



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2016 AND 2015**

(Unaudited – Prepared by Management)

STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF COMPREHENSIVE LOSS

STATEMENTS OF CASH FLOWS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

NOTES TO FINANCIAL STATEMENTS



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

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	February 29, 2016	November 30, 2015	December 1, 2014
		Restated – Note 3	Restated – Note 3
ASSETS			
Current assets			
Cash	\$ 41,694	\$ 126,291	\$ 34,435
Marketable securities (Note 5)	1,893	5,833	15,998
Receivables	7,996	11,324	26,271
Prepaid expenses	10,267	3,173	2,451
	<u>61,850</u>	<u>146,621</u>	<u>79,155</u>
Non-current assets			
Reclamation deposit	2,000	2,000	2,000
Equipment	1,844	2,101	10,380
Exploration advances	2,469	2,650	3,365
Mineral properties (Note 6)	45,554	24,654	157,577
	<u>49,867</u>	<u>31,405</u>	<u>173,322</u>
Total assets	<u>\$ 113,717</u>	<u>\$ 178,026</u>	<u>\$ 252,477</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	\$ 53,076	\$ 45,964	\$ 75,902
Loans from directors	-	-	45,179
	<u>53,076</u>	<u>45,964</u>	<u>121,081</u>
Non-current liabilities			
Deferred tax liability	-	-	12,000
	<u>-</u>	<u>-</u>	<u>12,000</u>
Total liabilities	<u>53,076</u>	<u>45,964</u>	<u>133,081</u>
Shareholders' equity			
Share capital (Note 8)	9,732,162	9,732,162	9,141,643
Equity reserves (Note 8)	1,559,362	1,558,673	1,424,771
Deficit	(11,230,883)	(11,158,773)	(10,447,018)
	<u>60,641</u>	<u>132,062</u>	<u>119,396</u>
	<u>\$ 113,717</u>	<u>\$ 178,026</u>	<u>\$ 252,477</u>

Nature of operations and going concern (Note 1)
Subsequent event (Note 10)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON APRIL 28, 2016:

“ C. PRENTER ” , Director

“ R. STUART ANGUS ” , Director

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED
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	February 29, 2016	February 28, 2015
		Restated – Note 3
EXPENSES		
Accounting and audit fees	\$ 14,809	\$ 17,022
Depreciation	257	2,938
Exploration and evaluation expenses (Note 6)	13,165	46,539
Foreign exchange	1,174	2,029
Insurance	2,508	4,326
Interest expense	-	814
Interest income	(92)	-
Investor relations	-	10,400
Legal and professional fees	2,223	18,272
Management fees (Note 7)	19,500	4,373
Office and administration expenses	4,445	11,365
Other income	-	(8,714)
Property investigation	2,945	16,468
Share-based payments (Note 8c)	689	-
Transfer agent and filing fees	6,110	16,617
Travel	437	2,729
Unrealized (gain) loss on marketable securities (Note 5)	3,940	(1,294)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (72,110)	\$ (143,884)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	27,852,712	16,835,890

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED
Unaudited - Prepared by Management
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	February 29, 2016	February 28, 2015
		Restated – Note 3
OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	\$ (72,110)	\$ (143,884)
Items not affecting cash:		
Depreciation	257	2,938
Interest expense	-	814
Share-based payments	689	-
Unrealized (gain) loss on marketable securities	3,940	(1,294)
Foreign exchange	181	(319)
Changes in non-cash working capital items:		
Receivables	3,328	9,467
Prepaid expenses	(7,094)	(11,042)
Accounts payable and accrued liabilities	7,112	(9,703)
Finance expense paid	-	(993)
Net cash used in operating activities	<u>(63,697)</u>	<u>(154,016)</u>
INVESTING ACTIVITIES		
Mineral properties	<u>(20,900)</u>	<u>(12,404)</u>
Net cash used in investing activities	<u>(20,900)</u>	<u>(12,404)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	648,375
Share issuance costs	-	(37,568)
Repayment of loans from directors	-	(45,000)
Net cash provided by financing activities	<u>-</u>	<u>565,807</u>
 (DECREASE) INCREASE IN CASH	 (84,597)	 399,387
CASH, BEGINNING OF THE PERIOD	<u>126,291</u>	<u>34,435</u>
CASH, END OF THE PERIOD	<u>\$ 41,694</u>	<u>\$ 433,822</u>

SAN MARCO RESOURCES INC.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
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	Share Capital Common Shares		Equity Reserves	Deficit	Total Shareholders' Equity
	Number	\$	\$	\$	\$
Balance at November 30, 2014	12,283,712	9,141,643	1,424,771	Restated – Note 3 (10,447,018)	119,396
Private placement	12,967,500	648,375	-	-	648,375
Fair value of finders' fee	248,500	12,425	-	-	12,425
Issuance costs - Cash	-	(37,568)	-	-	(37,568)
Issuance costs - Units	-	(12,425)	-	-	(12,425)
Issuance costs - Warrants	-	(53,517)	53,517	-	-
Loss and comprehensive loss for the period	-	-	-	(143,884)	(143,884)
Balance at February 28, 2015	25,499,712	9,698,933	1,478,288	(10,590,902)	586,319
Warrant exercise	2,353,000	117,650	-	-	117,650
Issuance costs - Cash	-	(12,505)	-	-	(12,505)
Issuance costs - Warrants	-	(71,916)	71,916	-	-
Share-based payments	-	-	8,469	-	8,469
Loss and comprehensive loss for the period	-	-	-	(567,871)	(567,871)
Balance at November 30, 2015	27,852,712	9,732,162	1,558,673	(11,158,773)	132,062
Share-based payments	-	-	689	-	689
Loss and comprehensive loss for the period	-	-	-	(72,110)	(72,110)
Balance at February 29, 2016	27,852,712	9,732,162	1,559,362	(11,230,883)	60,641

SAN MARCO RESOURCES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015
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1. NATURE OF OPERATIONS AND GOING CONCERN

San Marco Resources Inc. (“the Company”) was incorporated on September 27, 2005 under the *Business Corporations Act* of British Columbia. The Company’s mailing address is Suite 302 – 8047 199 Street, Langley, BC, V2Y 0E2. The registered and records office address is Suite 704 – 595 Howe Street, Vancouver, BC, V6C 2T5.

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

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

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At February 29, 2016, the Company had working capital of \$8,774, had not yet achieved profitable operations and has an accumulated deficit of \$11,230,883 since its inception. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2015, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies adopted are consistent with those of the previous financial year, except for impact of the change in accounting policy described in note 3 and recent accounting pronouncements as described in note 4 below. The Board of Directors approved the interim condensed consolidated financial statements on April 28, 2016.

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3. EFFECT OF CHANGE IN ACCOUNTING POLICY

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 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.

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Consolidated Statement of Financial Position as at December 1, 2014

	Note	As previously reported \$	Effect of change in accounting policy \$	As restated under new policy \$
Non-current assets				
Mineral properties	1	707,820	(550,243)	157,577
Total assets		802,720	(550,243)	252,477
Non-current liabilities				
Deferred tax liability	2	39,000	(27,000)	12,000
Total liabilities		160,081	(27,000)	133,081
Shareholders' equity				
Deficit	1, 2	(9,923,775)	(523,243)	(10,447,018)
Total shareholders' equity		642,639	(523,243)	119,396
Total liability and shareholders' equity		802,720	(550,243)	252,477

¹Exploration and evaluation expenditures previously recorded as an asset have been expensed.

²The deferred tax liability has been reduced as the capitalized exploration and evaluation expenditures have been expensed.

Consolidated Statement of Financial Position as at November 30, 2015

	Note	As previously reported \$	Effect of change in accounting policy \$	As restated under new policy \$
Non-current assets				
Mineral properties	3	385,414	(360,760)	24,654
Total assets		538,786	(360,760)	178,026
Liabilities and shareholders' equity				
Deficit	3	(10,798,013)	(360,760)	(11,158,773)
Total shareholders' equity		492,822	(360,760)	132,062
Total liability and shareholders' equity		538,786	(360,760)	178,026

³Exploration and evaluation expenditures previously recorded as an asset have been expensed and amounts previously recorded by way of an impairment of the expenditures previously recorded as an asset has been reversed.

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Consolidated Statement of Comprehensive loss for the three months ended February 28, 2015

		As previously reported \$	Effect of change in accounting policy \$	As restated under new policy \$
Expenses				
Exploration and evaluation expenses	4	-	46,539	46,539
Loss and Comprehensive Loss for the Period		97,345	46,539	143,884

⁴Exploration and evaluation expenditures incurred during the three months have been expensed.

Consolidated Statement of Cash Flows for the three months ended February 28, 2015

		As previously reported \$	Effect of change in accounting policy \$	As restated under new policy \$
Operating Activities				
Loss and comprehensive loss for the period	4	(97,345)	(46,539)	(143,884)
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities	5	8,425	(18,128)	(9,703)
Net cash used in operating activities		(89,349)	(64,667)	(154,016)
INVESTING ACTIVITIES				
Mineral properties	4, 5	(77,071)	64,667	(12,404)
Net cash used in investing activities		(77,071)	64,667	(12,404)

⁴Exploration and evaluation expenditures incurred during the three months have been expensed.

⁵Capitalized exploration and evaluation expenditures previously in accounts payable at November 30, 2014 (\$23,236) have been included in the deficit and the expenditures in accounts payable at February 28, 2015 (\$5,108) are included in the loss and comprehensive loss for the period

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). The following item has been issued and is effective for annual periods beginning on or after January 1, 2015:

- 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. The Standard did not have an impact on the financial statements of the Company.

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5. MARKETABLE SECURITIES

The Company holds 17,500 common shares of Rise Resources Inc. which merged with its parent Patriot Minefinders Inc. on January 13, 2015 and also completed an 80:1 share consolidation. These shares were originally valued at \$360,272 and obtained pursuant to an option agreement on the Company's La Buena property.

	February 29, 2016		November 30, 2015	
	# of Shares	Amount	# of Shares	Amount
Opening balance	17,500	\$ 5,833	17,500	\$ 15,998
Mark-to-Market valuation	-	(3,940)	-	(10,165)
	17,500	\$ 1,893	17,500	\$ 5,833

6. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

	CUATRO DE MAYO PROJECT		ANGELES PROJECT		TOTAL MINERAL PROPERTIES
Cash payments 2014 and prior	\$ 5,451	\$ 150,376	\$	\$ 155,827	
Shares issued 2014	1,750	-		1,750	
Balance at December 1, 2014	\$ 7,201	\$ 150,376	\$	\$ 157,577	
Cash payments	36,814	-		36,814	
Mineral property impairment	(19,361)	(150,376)		(169,737)	
Balance at November 30, 2015	\$ 24,654	\$ -	\$	\$ 24,654	
Cash payment	20,900	-		20,900	
Balance at February 29, 2016	\$ 45,554	\$ -	\$	\$ 45,554	

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Exploration and evaluation costs incurred during the three months ended February 29, 2016 and the three months ended February 28, 2015 are as follows:

	CUATRO DE MAYO PROJECT	ANGELES PROJECT	LOS CARLOS PROJECT	TOTAL MINERAL PROPERTIES
Field supplies and on-site expenses	85	-	-	85
Mineral rights	5,329	68	-	5,397
Geological consulting	6,628	-	-	6,628
Travel expenses	1,055	-	-	1,055
Expenses for the three months ending February 29, 2016	\$ 13,097	\$ 68	\$ -	\$ 13,165
Sampling, prospecting, study	\$ 1,110	\$ -	\$ -	\$ 1,110
Field supplies and on-site expenses	1,844	-	-	1,844
Mineral rights	16,365	1,055	2,908	20,328
Geological consulting	19,362	366	-	19,728
Travel expenses	666	-	-	666
Property evaluation, field wages	2,863	-	-	2,863
Expenses for the three months ending February 28, 2015	\$ 42,210	\$ 1,421	\$ 2,908	\$ 46,539

Cuatro de Mayo

On January 22, 2015, the Company signed an option agreement with Argonaut Gold Inc. (“Argonaut”) to acquire a concession in the El Chunibas area of the Cuatro de Mayo District in northern Mexico. Under the terms of the agreement, the Company can earn a 100% interest in the concession by paying Argonaut a total of US\$50,000 over two years: US\$10,000 by April 22, 2015 (paid), US\$15,000 by January 22, 2016 (paid), and US\$25,000 by January 22, 2017. Argonaut will retain a 1% net smelter return (“NSR”) royalty on any future production, one half of which can be purchased by the Company for US\$100,000.

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

On February 10, 2015, the Company acquired from Argonaut a 100% interest in the Mariana I and Mariana II property concessions which are in the vicinity of the Cuatro de Mayo project. The payment terms consist of a 1% royalty to Argonaut on future production from the property, one half of which can be purchased back by the Company for US\$2,000,000, and a one-time bonus payment of US\$6 per ounce of gold contained in the Proven and Probable categories, payable at the commencement of commercial production. During 2015, the option on the smaller Mariana II concession was cancelled.

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On May 13, 2014, the Company was granted an option to acquire a 100% interest in some property in the Cuatro de Mayo district in Mexico for US \$2,000,000 over 5 years (US\$10,000 paid May 13, 2015). As part of the option agreement, the Company issued 10,000 common shares, valued at \$1,750 to the vendor. During the 2015, the Company cancelled this option agreement and wrote off acquisition costs of \$19,361 relating to this property.

7. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

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

	February 29, 2016	February 28, 2015
Management fees	\$ 22,500	\$ 20,000

(i) Management fees are included in management and administration fees (2016 - \$19,500; 2015 - \$4,373), property investigation (2016 - \$Nil; 2015 - \$6,501) and in exploration and evaluation costs (2016 - \$3,000; 2015 - \$9,126) in these interim consolidated financial statements.

At February 29, 2016, there was \$15,075 (November 30, 2015 - \$7,875) included in accounts payable and accrued liabilities that was owing to a related party for management fees.

Transactions with other related parties

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

The following companies are related parties through association of the Company's officers:

	Nature of transactions
Avisar Chartered Professional Accountants	Accounting fees
Northwest Law Group	Legal fees

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

	Three Months Ended February 29, 2016	Three Months Ended February 28, 2015
Accounting fees	\$ 12,000	\$ 12,200
Legal fees	495	-
	\$ 12,495	\$ 12,200

At February 29, 2016, there was \$8,707 (November 30, 2015 - \$9,120) included in accounts payable and accrued liabilities that was owing to these related parties for accounting and legal fees.

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8. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

No common shares were issued during the three months ended February 29, 2016

c) Stock options

The Company's stock option transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding at November 30, 2014	1,385,000	\$0.78
Granted	300,000	\$0.10
Forfeited	(300,000)	\$0.62
Expired	(40,000)	\$1.50
Options outstanding at November 30, 2015	1,345,000	\$0.64
Expired	(4,000)	\$2.15
Options outstanding at February 29, 2016	1,341,000	\$0.64
Options exercisable at February 29, 2016	1,291,000	\$0.66

As at February 29, 2016, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date
161,000	\$1.50	May 9, 2016
20,000	\$1.50	September 21, 2016
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
<u>1,341,000</u>		

There were no stock options granted to directors, officers and employees during the three months ended February 29, 2016 or in the three months ended February 28, 2015. The Company recognized \$689 (2015 - \$Nil) of share-based payments relating to stock options that vested during the period. The fair value of each option grant was estimated as at the date of the grant using the Black-Scholes option pricing model.

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d) Warrants

The Company's warrant transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Warrants outstanding at November 30, 2014	1,600,000	\$0.25
Issued	16,519,000	\$0.05
Exercised	(2,353,000)	\$0.05
Warrants outstanding at November 30, 2015 and February 29, 2016	15,766,000	\$0.05

As at February 29, 2016, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
13,413,000	\$0.10 ⁽¹⁾	January 28, 2018
2,353,000	\$0.05	October 16, 2018
15,766,000		

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

9. SEGMENTED INFORMATION

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

	Mineral Properties		Equipment
February 29, 2016			
Canada	\$	-	\$ 1,844
Mexico		45,554	-
	\$	45,554	\$ 1,844
November 30, 2015			
Canada	\$	-	\$ 2,101
Mexico		24,654	-
	\$	24,654	\$ 2,101

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10. SUBSEQUENT EVENT

On April 22, 2016 the Company completed a private placement of 8,791,000 units at \$0.05 per unit for total proceeds of \$439,550. Each unit consisted of one common share and one non-transferable warrant, each warrant exercisable to purchase a further share for 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 expires 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. Finders' fees of 7% were paid by the issuance of 391,370 shares 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.
