



Management Discussion and Analysis
For the Three Months Ended February 28, 2017

GENERAL

This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of San Marco Resources Inc. (“San Marco” or the “Company”) for the three months ended February 28, 2017 (the “Current Quarter”), in comparison to the three months ended February 29, 2016. This MD&A contains information up to and including April 28, 2017 and should be read in conjunction with the Company’s interim condensed consolidated financial statements and related notes for the Current Quarter, which have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and do not include all of the information required for full annual financial statements. The following should also be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended November 30, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the related annual MD&A for the year ended November 30, 2016, and all other disclosure documents of the Company. All amounts are stated in Canadian dollars, the reporting and functional currency of the Company, unless otherwise indicated.

Additional information relevant to the Company’s activities is available on SEDAR at www.sedar.com and the Company’s web site at www.sanmarcocorp.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A that are not historical facts may be forward-looking statements and prospective. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results. Readers are cautioned not to place undue reliance on these forward-looking statements. See also the **Caution Regarding Forward-Looking Statements** at the end of this MD&A.

OVERVIEW

The Company was incorporated on September 27, 2005 under the *Business Corporations Act* of British Columbia. The Company is engaged in the acquisition, exploration and advancement of mineral properties, currently active in Mexico. The Company has no operations from which to derive revenues and relies on its cash, raised through the issuance of common shares, in order to fund its exploration and general and administrative expenses.

Significant technical and corporate events that occurred during and subsequent to the Current Quarter include:

- During the three months ended February 28, 2017, the Company issued 7,070,750 common shares pursuant to the exercise of warrants for total proceeds of \$639,575

The Company's exploration portfolio includes the Cuatro de Mayo and Angeles projects in Mexico and the Alwin copper project in British Columbia, Canada. These projects are discussed further under **Mineral Projects – Exploration and Acquisition Activities** below.

The business of mining and exploration involves a high degree of risk. As San Marco has no operations and is without revenues, it is entirely reliant on its current cash and upon future financings in order to fund its exploration and administration expenses. The Company's ability to secure future financing necessary to advance its projects, is dependent on numerous factors, many of which are outside of its control, including fluctuations in the Company's share price, investor perceptions and expectations, and global financial and metals markets. While these factors are dynamic and likely to change over time, at present, equity financing for mineral exploration companies is difficult and there can be no assurance that future financing will be available or secured. Furthermore, given the Company's recent share price and the current state of equity markets, such financing, if available, may be very dilutive to the Company's shares and shareholders. As it has in the past, the Company would likely seek additional financing through, but not limited to, the issuance of additional equity.

Title to mining properties involves certain inherent risks as well, particularly in foreign jurisdictions, including the difficulties of determining the validity of title and the potential for problems arising from numerous transfers of historical mining properties. The Company has diligently investigated the rights of ownership to all of the mineral concessions in which it has an interest and, to the best of its knowledge, such ownership rights are valid and in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

EXPLORATION AND ACQUISITION ACTIVITIES, Sonora , Mexico

Current exploration activities are located in Sonora State, Mexico. Regional exploration is focused in the Sierra Madres, and consists of various concessions which total 73,289 hectares. A table outlining these properties is provided below. For additional details please refer to the Company’s news releases of May 14, 2014, December 16, 2014, February 10, 2015 and February 25, 2015.

Concession Group ⁽ⁱ⁾	Acquired	Size (hectares)	Terms
El Chunibas	January 2015; from Argonaut Gold Inc.	457	Owned 100 % subject to a 1% NSR
Santa Fe	February 2015; from local Mexican title holder	12	Owned 100 %
Mariana	February 2015; from Argonaut Gold Inc.	72,820	Purchased for 1% NSR (one half of which can be purchased back by the Company for US \$2.0 million), and a one-time bonus payment of US \$6 per ounce of gold contained in the Proven and Probable categories. Concession title is under “ Aplicacion “
Total		73,289	

(i) With respect to titles to the various concessions acquired by SMN, some have been transferred to the Company (in the case of purchased concessions) or lie with the underlying vendor (in the case of optioned concessions) with the exception of the Mariana I concession, which title was applied for by Argonaut Gold and is currently awaiting issuance by the Registration Direction de Minas (the Mexican mining registry department). Title to Mariana I will be transferred to the Company by Argonaut when granted according to the terms of the Mariana purchase agreement.

Property maps of San Marcos concessions are available on the Company’s website.

Geology and Mineralization:

With the exception of certain GlobeTrotters anomaly targets, greenfield exploration has been focused in the Sierra Madre Occidental area of Northern Mexico. The area is more specifically located in the Sahuaripa District, which regionally consists of Cretaceous to Tertiary sedimentary and volcanic sequences. This region is known to host numerous mineral targets representing a wide variety of mineralization types, including epithermal gold and silver, strata-bound gold in volcanoclastics, mesothermal silver and CRD type targets (in mantos and skarns). Many of these known targets are related to NNW-trending regional structures and to multi-phase felsic plutonic rocks that intrude the older volcano-sedimentary sequences. Historic, as well as recent artisanal mineral workings, are noted across most of the Chunibas property.

Known Targets and Work to Date:

The Company has currently prioritized two known showings on the Sahuaripa District including:

- Chunibas – a 1.0 – 1.5 m wide vein system in the Chunibas claim area containing gold in association with iron oxides
- Oregano – a low sulphidation, epithermal gold-bearing target in the Mariana concessions that has been traced over a 3 to 5 km strike length

San Marco geologists made several field visits to the properties since the first concessions were acquired in May 2014, to confirm the location of certain previously identified mineral showings and conduct preliminary mapping and sampling. In March and April 2015, a three-week regional exploration program, consisting of field verifying and sampling a number of new and known targets was undertaken. Additional field work in May and June, 2015, has confirmed numerous mineralized targets which are expected to warrant further detailed exploration. Significant areas of the Mariana concession property remain to be evaluated.

Readers are referred to the Company's MD&A for the year ended November 30, 2014 and to its news releases noted above for a description of previous exploration and sampling results from the Valle, Chunibas and Chinos targets.

Angeles

The Angeles project is located in Sonora State, Mexico. The Company is 100% owner of La Gloria concession, which covers six hectares and includes historic mine workings. The project was drilled by the Company in 2013, A detailed description of the Angeles project history, geology and mineralization is provided in the Company's MD&A for the years ended November 30, 2014 and 2013.

Other Projects

Aqua Zarca:

An initial field evaluation included geological mapping, limited rock chip sampling and stream sediment sampling have been completed on the concessions. Results are currently being evaluated.

La Caridad Este:

An initial field evaluation included geological mapping, limited rock chip sampling and stream sediment sampling have been completed on the concessions. Results are currently being evaluated.

La Pitahaya:

An initial field evaluation included geological mapping, limited rock chip sampling and stream sediment sampling have been completed on the concessions. Results are currently being evaluated.

Alwin Property, British Columbia:

The Alwin project is located in south-central British Columbia, Canada, approximately 4 km west of and contiguous to Teck's Highland Valley Copper Mine. This copper-focused property consists of two claims totalling 534 hectares. The property hosts a small past-producing copper mine, most recently active in the 1980's.

A brief description of the Alwin project history, geology and mineralization is provided on the Company's website. No exploration work was carried out on the Alwin property during the current period.

SELECTED FINANCIAL INFORMATION

The following table sets out selected quarterly financial information derived from the Company's unaudited interim condensed consolidated financial statements for each of the eight quarters

ended on the dates indicated below. The data should be read in conjunction with the Company's interim condensed consolidated financial statements for the Current Quarter and the notes thereto.

Period	Revenue	Net Loss	Basic and Diluted Loss per share
	\$	\$	\$
1 st quarter ended February 28, 2017	Nil	289,678	0.01
4 th quarter ended November 30, 2016	Nil	348,741	0.01
3 rd quarter ended August 31, 2016	Nil	337,636	0.01
2 nd quarter ended May 31, 2016	Nil	202,075	0.01
1 st quarter ended February 29, 2016	Nil	72,110	0.00
4 th quarter ended November 30, 2015	Nil	246,430	0.01
3 rd quarter ended August 31, 2015	Nil	129,523	0.01
2 nd quarter ended May 31, 2015	Nil	191,918	0.01

RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2017

The Company currently has no properties in production and, consequently, has no operating income or cash inflows with the exception of investment and other income. All expenses directly related to the acquisition of the Company's mineral properties have been capitalized as mineral properties. All other costs relating to exploration, evaluation and property maintenance are expensed as incurred.

The Current Quarter resulted in a loss of \$289,678 compared to the three months ended February 29, 2016 which had a loss of \$72,110. The increase in loss in the Current Quarter was primarily a result of an increase in spending on exploration projects.

Some of the significant changes are as follows:

- Exploration and evaluation expenses: \$160,509 (2016 - \$13,165) and property investigation: \$5,600 (2016 - \$2,945) – There was an increase in spending on the exploration properties and on property investigation due to the Company's Exploration Alliance Agreement with GlobeTrotters in the 2016 fiscal year which provided the Company with drilling permits to increase its exploration activity at the Chunibas property and other claims.
- Investor relations: \$19,544 (2016 - \$Nil) – The increase in the Company's exploration and evaluation expenses resulted in greater corporate development and investor relation activity during the current quarter in order to generate interest in the Company's properties.
- Legal and professional fees: \$11,171 (2016 - \$2,223) – As a result of higher activity, the Company obtained increased services from its lawyers and professional geologists.
- Share-based payments: \$25,349 (2016 - \$689) – This increase in expense in the current year resulted from the recognition of value of incentive stock options granted to directors, officers, and consultants during the 2016 fiscal year and their related vesting in the current quarter.

Other costs incurred for the Company's operations during the Current Quarter remained consistent with those incurred during the comparative period.

LIQUIDITY AND CAPITAL RESOURCES

At February 28, 2017 and November 30, 2016 the Company's liquidity and capital resources were as follows:

	<u>February 28, 2017</u>	<u>November 30, 2016</u>
	\$	\$
Cash and receivables	916,362	553,605
Marketable securities	4,173	3,055
Prepaid expenses	10,018	3,976
Payables and accrued liabilities	(80,569)	(85,974)
Working capital	849,984	474,662

As at February 28, 2017, the Company had \$884,737 (November 30, 2016 - \$520,207) cash in banks. The Company's plan is to continue to conserve its cash resources while focusing on further evaluating its Chunibas property and staking other claims of merit utilizing its license pursuant to the GlobeTrotters Exploration Alliance Agreement.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

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 officer and the chief financial officer were as follows:

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

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

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 related these 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
	\$ 24,116	\$ 12,495

At February 28, 2016, 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.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

As at February 28, 2017, the carrying values of reclamation deposit, receivables, exploration advances, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. Cash and marketable securities are measured at fair value.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Exploration and evaluation expenditures

Costs directly related to the acquisition of mineral properties are capitalized. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration, evaluation and property maintenance costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are expensed as incurred up to the date of establishing that property costs are economically recoverable and that the project is technically feasible.

If no economically viable ore body is discovered, previously capitalized acquisition costs are expensed in the period that the property is determined to be uneconomical or abandoned.

Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

New standards adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) or International Financial Reporting Interpretations Committee (“IFRIC”).

Effective December 1, 2016, the following standard was adopted but has had no material impact on the consolidated financial statements:

- *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.

CAPITAL MANAGEMENT

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration plans to ensure the on-going growth of the business.

The Company considers the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized share capital consists of an unlimited number of common shares without par value. As at the date of this report, the Company had 56,051,832 common shares issued and outstanding and options and warrants outstanding to purchase common shares as follows:

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		

Number of Warrants Outstanding	Exercise Price	Expiry Date
2,610,250	\$0.15	January 28, 2018
1,430,000	\$0.05	October 16, 2018
2,500,000	\$0.05 ⁽¹⁾	April 22, 2019
6,540,250		

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

FUTURE PLANS AND OUTLOOK

Exploration

San Marco intends to concentrate its exploration efforts on the San Marco / GlobeTrotters partnership field work, although will include ongoing greenfield exploration. All project concessions will be kept in good standing with possible surface exploration taking place in the near term. The Company will continue to pursue opportunities to derive value from the Angeles project through joint venture or sale.

Initial investigations by the Company in the Sahuaripa District, have already resulted in the identification of a number of targets. The majority of the properties, are known to comprise numerous mineral showings. As a result of the significant mineral potential in current greenfields exploration areas, the Company's success in its early exploration initiatives, the low opportunity cost of the various acquisitions, and the property's location in a highly mineral endowed belt and in the vicinity of several operating gold mines, San Marco's management and Board of Directors strongly believe that the Company's properties provide significant opportunity for increasing shareholder value.

While the Company does not intend to conduct any significant work at the Angeles or Alwin properties in the foreseeable future, it is continuing to seek opportunities to realize value from them by way of joint venture or sale and is currently entertaining business proposals for these non-core assets.

The Company intends to continue its project generation efforts, primarily from the Aster field investigation results. San Marco's geological team has an extensive network of local mineral resource industry contacts and as such is regularly receiving and reviewing new opportunities, which the Company may pursue in parallel with the San Marco / GlobeTrotters field investigations.

Corporate

Based on the completion of the recent private placement and common share issuances through the exercise of previously granted warrants, the Company expects to have sufficient financial resources to meet its administrative overhead expenses for the next twelve months. The Company bases its decisions regarding where to direct its exploration expenditures on a number of factors including the priority of targets, the type of exploration program required to add meaningful technical understanding, and the level of financial resources available to it and is therefore able to increase or decrease these expenditures as necessary depending on its level of funding. Nonetheless, as the Company has no revenues or sources of income at this time, it will be reliant on future financing to meet its ongoing working capital and exploration expenses. While San Marco has been successful in raising capital in the past, there can be no assurance that additional capital will be available to it in the future. Such financing, if available, it may be very dilutive to the Company's shares and shareholders. As it has in the past, the Company would

likely continue to seek additional financing through, but not limited to, the issuance of additional equity.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this document that are not historical facts may be forward-looking statements and prospective. These statements appear in a number of different places in this MD&A and can be identified by words such as “estimates”, “projects”, “expects”, “intends”, “continues” “plans”, “may”, “will”, “could” or their negatives or other comparable words.

Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the commencement or advancement of exploration activities on our properties, statements about future market conditions, forecasts of future costs and expenditures, the outcome of any legal proceedings, and other expectations, intention and plans that are not historical fact. Forward-looking statements are based on certain factors and assumptions including expected economic conditions, precious metal prices, results of operations, performance, and business prospects and opportunities.

The Company considers the factors and assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions readers that these assumptions may ultimately prove to be incorrect. Forward-looking statements by their nature necessarily involve risks, uncertainties and other factors including, without limitation, the risk that precious metal prices fluctuations could adversely affect the Company, that the Company’s exploration activities may not result in profitable commercial mining operations, that competition in the precious metal industry could adversely affect the Company, that failure to obtain additional financing on a timely basis could cause the Company to reduce its interest in its properties, that compliance with and changes to environmental and other regulatory laws could adversely affect the Company, as well as other unanticipated and unusual events. These and other factors could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Consequently, all forward-looking statements made in this MD&A are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Except as required by applicable securities laws (and the Company’s disclosure policy), the Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

NI 43-101 DISCLOSURE

The technical information contained in this document has been verified, and the disclosure of such technical information has been approved, by San Marco's CEO, Robert D. Willis, P. Eng. a

“Qualified Person” as defined in National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

All technical information for the Company’s exploration programs is obtained and reported under a formal quality assurance and quality control (QA/QC) program. San Marco's sample collection, integrity, and quality control and assurance procedures are in line with industry best practices and comply with National Instrument 43-101 requirements.

Blanks and certified standards are routinely inserted into the drill core sample stream as part of San Marco's quality assurance and control program, which complies with National Instrument 43-101 requirements. Core samples are split using a hydraulic splitter, with one half retained in secure storage for logging and the other half sent to ALS Chemex Lab in Hermosillo, Sonora, Mexico or Bureau Veritas Minerals (Acme/Inspectorate) Lab in Hermosillo, Sonora, Mexico.

At ALS Chemex all samples are prepared using the PREP -31 method. 125 gram pulps are sent to ALS Chemex Lab in Vancouver, B.C. A 30 gram split is analyzed for gold, using the Au-AA23 method. Sample results greater than 10 ppm are re-assayed, using AA23 fire assay and gravimetric finish. For silver, copper, lead and zinc, a multi-element, four acid digestion (ME -- ICP 61 is used. For initial assays of silver > 100 ppm, copper, lead and zinc > 10,000 ppm (over limits), the OG62 method is used for re-analysis.

At Bureau Veritas Minerals (Acme/Inspectorate) Lab in Mexico samples are crushed, pulverized and pulps are sent for analysis to Bureau Veritas Minerals in Vancouver. A 15 gram split is analyzed for 36 elements using ICP-ES/MS method (AQ201). Sample results greater than 1000ppm Cu, Pb, Zn, Mo, Ag over 10ppm, and Sb, As, Hg over the detection limit are re-assayed, using hot multi-acid digestion using ICP-ES method (MA370). Samples that report Au >100ppb in AQ201 are analyzed by fire assay, AA finish (FA430) using a 30g sample. Overlimit Au from FA430 and/or Ag from 370 is automatically assayed (30g) via fire assay fusion and gravimetric finish (FA530).

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning San Marco’s operating expenses and exploration costs is provided in the Company’s consolidated statements of net and comprehensive loss and in Note 5 of the interim condensed consolidated financial statements for the Current Quarter available on San Marco’s website at www.sanmarcocorp.com or on its SEDAR company page accessed through www.sedar.com.

APPROVAL

The Audit Committee of the Company has approved the disclosure contained in this MD&A.