SAN MARCO RESOURCES

Management Discussion and Analysis
November 30, 2016

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 year ended November 30, 2016. This MD&A contains information up to and including February 28, 2017 and should 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") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars 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 prospective and forward-looking statements. 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 and exploration of mineral properties, currently active in Mexico. The Company has no operations from which to derive revenues and relies on cash raised through the issuance of its 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 year ended November 30, 2016, are described below.

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 of the Company and one non-transferable warrant, each warrant exercisable to purchase a further share for a period of 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. The expiry of the warrants may be accelerated if the closing price of San Marco'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.

During fiscal 2016 and up to the date of this MD&A, a total of 15,816,750 common share purchase warrants, with a weighted average exercise price of $0.08 per share, were exercised for gross proceeds of $1,333,475.

The proceeds from the private placement and warrant exercises will be used for acquisition and exploration of mineral targets in the state of Sonora, Mexico under San Marco's alliance with GlobeTrotters Resources Group Inc. ("GlobeTrotters") and for general working capital.

On May 3, 2016, the Company entered into an Exploration Alliance Agreement with GlobeTrotters related to the parties' initiative to generate and acquire new high potential mineral targets primarily in the state of Sonora, Mexico. San Marco 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. San Marco's personnel carry out ground proofing and, where warranted, stake or otherwise acquire tenure to protect the highest priority areas with follow up input and further target focusing by GlobeTrotters.

The Company will hold all interest in properties acquired as part of the collaborative effort and will grant GlobeTrotters a 2% net smelter returns ("NSR") royalty on all properties in which it acquires a 100% interest. For properties in which San Marco 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.

GlobeTrotters is a private British Columbia company operating in Peru by generating and staking new projects, mainly focused on porphyry style targets. GlobeTrotters' management applies a unique set of filtering algorithms to large scale sets of Landsat, ASTER and other remote sensing media followed by rigorous ground proofing to select and stake the highest potential targets, many of them previously unrecognized and untested. Since 2011, GlobeTrotters has built an outstanding set of early stage projects in Peru, optioning several to larger companies. One new porphyry discovery has already resulted from the targeting campaign and GlobeTrotters continues to add to its project portfolio and work with major mining companies.

Like Peru, Sonora's generally arid climate, extensive outcrop exposure and well understood stratigraphy lends itself to the application of remote sensing tools to rapidly and efficiently generate targets for follow up ground proofing and, if warranted, acquisition.

In December 2016, the Company received all necessary permits from the Mexican environment and natural resources ministry, Secretaria del Medio Ambiente y Recursos Naturales ("SEMARNAT") allowing the Company to carry out additional surface exploration activities, including trenching and drilling, on its Chunibas property. The Company also has agreements with the local ejidos (i.e. communal agricultural land authorities) allowing surface access for an indefinite period.

The Company's exploration portfolio includes the Chunibas, Mariana, Angeles, Aqua Zarca, La Caridad Este and La Pitahaya projects in Mexico and the Alwin copper project in British Columbia, Canada. These projects are discussed further under 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. 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 continue to 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

Greenfield Exploration: Mexico

The Chunibas, Mariana, Santa Fe properties are located in Sonora State, Mexico, roughly 160 km east of Hermosillo. 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
Chunibas	January 2015; from Argonaut Gold Inc.	457	Purchased 100% interest for US $50,000; subject to a 1% NSR royalty
Santa Fe	February 2015; from local Mexican title holder	12	Purchased for onetime payment of US $10,000
Mariana	February 2015; from Argonaut Gold Inc.	72,820	Purchased for 1% NSR royalty (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.
Total		73,289	

(i) The titles to the above concessions have been transferred to the Company (in the case of purchased concessions) or are 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 Inc. 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.

A property map of the various concessions is 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.

San Marco did not undertake significant work on Angeles during the year ended November 30, 2016 but continues to seek opportunities to draw value from the property through joint venture or sale.

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 l980's.

A brief description of the Alwin project history, geology and mineralization is provided on the Company's website. No significant exploration work was carried out on the Alwin property during the year ended November 30, 2016.

SELECTED FINANCIAL INFORMATION

The following table sets out selected annual financial information of San Marco Resources Inc. The data should be read in conjunction with the audited financial statements for the respective years.

For the Years Ended November 30,

	2016	2015 (Restated)	2014 (Restated)
	$	$	$
Exploration and evaluation expenses	(499,856)	(286,569)	(291,316)
Management fees	(51,700)	(15,623)	(147,975)
Share-based payments	(181,121)	(8,469)	(75,640)
Net interest and other income	1,575	9,733	9,914
Unrealized loss on marketable securities	(2,778)	(10,165)	(147,553)
Write-down of mineral properties	-	(169,737)	(682,824)
Deferred income taxes	-	12,000	(12,000)
Other administrative costs	(226,682)	(242,925)	(248,105)
Net loss for the year	(960,562)	(711,755)	(1,595,499)
Basic & diluted loss per common share	(0.03)	(0.03)	(0.14)
Total assets	647,460	178,026	252,477

For the Years Ended November 30,

	2016	2015 (Restated)	2014 (Restated)
Shareholders' equity	561,486	132,062	119,396

Effective December 1, 2015, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources, the Company voluntarily changed its accounting policy for its exploration and evaluation expenditures, to expense exploration and evaluation costs in the statement of comprehensive loss in the period in which they were incurred whereas all such costs had previously been capitalized on the statement of financial position.

The Company determined that this change in accounting policy enhances the reliability of the financial statements because of the difficulty associated with demonstrating that these costs meet the definition of an asset. The Company believes that reflecting its exploration and evaluation expenditures in the statement of comprehensive loss categorizing them as part of its operating activities in the statement of cash flows better reflects the economic substance of its operations. This change in accounting policy was applied retrospectively and therefore resulted in the restatement of the fiscal 2015 and 2014 information disclosed above. The restated information as disclosed above relates to the following:

Line Item	Rationale
Exploration and evaluation expenses	Mineral property exploration cost incurred during the respective years, previously recorded as an asset, were expensed and presented as part of the Company's comprehensive loss.
Write-down of mineral properties	The Company's periodic assessment for impairment of exploration cost capitalized on the statement of financial position differed as a result of the different cost basis.
Deferred income taxes	Adjusted amount represents the revised tax effected temporary difference between the accounting and the tax basis of mineral properties.

Readers are encouraged to refer to Note 3 in the Company's consolidated financial statements for the year ended November 30, 2016 for further details on the impact of the change in accounting policy.

The following table sets out selected quarterly financial information derived from the Company's unaudited interim consolidated financial statements for each of the eight quarters ended on the dates indicated below. These have been adjusted to reflect the change in accounting policy.

Period	Revenue	Net Loss (Restated)	Basic and Diluted Loss per share (Restated)
	$	$	$
4th quarter ended November 30, 2016	Nil	(348,741)	(0.01)
3rd quarter ended August 31, 2016	Nil	(337,636)	(0.01)
2nd quarter ended May 31, 2016	Nil	(202,075)	(0.01)
1st quarter ended February 29, 2016	Nil	(72,110)	(0.00)
4th quarter ended November 30, 2015	Nil	(246,430)	(0.01)
3rd quarter ended August 31, 2015	Nil	(129,523)	(0.01)
2nd quarter ended May 31, 2015	Nil	(191,918)	(0.01)
1st quarter ended February 28, 2015	Nil	(143,884)	(0.01)

The Company's quarterly and annual results will vary primarily in accordance with the Company's exploration activities. To finance its operations, the Company also grants incentive stock options to its directors, officers, and consultants, which will also cause variation in the Company's results from period to period.

In recent years, the Company has focused its efforts on reducing its discretionary administrative costs, including the compensation to its officers. As a result, management fees decreased substantially during the fiscal year 2015 compared to the fiscal year 2014. The Company also owns an investment in the common shares of Patriot Minefinders Inc. The fair value of such instruments is dependent upon the overall market conditions and as a result has caused volatility in the Company's operations.

RESULTS OF OPERATIONS

The Company currently has no properties in production and, consequently, has no operating income. All expenses directly related to the acquisition of the Company's mineral properties have been capitalized on the statement of financial position. All other costs relating to exploration, evaluation and property maintenance are expensed as incurred.

OPERATIONS DURING THE YEAR ENDED NOVEMBER 30, 2016 COMPARED TO THE YEAR ENDED NOVEMBER 30, 2015

The Company incurred a total loss of $960,562 during the year ended November 30, 2016 (the "Current Year") compared to $711,755 during the year ended November 30, 2015 (the "Comparative Year"), resulting in a total increase in loss of $248,807.

San Marco's exploration activity increased during the Current Year with the Company engaging into an Exploration Alliance Agreement with GlobeTrotters and also securing drilling permits on Chunibas. The Company spent significantly more resources in its property investigation efforts, including staking various claims for further evaluation. Other than the Exploration Alliance Agreement with GlobeTrotters, where the Company issued 1,000,000 of its common shares to GlobeTrotters for acquisition of license to use data analyses, valued at $90,000, all of the Company's exploration expenditures were incurred in cash. Total exploration and evaluation costs incurred in the Current Year were $499,856 compared to $286,569 in the Comparative Year, a total increase of $213,287.

As a result of the increase in the overall exploration and corporate development activity, the management fees incurred by the Company to its officers were also higher by a total of $30,900 (2016 - $118,400; 2015 - $87,500). Such fee is allocated to exploration and evaluation costs for time spent on such activities whereas the time spent on corporate development and other activities is recognized as management fees in the Company's statement of comprehensive loss. Total management fees recognized by the Company during the Current Year were $51,700 compared to $15,623 during the Comparative Year.

The Company also incurred higher non-cash share-based payments during the Current Year of $181,121 compared to $8,469 during the year ended November 30, 2015, pertaining to the value of incentive stock options granted to directors, officers, and consultants, during the years, and their related vesting.

The above mentioned higher costs were offset by non-cash impairment charge on the Company's capitalized mineral property costs during the Comparative Year of $169,737. As at November 30, 2016, the Company only had acquisition costs related to its Chunibas project capitalized on its statement of financial position.

All other corporate administrative costs remained consistent with the Comparative Year.

FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2016 COMPARED TO THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2015

The three months ended November 30, 2016 (the "Current Quarter") resulted in a loss of $348,741 compared to the three months ended November 30, 2015 (the "Comparative Quarter") which had a loss of $246,430, an increase in loss of $102,311. The increase in loss in the Current Quarter was primarily due to an increased exploration and evaluation expenses (2016 - $184,680; 2015 - $36,649) and share-based payment expense (2016 - $63,858; 2015 - $1,300) due to the factors described above.

The write-down of mineral properties during the year ended November 30, 2015 of $169,737 was recorded during the Comparative Quarter, offsetting the increased cash expenditures during the Current Quarter.

LIQUIDITY AND CAPITAL RESOURCES

At November 30, 2016 and 2015, the Company's liquidity and capital resources were as follows:

	November 30, 2016 $	November 30, 2015 $
Cash and receivables	553,605	137,615
Marketable securities	3,055	5,833
Prepaid expenses	3,976	3,173
Accounts payables and accrued liabilities	(85,974)	(45,964)
Working capital	474,662	100,657

As at November 30, 2016, the Company had $502,207 (2015 - $126,291) cash in banks. During the year ending November 30, 2016, the Company raised net proceeds of $1,118,865 from private placement and a result of exercise of previously issued warrants to acquire common shares of the Company (2015 - $715,952). During the year ended November 30, 2015, the Company also repaid $45,000 in loans to related parties. A total of $668,014 was spent on exploration and administrative activities (2015 - $543,915) and a further $56,935 was spent for mineral property and equipment acquisitions (2015 – net of $35,181).

Subsequent to November 30, 2016, the Company has received funds totalling $639,575 from exercise of warrants and the Company's cash position as at February 28, 2017 is approximately $884,000. The Company's plan is to continue to conserve its cash resources while focusing on further evaluating it 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:

	November 30, 2016 $	November 30, 2015 $
Management fees	118,400	87,500
Share-based payments	130,695	3,934
	249,095	91,434

At November 30, 2016, there was $Nil (2015 - $7,875) included in accounts payable and accrued liabilities that was owing to the chief executive officer 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 following companies are related parties through association of the Company's officers:

Party	Relationship	Nature of Transactions
Avisar Chartered Professional Accountants	CFO is a principal	Accounting services
Northwest Law Group	Corporate secretary is a principal	Legal services

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

	November 30, 2016 $	November 30, 2015 $
Accounting fees	53,500	51,000
Legal fees	30,903	4,153
Share issuance costs	11,540	9,486
	95,943	64,639

At November 30, 2016, there was $6,535 (2015 - $9,120) 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 November 30, 2016, the carrying values of the reclamation deposit, receivables, 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.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage and is dependent on obtaining regular funding in order to continue its exploration programs. Despite success with previous financings, there is no guarantee of obtaining future funding. The Company's cash is invested in business accounts with qualified institutions in Canada and are available on demand for the Company's programs. The Company is not invested in any asset backed commercial paper or auction rate securities.

(ii) Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash and reclamation deposit with high-credit quality financial institutions. Receivables are mainly due from government agencies in Canada and Mexico.

(iii) Foreign currency risk

The Company's mineral properties are located in Mexico and, therefore, a portion of work carried out in exploring and developing these properties is paid in Mexican pesos. Certain administrative costs incurred in Mexico are paid in US dollars.

The operating results and the financial position of the Company are reported in Canadian dollars. The Company's cash, receivables, accounts payable and accrued liabilities are held in different currencies and therefore the fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The

Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

At November 30, 2016, the Company was exposed to currency risk through the following assets and liabilities denominated in US dollars and Mexican Pesos:

	US Dollars	Mexican Peso
Cash	26,847	70,703
Marketable securities	2,275	-
Receivables	-	441,929
Accounts payable and accrued	(475)	(852,589)

Based on the above net exposures as at November 30, 2016, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease/increase of $4,274 in the Company's comprehensive loss. Likewise, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would result in a decrease/increase of $2,478 in the Company's comprehensive loss.

(iv) Interest risk

The Company invests its cash and reclamation deposit in demand deposits that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks arising from the Company's operations are not considered material.

(v) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors its marketable securities, stock market movements and commodity prices to determine appropriate actions.

The Company does not typically invest in equity securities and the maximum exposure to the price risk is represented by the changing fair value of such investments. Assuming all variables remained constant as at November 30, 2016, a 10% increase/decrease in the quoted market price of the Company's investments would result in an increase/decrease in the Company's loss of approximately $228.

RISKS AND UNCERTAINTIES

The principal business of the Company is the acquisition and exploration of mineral properties.

An investment in securities of the Company involves a high degree of risk and must be considered highly speculative due to the nature of the Company's business and the present stage of exploration and development of its mineral properties. In addition to information set out or incorporated by reference in this MD&A, prospective investors should carefully consider the risk factors set out below. Readers are encouraged to thoroughly review the risks factors detailed in the Company's annual MD&A for fiscal 2014. Any one of such risk factors could materially affect the Company's financial condition and future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company. Risks and uncertainties of importance to San Marco and its operation include (but are not limited to) those related to:

- exploration and mining
- operating in a foreign jurisdiction
- title to its properties
- the requirement for additional and ongoing funding
- global economic conditions
- its reliance on independent contractors
- the market price of the Company's shares and volatility thereof
- dilution of the Company's share capital
- future sales of shares by existing shareholders
- future profits or losses
- currency fluctuations
- competition
- loss of key employees
- conflicts of interest
- labour and employment matters
- acquisitions and integration
- environmental regulations
- factors beyond the Company's control
- litigation and tax
- operating hazards
- infrastructure
- no history of dividends

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Change in accounting policy

As noted above, effective December 1, 2015, the Company voluntarily changed its accounting policy pertaining to exploration and evaluation expenditures. In accordance with the Company's revised policy, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments, estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are, but are not limited to, the following:

Critical accounting judgments

(i) Impairment of mineral properties: The net carrying value of each mineral property and its related concessions is reviewed regularly for conditions that are indicators of impairment. This review requires judgment as the Company does not have proven and probable reserves that enable future cash flows to be compared to the carrying values. Factors considered in assessment of asset impairment include, but are not limited to, accessibility, title, environmental or political factors that could affect the properties' values, whether there has been any accumulation of costs significantly in excess of the amounts originally expected for the properties' acquisition, development, or cost of holding, whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future, and whether the Company has necessary funds to be able to maintain or continue acquiring interests in mineral properties. During the year ended November 30, 2015, the Company evaluated its future plans with respect to its individual properties and wrote off capitalized acquisition costs where work was not planned. The Company deemed its capitalized acquisition costs to be appropriate as at November 30, 2016.

(ii) Income taxes: Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. The recognition of deferred tax assets requires management to assess the likelihood that the Company will generate taxable income in future periods to utilize the deferred tax assets. Due to a history of losses, deferred tax assets have not been recognized.

(iii) Going concern: The preparation of the financial statements requires management to make judgements regarding the going concern of the Company as discussed in Note 1 to the Company's consolidated financial statements.

(iv) Functional currencies: The functional currency of an entity is the currency of the primary economic environment in which an entity operates. The determination of an entity's functional currency requires judgment based on analysis of relevant criteria. The Company conducted an analysis of the factors identified in IAS 21, The Effect of Changes in Foreign Exchange Rates ("IAS 21") and determined the functional currencies of the Company and its subsidiaries to be the Canadian dollar.

Critical accounting estimates

(i) Equity-settled transactions: The cost of equity-settled transactions, such as stock options or warrants, is determined by calculating the fair value at the date when the equity award is granted or issued using the Black-Scholes option pricing model. The inputs to the Black-Scholes pricing model require significant estimation. Expected volatility is estimated based on historical stock price observations of the Company's common shares. The risk-free interest rate for the expected term of the award is based on the yields of government bond. The Company uses historic data to estimate the timing of option exercises and forfeiture rates, which may not be representative of future results. Changes in these assumptions, especially the volatility and the expected life determination, could have a material impact on the Company's statement of comprehensive loss.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following have not yet been adopted by the Company.

- IFRS 11 *Joint Arrangements*: Amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business, effective for annual periods beginning on or after January 1, 2016.
- IAS 1 *Presentation of Financial Statements*: Amendments as part of an overall disclosure initiative to improve the effectiveness of disclosure in financial statements, effective for annual periods beginning on or after January 1, 2016.
- IAS 12 *Income Taxes*: Amendments to clarify the recognition of a deferred tax asset for unrealized losses, effective for annual periods beginning on or after January 1, 2017.
- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 *Revenue from contracts with customers*: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases*: New standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect that such changes would have a material impact on its 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 53,851,832 common shares issued and outstanding and options and warrants outstanding to purchase common shares as follows:

Number of Shares issuable under 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 Shares issuable under Warrants Outstanding	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, 2019
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 for $0.15 until April 22, 2019.

EFFECTIVNESS OF DISCLOSURE CONTROLS

The Company has internal controls over financial reporting to provide reasonable assurance as to the reliability of financial reporting and the preparation of financial statements prepared for external purposes are in accordance with IFRS. There is an inability to totally segregate duties due to the small size of the Company, but management believes these weaknesses have been mitigated through management and directors' involvement.

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 1000 ppm copper, lead, zinc, molybdenum and silver over 10 ppm, and tin, arsenic and mercury over the detection limit are re-assayed, using hot multi-acid digestion using ICP-ES method (MA370). Samples that report gold greater than 100 ppb in AQ201 are analyzed by fire assay, AA finish (FA430) using a 30-g sample. Over-limit gold from FA430 and/or silver from 370 is automatically assayed (30 g) 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 loss and comprehensive loss and in Note 8 of the consolidated financial statements for the year ended November 30, 2016, 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.