SAN MARCO
RESOURCES

Management Discussion and Analysis
For the Six Months Ended May 31, 2015

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 six month period ended May 31, 2015, in comparison to the six months ended May 31, 2014. This MD&A contains information up to and including July 29, 2015 and should be read in conjunction with the Company's interim condensed consolidated financial statements and related notes for the six-month period ended May 31, 2015, 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, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the related annual MD&A for the year ended November 30, 2104, 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 are forward-looking statements and are 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 six months ended May 31, 2015 include:

- In December 2014, San Marco announced it had signed a two year option agreement with Argonaut Gold Inc. to acquire a 457 hectare concession in the El Chunibas area of the

Cuatro de Mayo District in northern Mexico. Details are provided under Mineral Projects – **Exploration and Acquisition Activities**, below.

- In January 2015 San Marco announced that it had completed the non-brokered private placement financing announced in October 2014. A total of 12,967,500 units (“Units”) were issued at $0.05 per Unit for gross proceeds of $648,375, a roughly 30% increase over the original financing target of $500,000. Insiders of the Company acquired 2,687,500 (or 21%) of the Units issued in this financing. Each Unit issued in connection with this financing consists of one common share and one non-transferable warrant. Each warrant is exercisable to purchase a further share for three years, at $0.05 within the first year, $0.10 within the second year or $0.15 within the third year. Additional details of the January 2015 financing are provided under **Liquidity and Capital Resources**, below.

- In February 2015 the Company announced it had purchased two additional land packages in the Cuatro de Mayo property area; the 12 hectare Santa Fe concession and the 73,902 hectare Mariana concessions. Details are provided under Mineral Projects **– Exploration and Acquisition Activities**, below.

- In March 2015 the Company announced that its board of directors has amended the Company’s incentive stock option plan (the “Plan”), revising it from a “20% fixed number” stock option plan to a “10% rolling” plan. Based on the current issued capital, the Company has 2,549,971 common shares available for option under the Plan, which number includes currently outstanding options to purchase a total of 1,395,000 common shares. The amended Plan was approved by the shareholders at the Company’s annual general meeting on May 7, 2015.

- Concurrent with amendments to the Plan, the Company announced it had granted two officers of the Company incentive stock options to each purchase 100,000 common shares of the Company at a price of $0.10, for a period of five years.

The Company’s exploration portfolio includes the Cuatro de Mayo, Angeles and Los Carlos 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, the state of international debt and equity markets, 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.

Readers are encouraged to review the **Risks and Uncertainties** thoroughly described in the Company's MD&A for the year ended November 30, 2014 and summarized below.

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 year that total 92,935 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
Cuatro de Mayo (Central, South and East)	May 2014; from local Mexican title holder	18,564	Option to earn 100% interest over five years upon payment of 50,000 shares (post-consolidation – 10,000) and an aggregate of US $2.0 million
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.	73,902	Purchased for 1% NSR (one half of which can be purchased back by the Company for US

Concession Group [i]	Acquired	Size (hectares)	Terms
			$2.0 million), and a one-time bonus payment of US $6 per ounce of gold contained in the Proven and Probable categories.

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

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 six 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-sulfidation epithermal gold-bearing target in the Mariana concessions that has been traced over a 3 to 5 km strike length
- Valle – a series of gold-bearing shear zones in the CdM Central claim block that has been traced for an 800 m strike length and remains open along strike
- Chinos and Mara– potential high-sulfidation epithermal targets in the CdM South concession area

- Tabacote – a potential high sulfidation epithermal target in the Mariana concession area

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.

Other Mexico Properties

San Marco currently holds an interest in two additional properties in Mexico; Angeles and Los Carlos.

Angeles

The Angeles project is located in Sonora State, Mexico. The Company is 100% owner of the Angeles property, which comprises 1,282 hectare land package that was drilled by the Company in 2013, and that includes historic mine workings. 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 Q1 or Q2 2015 but continues to seek opportunities to draw value from the property through joint venture or sale.

Los Carlos

The 100% owned Los Carlos project was staked by the Company in 2012 and is located in Sonora State, Mexico. Los Carlos is located in the prolific "Sonora Mojave Megashear" of Mexico. A detailed description of the Los Carlos project history, geology and mineralization is provided in the Company's MD&A for the years ended November 30, 2014 and 2013.

The Company did not undertake any work on Los Carlos during Q1 or Q2 2015 and continues to seek opportunities to draw value from the property through joint venture or sale.

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 exploration work was carried out on the Alwin property during Q1 or Q2 2015.

SELECTED FINANCIAL INFORMATION

The following table sets out selected quarterly financial information derived from the Company's unaudited interim condensed consolidated financial statements for each of the eight quarters ended on the dates indicated below. The data should be read in conjunction with the Company's interim condensed consolidated financial statements for the three months ended February 28, 2015 and the notes thereto.

For the Quarters Ended

	May 31 2015	Feb 28 2015	Nov 30 2014	Aug 31 2014	May 31 2014	Feb 28 2014	Nov 30 2013	Aug 31 2013
	$	$	$	$	$	$	$	$
Net loss (income)	(80,139)	(97,345)	(1,183,116)	(161,114)	(2,155,615)	(181,048)	(1,010,253)	7,072
Basic & diluted earnings per share (1)	(0.00)	(0.01)	(0.10)	(0.01)	(0.19)	(0.02)	(0.09)	0.00

(1) These are based on the share amounts subsequent to the share consolidation that occurred on December 22, 2014.

RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2015

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 exploration of the Company's mineral properties have been capitalized as mineral properties.

The three months ended May 31, 2015 resulted in a loss of $80,139 compared to the three months ended May 31, 2014 which had a loss of $2,155,615. The loss in the prior year was mainly a result of the $2,046,463 write-down of the Tecomate project

Some of the significant changes are as follows:

- Accounting and audit fees: $18,554 (2014 - $13,292) – The increase of $5,262 in these fees is a result hiring a consultant to perform the accounting function for the Company when the CFO resigned in November 2014. This was done in an effort to conserve cash.

- Impairment loss on marketable securities: $8,566 (2014 – gain of $72,862) - The $81,428 increase in loss is a result of revaluing the shares received from Patriot Minefinders Inc. ("Patriot") to their market value. In January 2015, Patriot merged with its subsidiary, Rise Resources Inc., and completed an 80:1 share consolidation. The Company currently holds 17,500 post-consolidated shares of Rise Resources Inc.

- Legal and professional fees: $10,227 (2014 - $15,924) – The decrease in legal expenses of $5,697 in the current quarter relates to less legal work required for financing and property agreements.

- Management and administration fees: $4,500 (2014 - $50,279) – This reduction in expense of $45,779 reflects the reduction in expenses as a result of the resignation of the CFO on November 30, 2014 as well as the reduction in Management fees to help preserve the assets of the Company.

- Office and administration expenses: $7,322 (2014 - $11,488) – The Company has decreased its corporate overhead and promotional related expenses by $4,166 during this three month period compared to the same period in 2014 in an effort by management to preserve cash.

- Property investigation: $3,000 (2014 - $36,962) - This decrease is due to less time pursuing other opportunities and more time being spent on the Cuatro de Mayo project. Property investigation expense includes the allocation of employee salaries, travel and field work related costs.

- Rent: $Nil (2014 - $6,900) – The Company terminated its office lease in 2014 to reduce costs and to help preserve its assets.

- Share-based payments: $3,486 (2014 - $15,046) – The decrease in share-based payment expense is a result of granting fewer options in the current year and a lower share price.

RESULTS OF OPERATIONS
<u>FOR THE SIX-MONTH PERIOD ENDED MAY 31, 2015</u>

The six months ended May 31, 2015 resulted in a loss of $177,484 compared to the six months ended May 31, 2014 which had a loss of $2,336,663. The loss in the prior year was mainly a result of the $2,046,463 write-down of the Tecomate project.

Some of the significant changes are as follows:

- Accounting and audit fees: $35,576 (2014 - $22,134) – The increase of $13,442 in these fees is a result hiring a consultant to perform the accounting function for the Company when the CFO resigned in November 2014. This was done in an effort to conserve cash.

- Impairment loss on marketable securities: $7,272 (2014 – gain of $48,846) – The $56,118 increase in loss is a result of revaluing the shares received from Patriot Minefinders Inc. ("Patriot") to their market value. In January 2015, Patriot merged with its subsidiary, Rise Resources Inc., and completed an 80:1 share consolidation. The Company currently holds 17,500 post-consolidated shares of Rise Resources Inc.

- Investor relations: $18,325 (2014 - $5,920) – This expense reflects the cost of retaining an Investor Relations Officer to provide corporate development consulting services to the Company.

- Legal and professional fees: $28,499 (2014 - $20,132) – The increase in legal expenses in the current period relates to legal work done relating to the share consolidation and property agreements.

- Management and administration fees: $8,873 (2014 - $102,200) – This reduction in expense of $93,327 reflects the reduction in Management fees to help preserve the assets of the Company as well as the reduction in expenses as a result of the resignation of the CFO on November 30, 2014.

- Office and administration expenses: $18,687 (2014 - $28,067) – The Company has decreased its corporate overhead and promotional related expenses by $9,380 during this six month period compared to the same period in 2014.

- Property investigation: $19,468 (2014 - $41,472) - This decrease is due to less time spent pursuing other opportunities and more time spent on the Cuatro de Mayo project.

- Rent: $Nil (2014 - $15,000) – The Company terminated its office lease in 2014 to reduce costs and to help preserve its assets.

- Share-based payments: $3,486 (2014 - $68,150) – The decrease in share-based payment expense is a result of granting fewer options in the current year and a lower share price.

LIQUIDITY AND CAPITAL RESOURCES

At May 31, 2015 and November 30, 2014 the Company's liquidity and capital resources were as follows:

	May 31, 2015	November 30, 2014
	$	$
Cash and receivables	252,812	60,706
Marketable securities	8,726	15,998
Prepaid expenses	8,805	2,451
Payables and accrued liabilities	(65,510)	(75,902)
Loans from directors	-	(45,179)
Working capital	204,833	(41,926)

As at May 31, 2015, the Company had $225,867 (November 30, 2014 - $34,435) of cash in banks or invested in guaranteed investment certificates redeemable at any time. Due to adverse economic conditions in the industry, the Company will continue to conserve cash and keep operating costs as low as possible, while focusing on the Cuatro de Mayo project going forward.

On December 22, 2014, pursuant to a special shareholders' resolution, the Company consolidated its shares on the basis of one new share for every five old shares. As a result of the share consolidation, the number of shares, options and warrants, the exercise price and weighted average exercise price, and the calculation of basic and diluted earnings per share for the years ended November 30, 2014 and 2013 have been adjusted retrospectively in this management discussion & analysis based on the new number of shares.

On January 28, 2015 the Company completed a non-brokered private placement in which gross proceeds of $648,375 were raised and pursuant to which the Company issued 12,967,500 units ("Units") at $0.05 per Unit. Insiders of the Company acquired 2,687,500 (or 21%) of the Units issued. Each Unit consists of one common share and one non-transferable warrant. Each warrant is exercisable to purchase a further share for three years, at $0.05 within the first year, $0.10 within the second year or $0.15 within the third year.

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 office and the chief financial officer were as follows:

	Three months ended May 31,		Six months ended May 31,	
	2015	2014	2015	2014
Management fees	$ 24,750	$ 43,500	$ 44,750	$ 86,500
Share-based payments	-	17,037	-	65,777
	$ 24,750	$ 50,537	$ 44,750	$ 152,277

At May 31, 2015, there was $8,663 (November 30, 2014 - $7,000) included in accounts payable and accrued liabilities that was owing to related parties for management fees.

Other transactions with related parties

During November 2014, certain directors of the Company provided loans totalling $45,000 to the Company. The loans bear interest at 10% per annum and are due on demand. During the current period, the Company accrued $728 (2014 - $179) in interest on such loans. The loans were repaid on January 30, 2015 and total interest paid on the loans amounted to $907.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

As at May 31, 2015, 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.

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 and in the Company's MD&A for the twelve months ended November 30, 2014. Readers are encouraged to thoroughly review the risks factors detailed in Company's annual MD&A for 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
- write-down impairments
- 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

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.

The interim condensed consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries 841432 B.C. Limited and San Marco Resources Mexico S.A. de C.V. All inter-company transactions and balances have been eliminated upon consolidation.

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”).

The following items have been issued and are effective for annual periods beginning on or after January 1, 2014:

- IAS 32 Financial Instruments: Presentation updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Company adopted this standard effective December 1, 2014. The Standard did not have an impact on the financial statements of the Company.

- Effective December 1, 2014, the Company adopted IFRIC 21 ‘Levies’. This interpretation of IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’, applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation had no impact on the financial statements of the Company.

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 May 31, 2015, 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 25,499,712 common shares issued and outstanding and options and warrants outstanding to purchase common shares as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
4,000	$2.15	December 31, 2015
161,000	$1.50	May 9, 2016
10,000	$1.50	September 8, 2016
20,000	$1.50	September 21, 2016
580,000	$0.65	November 14, 2017
380,000	$0.50	December 8, 2018
200,000	$0.10	March 20, 2020
1,355,000		

Number of Warrants Outstanding	Exercise Price	Expiry Date
1,600,000	$0.25(1)	April 24, 2017
14,166,000	$0.05(2)	January 28, 2018
15,766,000		

(1) Each warrant is exercisable to purchase a further common share of the company for three years, at $0.25 within the first year, and $0.50 within the second and third year.
(2) Each warrant is exercisable to purchase a further common share of the company for three years, at $0.05 within the first year, $0.10 within the second year and $0.15 within the third year.

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.

SUBSEQUENT EVENTS

Events that occurred between the end of the current quarter (May 31, 2015) and the date of this report are described in the Overview section, above. These include announcements regarding the change to its stock option plan and the issuance of options.

FUTURE PLANS AND OUTLOOK

Exploration

San Marco intends to concentrate its exploration efforts on the Cuatro de Mayo project, while it continues to pursue opportunities to derive value from the Angeles and Los Carlos projects 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. Exploration work by previous operators on the recently acquired Chunibas and Mariana concession areas identified numerous mineral targets on which sampling and/or drilling has confirmed the presence of gold and silver and remote sensing studies have identified numerous additional potential anomalies. 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 a focus on the Cuatro de Mayo property, as well as other potential opportunities in the Cuatro de Mayo District is not only warranted, it provides the best opportunity for increasing shareholder value.

San Marco has undertaken a reconnaissance level ground review of the key sections of the Cuatro de Mayo property, verified various targets and showings believed to occur within the property area, and conducted follow-up mapping, prospecting and sampling at six targets; Valle, Chunibas, Oregano, Chinos, Mora and Tabacote. Additional exploration during May and June 2015 has identified Chunibas, Oregano and newly discovered Corral, as primary mineralized targets warranting detailed follow-up field work.

While the Company does not intend to conduct any significant work at the Angeles, Los Carlos 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, particularly in the Cuatro de Mayo District, during the remainder of the current year and beyond. 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's estimation are increasingly abundant as a result of the continued downturn in global exploration activity.

Corporate

San Marco successfully raised $648,375 in a non-brokered private placement financing that closed in January 2015 and believes these financial resources are sufficient to meet its working capital expenses and planned exploration initiatives for the coming 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 are forward-looking statements and are prospective. These statements appear in a number of different places in this Management Discussion and Analysis 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, and other factors described herein under "Risks and Uncertainties" 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 Management Discussion and Analysis are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

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

NI 43-101 DISCLOSURE

The technical information contained in this document has been verified, and the disclosure of such technical information has been approved, by San Marco's CEO, Robert D. Willis, P. Eng. a "Qualified Person" as defined in National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

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

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

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

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