



SAN MARCO

— RESOURCES —

Management Discussion and Analysis
For the Nine Months Ended August 31, 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 nine months ended August 31, 2016 (the “Current Period”). This MD&A contains information up to and including October 28, 2016 and should be read in conjunction with the Company’s interim condensed consolidated financial statements and related notes for the Current Period, 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, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the related annual MD&A for the year ended November 30, 2015, 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 Period include:

- During the current year to date, a total of 8,246,000 common share purchase warrants, with a weighted average exercise price of \$0.08 per share, were exercised for gross proceeds of \$643,900.
- On June 6, 2016, the Company granted incentive stock options to certain directors, officers, and consultants to purchase a total of 1,800,000 common shares of the Company at a price of \$0.10 per share for five years. The options vest, as to 25% each, on granting and on the next three, six, and nine months.
- On May 3, 2016, the Company entered into an Exploration Alliance Agreement with GlobeTrotters Resources Group Inc. (“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 will 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 royalty (“NSR”) 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.

- 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. After the four-month restricted resale period expired on August 22, 2016, the expiry of the warrants may be accelerated if the closing price of 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.

The proceeds from the placement will be used for acquisition and exploration of mineral targets in the state of Sonora, Mexico under San Marco's alliance with GlobeTrotters and for general working capital.

The Company's exploration portfolio includes the Cuatro de Mayo, 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 **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

Cuatro de Mayo Project, Mexico

The Cuatro de Mayo Project is located in Sonora State, Mexico, roughly 160 km east of Hermosillo. The Cuatro de Mayo property consists of an aggregate of land packages purchased or optioned by San Marco during the past two years that total 73,289 hectares. A table outlining these acquisitions 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	Option to earn 100% interest over two years upon payment of an aggregate of US \$50,000; 1% NSR
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 (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 Cuatro de Mayo concessions acquired 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 Cuatro de Mayo is available on the Company's website.

Geology and Mineralization:

The Cuatro de Mayo property is located in the Sierra Madre Occidental area of Northern Mexico. The property area is more specifically located in the Sahuaripa District, which regionally consists of Cretaceous to Tertiary sedimentary and volcanic sequences. The Cuatro de Mayo 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 the sizeable Cuatro de Mayo project.

Known Targets and Work to Date:

The Company has currently prioritized two known showings on the Cuatro de Mayo concessions, 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 Cuatro de Mayo property 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 Cuatro de Mayo property remain to be evaluated.

Readers are referred to the Company's MD&A for the twelve months 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 the Angeles property, which comprises 1,282 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 work on Angeles during the current period 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. Results are being evaluated.

La Caridad Este

An initial field evaluation included geological mapping, limited rock chip sampling and stream sediment sampling. Results are being evaluated.

La Pitahaya

An initial field evaluation included geological mapping, limited rock chip sampling and stream sediment sampling. Results are 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. These have been adjusted to reflect the change in accounting policy effective December 1, 2015. 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 (Income)	Basic and Diluted Loss per share
	\$	\$	\$
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
1 st quarter ended February 28, 2015	Nil	143,884	0.01
4 th quarter ended November 30, 2014	Nil	660,448	0.05

RESULTS OF OPERATIONS

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.

**FOR THE NINE-MONTH PERIOD ENDED AUGUST 31, 2016
COMPARED TO THE NINE-MONTH PERIOD ENDED AUGUST 31, 2015**

The Current Period resulted in a loss of \$611,821 compared to the nine months ended August 31, 2015 (the “Comparative Period”) which had a loss of \$465,325. The increase in loss in the Current Period was primarily a result of an increase in spending on property investigation as well as a large non-cash stock based compensation expense.

Some of the significant changes are as follows:

- Exploration and evaluation expenses: \$315,176 (2015 - \$249,920) – During the Current Period, the Company issued common shares valued at \$90,000 to GlobeTrotters as part of its property investigation costs included within exploration and evaluation expenses.

Excluding this non-cash item, the total amount of expenditures on exploration costs during the Current Period were \$225,176 compared to \$249,920 during the Comparative Period.

- Investor relations: \$3,689 (2015 - \$20,590) – This expense in the Comparative Period reflects the cost of retaining a corporate communications consultant to provide services to the Company.
- Share-based payments: \$117,263 (2015 - \$7,169) – There were options to purchase 2,050,000 common shares of the Company granted during the Current Period while options to purchase only 300,000 common shares of the Company were granted in the Comparable Period. In addition, the options granted had a higher calculated value per option due to the Company's increased share price.
- Management fees: \$38,400 (2015 - \$12,623) – This increase in expense in the Current Period reflects the allocation of the CEO's time on management and administrative matters. The Company completed its private placement for cash proceeds of \$439,550 during the Current Period as a result of time spent on fund raising activities by the CEO. In addition, the CEO spent significant time finalizing the agreement with Globe Trotters.
- Office and administration expenses: \$15,760 (2015 - \$25,891) – The Company reduced its corporate overhead in order to conserve cash.

Other costs incurred for the Company's operations during the Current Period remained consistent with those incurred during the Comparative Period.

**FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2016
COMPARED TO THE THREE-MONTH PERIOD ENDED AUGUST 31, 2015**

The three months ended August 31, 2016 (the "Current Quarter") resulted in a loss of \$337,636 compared to the three months ended August 31, 2015 (the "Comparative Quarter") which had a loss of \$129,523. The increase in loss in the Current Quarter is primarily due to an increased share-based payment expense and an increase in exploration and evaluation expenses. The former is a result of granting options to purchase 2,050,000 common shares of the Company during the quarter. The latter was larger due to increased property investigation expenses as a result of acting on information received from GlobeTrotters regarding exploration prospects.

LIQUIDITY AND CAPITAL RESOURCES

At August 31, 2016 and November 30, 2015, the Company's liquidity and capital resources were as follows:

	August 31, 2016	November 30, 2015
	\$	\$
Cash and receivables	461,046	137,615
Marketable securities	2,756	5,833
Prepaid expenses	3,549	3,173
Payables and accrued liabilities	(24,626)	(45,964)
Working capital	442,725	100,657

As at August 31, 2016, the Company had \$449,054 (November 30, 2015 - \$126,291) cash in banks. During the nine months ending August 31, 2016, the Company has raised \$439,550 from the issuance of shares in a private placement. In addition, \$342,350 has been received from the exercise of 4,235,000 warrants. Due to adverse economic conditions in the industry, the Company's intention is to conserve cash and keep operating costs as low as possible, while focusing on the Cuatro de Mayo and other project generation activities in the state of Sonora in the near term.

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 August 31		Six months ended August 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
Management fees	32,200	22,500	84,100	67,250
Share-based payments	98,122	868	98,376	2,611
	130,322	23,368	182,476	69,861

At August 31, 2016, there was \$Nil (November 30, 2015 - \$7,875) included in accounts payable and accrued liabilities that was owing to a related party 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:

	Three months ended August 31		Six months ended August 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
Accounting fees	14,650	15,200	41,500	39,400
Legal fees	9,838	1,787	22,954	1,787
Legal fees related to share issuance costs	86	-	11,540	-
	24,574	16,987	75,994	41,187

At August 31, 2016, there was \$10,861 (November 30, 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 August 31, 2016, 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.

CHANGES IN 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.

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 (“E&E”) expenditures, to expense exploration and evaluation costs in the Comprehensive Statement of Loss in the period in which they were incurred whereas previously all of the E&E expenditures had been capitalized on the Statement of Financial Position.

The Company has 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 also has determined that reflecting its E&E expenditures as line items in the Statement of Comprehensive Loss and Statement of Cash Flows better reflects the economic substance of its operating activities during the fiscal periods presented. This change in accounting policy has been applied retrospectively. The effect of this change in accounting policy is summarized in Note 3 of the interim condensed consolidated financial statements for the Current Period. The Company’s accounting policies for the significant components of its exploration and evaluation expenditures are noted below.

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, 2015, the following standard was adopted but has had no material impact on the consolidated financial statements:

- IFRS 7 Financial Instruments: Disclosures: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

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. As of August 31, 2016, 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 46,981,082 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 7, 2021
250,000	\$0.20	August 15, 2021
3,110,000		

Number of Warrants Outstanding	Exercise Price	Expiry Date
8,781,000	\$0.10 ⁽¹⁾	January 28, 2018
1,430,000	\$0.05	October 16, 2018
6,100,000	\$0.05 ⁽²⁾	April 22, 2019
16,311,000		

- (1) Each warrant is exercisable to purchase one common share of the Company for \$0.10 until January 28, 2017 and for \$0.15 until January 28, 2018.
- (2) 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.

FUTURE PLANS AND OUTLOOK

Exploration

San Marco intends to concentrate its exploration efforts on the San Marco / GlobeTrotters partnership field work. The Cuatro de Mayo 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 on the Cuatro de Mayo concessions have already resulted in the identification of a number of targets and the majority of the property, known to comprise numerous mineral showings, remains open to additional discoveries. As a result of the significant mineral potential of the Cuatro de Mayo property area, the Company's success in its early exploration initiatives, the low opportunity cost of the various Cuatro de Mayo acquisitions, and the property's location in a known gold belt and in the vicinity of several operating gold mines, San Marco's management and Board of Directors strongly believe that the Cuatro de Mayo property provides a 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 in the Company may pursue in parallel with the San Marco / GlobeTrotters field investigations.

Corporate

Based on the completion of the recent \$439,550 private placement financing on April 22, 2016, 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. Furthermore, given the Company's recent share price and the current state of equity markets, such financing, if future financing is available, it 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.

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 6 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.