ 83,485	\$ 39,042	\$ 37,982	\$ 160,509
Field supplies and on-site expenses	\$ 85	\$ -	\$ -	\$ 85
Geological consulting	6,628	-	-	6,628
Mineral rights	5,329	68	-	5,397
Travel expenses	1,055	-	-	1,055
Expenses for the three months ending February 29, 2016	\$ 13,097	\$ 68	\$ -	\$ 13,165

Cuatro de Mayo

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.

Angeles

During the year ended November 30, 2013, the Company acquired a 100% interest in the La Gloria concession (part of Angeles project) for US\$65,000. During the year ended November 30, 2015, the Company wrote off acquisition costs totaling \$150,376 as no significant work was planned on the project.

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5. MINERAL PROPERTIES (continued)

Other Projects

The Company expends ongoing efforts on evaluation of potential opportunities for acquisition of mineral properties. During the period ended February 28, 2017, the Company incurred \$37,982 (February 29, 2016 - \$Nil) 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.

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:

	February 28, 2017	February 29, 2016
Management fees	\$ 31,500	\$ 22,500
Share based payments	13,077	-
Total	\$ 44,577	\$ 22,500

(i) Management fees are included in management and administration fees (2017 - \$18,900; 2016 - \$19,500), property investigation (2017 - \$5,600; 2016 - \$Nil) and in exploration and evaluation costs (2017 - \$7,000; 2016 - \$3,000) in these interim consolidated financial statements.

At February 28, 2017 and November 30, 2016, there were no amounts owing to related parties for management fees.

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6. RELATED PARTY TRANSACTIONS (continued)

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:

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016
Accounting fees	\$ 18,000	\$ 12,000
Legal fees	6,116	495
Total	\$ 24,116	\$ 12,495

At February 28, 2017, there was \$7,594 (November 30, 2016 - \$6,535) included in accounts payable and accrued liabilities that was owing to these related parties for accounting and legal fees.

7. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

No common shares were issued during the three months ended February 28, 2017

c) Stock options

The Company's stock option transactions are as follows:

	Number of Options	Weighted Average Exercise Price
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
Options outstanding at November 30, 2016 and February 28, 2017	3,210,000	\$0.26
Options exercisable at February 28, 2017	2,672,500	\$0.28

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7. SHARE CAPITAL AND EQUITY RESERVES (continued)

As at February 28, 2017, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date
580,000	\$0.65	November 14, 2017
380,000	\$0.50	December 8, 2018
100,000	\$0.10	March 20, 2020
100,000	\$0.10	April 30, 2020
1,700,000	\$0.10	June 6, 2021
250,000	\$0.20	August 15, 2021
100,000	\$0.20	November 16, 2021
3,210,000		

As at February 28, 2017, the stock options outstanding have a weighted average outstanding life of 3.29 years.

There were no stock options granted to directors, officers and employees during the three months ended February 28, 2017 or in the three months ended February 29, 2016. The Company recognized \$25,349 (2016 - \$689) 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.

d) Warrants

The Company's warrant transactions are as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at November 30, 2015	15,766,000	\$0.05
Issued	8,791,000	\$0.05
Exercised	(8,746,000)	\$0.08
Warrants outstanding at November 30, 2016	15,811,000	\$0.08
Exercised	(7,070,750)	\$0.09
Warrants outstanding at February 28, 2017	8,740,250	\$0.08

As at February 28, 2017, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,610,250	\$0.15	January 28, 2018
1,430,000	\$0.05	October 16, 2018
4,700,000	\$0.05 ⁽¹⁾	April 22, 2017
8,740,250		

⁽¹⁾ Each warrant is exercisable to purchase one common share of the Company for \$0.05 until April 22, 2017, \$0.10 until April 22, 2018 and \$0.15 until April 22, 2019.

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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:

February 28, 2017		Canada		Mexico
Reclamation deposit	\$	2,000	\$	-
Equipment		2,073		-
Exploration advances		-		3,510
Mineral properties		-		79,165
	\$	4,073	\$	82,675
November 30, 2016		Canada		Mexico
Reclamation deposit	\$	2,000	\$	-
Equipment		2,182		-
Exploration advances		-		3,477
Mineral properties		-		79,165
	\$	4,182	\$	82,642