



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
FEBRUARY 28, 2018 AND 2017**

**(Unaudited – Prepared by Management)**

**(Expressed in Canadian Dollars)**

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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 Chartered Professional Accountants ("CPA") Canada for a review of interim financial statements by an entity's auditor.

**SAN MARCO RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

	February 28, 2018	November 30, 2017
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	1,497,043	1,579,424
Marketable securities	1,622	2,480
Receivables	11,114	22,468
Prepaid expenses	28,988	38,607
	<b>1,538,767</b>	<b>1,642,979</b>
<b>Non-current assets</b>		
Reclamation deposit	2,000	2,000
Equipment	10,841	11,411
Exploration advances	2,243	2,282
Mineral properties (Note 4)	79,165	79,165
	<b>1,633,016</b>	<b>1,737,837</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	16,371	39,638
	<b>16,371</b>	<b>39,638</b>
<b>Shareholders' equity</b>		
Share capital (Note 6)	13,404,116	13,126,754
Equity reserves (Note 6)	2,128,701	2,106,005
Deficit	(13,916,172)	(13,534,560)
	<b>1,616,645</b>	<b>1,698,199</b>
	<b>1,633,016</b>	<b>1,737,837</b>

Nature of operations and going concern (Note 1)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON APRIL 30, 2018:

“ C. PRENTER ” , Director

“ R. STUART ANGUS ” , Director

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

	For the three months ended February 28 ,	
	2018	2017
	\$	\$
<b>EXPENSES</b>		
Accounting and audit fees	22,506	20,683
Depreciation	571	109
Exploration and evaluation (Note 4)	170,523	160,509
Insurance	2,091	2,058
Investor relations	33,137	19,544
Legal and professional fees	8,866	11,171
Management fees (Note 5)	29,593	18,900
Office and administration expenses	20,141	7,356
Property investigation (Notes 4 & 5)	-	5,600
Share-based payments (Note 6)	79,520	25,349
Transfer agent and filing fees	2,124	9,614
Travel	8,563	6,543
<b>Total Expenses</b>	<b>377,635</b>	<b>287,436</b>
<b>OTHER ITEMS</b>		
Foreign exchange loss	(6,865)	(4,379)
Interest income	3,746	1,020
Unrealized loss on marketable securities	(858)	1,117
<b>Total Other Items</b>	<b>(3,977)</b>	<b>(2,242)</b>
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(381,612)</b>	<b>(289,678)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>64,715,832</b>	<b>49,883,890</b>

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

	For the three months ended February 28,	
	2018	2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net and comprehensive loss for the period	(381,612)	(289,678)
Items not affecting cash:		
Depreciation	571	109
Share-based payments	79,520	25,349
Unrealized loss on marketable securities	858	(1,117)
Changes in non-cash working capital items:		
Receivables	11,355	1,772
Prepaid expenses	9,619	(6,042)
Exploration advances	37	(33)
Accounts payable and accrued liabilities	(23,267)	(5,405)
Net cash used in operating activities	(302,919)	(275,045)
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of warrants and options	220,538	639,575
CHANGE IN CASH	(82,381)	364,530
CASH, BEGINNING OF THE PERIOD	1,579,424	520,207
<b>CASH, END OF THE PERIOD</b>	<b>1,497,043</b>	<b>884,737</b>
<b>Supplemental Disclosures:</b>		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

**SAN MARCO RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

	Share Capital		Equity	Deficit	Total
	Common Shares		Reserves		Shareholders' Equity
	#	\$	\$	\$	\$
Balance at November 30, 2016	46,781,082	10,976,378	1,704,443	(12,119,335)	561,486
Exercise of warrants	7,070,750	639,575	-	-	639,575
Share-based payments	-	-	25,349	-	25,349
Net and comprehensive loss for the period	-	-	-	(289,678)	(289,678)
<b>Balance at February 28, 2017</b>	<b>53,851,832</b>	<b>11,615,953</b>	<b>1,729,792</b>	<b>(12,409,013)</b>	<b>936,732</b>
Balance at November 30, 2017	64,715,832	13,126,754	2,106,005	(13,534,560)	1,698,199
Exercise of warrants	1,270,250	223,362	(32,824)	-	190,538
Exercise of stock options	300,000	54,000	(24,000)	-	30,000
Share-based payments	-	-	79,520	-	79,520
Net and comprehensive loss for the period	-	-	-	(381,612)	(381,612)
<b>Balance at February 28, 2018</b>	<b>66,286,082</b>	<b>13,404,116</b>	<b>2,128,701</b>	<b>(13,916,172)</b>	<b>1,616,645</b>

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

---

**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 11<sup>th</sup> Floor – 1050 West Pender Street, Vancouver, BC, V6E 3S7. 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 interim condensed 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 28, 2018, the Company had not yet achieved profitable operations and has an accumulated deficit of \$13,916,172 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, 2017, 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 recent accounting pronouncements as described in Note 3 below. The Board of Directors approved the interim condensed consolidated financial statements on April 30, 2018.

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee. During the period ended February 28, 2018, the Company did not adopt any new standards or amendments which had a significant impact on the Company's financial statements.

**4. MINERAL PROPERTIES**

A summary of capitalized acquisition costs is as follows:

	<b>CHUNIBAS PROJECT</b>
	\$
Balance at November 30, 2017	79,165
Cash payments	-
<b>Balance at February 28, 2018</b>	<b>79,165</b>

Exploration and evaluation costs incurred during the three months ended February 28, 2018 and 2017 are as follows:

	<b>CHUNIBAS</b>	<b>1068</b>	<b>OTHER PROJECTS</b>	<b>TOTAL MINERAL PROPERTIES</b>
	\$	\$	\$	\$
Field supplies and on-site expenses	11,549	6,820	7,459	25,828
Geological consulting	28,540	38,621	-	67,161
Geophysics, topographic, mapping	-	36,994	-	36,994
Mineral rights	4,800	862	8,023	13,685
Sampling, prospecting, study	15,025	-	-	15,025
Travel expenses	7,445	2,059	2,327	11,830
<b>Expenses for the three months ended February 28, 2018</b>	<b>67,359</b>	<b>85,356</b>	<b>17,808</b>	<b>170,523</b>
Field supplies and on-site expenses	2,186	-	2,243	4,429
Geological consulting	44,554	-	47,756	92,310
Geophysics, topographic, mapping	36	-	-	36
Mineral rights	-	-	261	261
Sampling, prospecting, study	29,637	-	11,041	40,678
Travel expenses	7,072	-	15,723	22,795
<b>Expenses for the three months ended February 28, 2017</b>	<b>83,485</b>	<b>-</b>	<b>77,024</b>	<b>160,509</b>



**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

---

**4. MINERAL PROPERTIES (continued)**

**Chunibas**

On January 22, 2015, the Company signed an option agreement with Argonaut Gold Inc. (“Argonaut”) to acquire a concession in the El Chunibas area in northwestern Mexico, for cash payments of US\$50,000 over two years. The Company paid \$12,250 (US\$10,000) during fiscal 2015 and the remaining \$54,511 (US\$40,000) during the year ended November 30, 2016. Argonaut retains 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 in northwestern Mexico for \$12,404 (US\$10,000). There is no retained interest or future royalty payable to the counterparty to the acquisition agreement, a private Mexican citizen.

**Other Projects**

During the three months ended February 28, 2018, the Company incurred \$Nil (2017 - \$5,600) in property investigation costs.

On May 3, 2016, the Company entered into an Exploration Alliance Agreement with GlobeTrotters Resources Group Inc. (“GlobeTrotters”) to generate and acquire new high potential mineral targets primarily in the state of Sonora, Mexico. The Company 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. The data from GlobeTrotters has resulted in identification of various properties, such as La Caridad Este, La Pithaya, Aqua Zarca, Ofelia, Suzanne, and Victoria 1 (1068 project).

Pursuant to the Exploration Alliance Agreement, the Company will hold all interest in properties acquired as part of the collaborative effort with GlobeTrotters entitled to a 2% NSR royalty on all properties in which the Company acquires a 100% interest. For properties in which the Company 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, which was recognized as property investigation costs within exploration and evaluation expenses.

During the year ended November 30, 2017, the Company completed the sale of its La Pinta 06 concession located in Zacatecas, Mexico to a subsidiary of Goldcorp Inc. for gross proceeds of US\$225,000 (CAD\$300,037) and a 1% net smelter return royalty on future production from the concession. As all previous costs incurred for the La Pinta 06 concession were recorded in the statement of comprehensive loss and as a result the Company recorded a gain on the sale of mineral property for the gross proceeds received.

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**5. 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 and the chief executive officer for the three months ended February 28, 2018 and 2017 were as follows:

	2018	2017
	\$	\$
Management fees (i)	35,000	31,500
Share based payments	63,653	13,077
<b>Total</b>	<b>98,653</b>	<b>44,577</b>

(i) Management fees includes \$22,400 (2017 – \$18,900) in management fees, \$Nil in property investigation (2017 - \$5,600) and \$12,600 in exploration and evaluation costs (2017 - \$7,000) in fees paid to related parties.

**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 Company incurred the following fees and expenses during the three months ended February 28, 2018 and 2017 with these related parties as follows:

	2018	2017
	\$	\$
Accounting fees	13,500	18,000
Legal fees	4,785	6,424
<b>Total</b>	<b>18,285</b>	<b>24,424</b>

At February 28, 2018, there was \$9,450 (November 30, 2017 - \$7,750) included in accounts payable and accrued liabilities that was owing to related parties for accounting and legal fees.

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**6. SHARE CAPITAL AND EQUITY RESERVES**

a) Authorized

Unlimited number of common shares without par value

b) Issued

During the three months ended February 28, 2018:

The Company issued 1,270,250 common shares for gross proceeds of \$190,538 pursuant to the exercise of share purchase warrants and 300,000 common shares for gross proceeds of \$30,000 pursuant to the exercise of stock options.

c) Stock options

The Company's stock option transactions are as follows:

	<b>Number of Shares issuable under Options</b>	<b>Weighted Average Exercise Price</b>
		\$
Shares issuable under Options outstanding at November 30, 2016	3,210,000	0.26
Granted	1,900,000	0.19
Exercised	(150,000)	0.10
Cancelled	(100,000)	0.10
Expired	(580,000)	0.65
<b>Shares issuable under Options outstanding at November 30, 2017</b>	<b>4,280,000</b>	<b>0.18</b>
Granted	700,000	0.20
Exercised	(300,000)	0.10
<b>Shares issuable under Options outstanding at February 28, 2018</b>	<b>4,680,000</b>	<b>0.19</b>
<b>Shares issuable under Options exercisable at February 28, 2018</b>	<b>3,630,000</b>	<b>0.19</b>

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**6. SHARE CAPITAL AND EQUITY RESERVES (continued)**

As at February 28, 2018, the following stock options were outstanding:

Number of Shares issuable under Options Outstanding	Exercise Price	Expiry Date
	\$	
380,000	0.50	December 8, 2018
300,000	0.215	February 14, 2021
1,350,000	0.10	June 6, 2021
250,000	0.20	August 15, 2021
100,000	0.20	November 16, 2021
400,000	0.185	February 1, 2022
1,700,000	0.19	June 2, 2022
200,000	0.18	October 2, 2022
<b>4,680,000</b>		

As at February 28, 2018, the stock options outstanding have a weighted average outstanding life of 3.43 years.

The Company has a 10% rolling stock option plan whereby the Company may from time to time, in accordance with the TSX Venture Exchange (“Exchange”) requirements, grant to directors, officers, employees and consultants options to purchase common shares of the Company. The options can be granted for a maximum of 5 years, the vesting provisions are determined by the Board of Directors and, the exercise price of each option is required to be no less than the market price of the Company’s stock as calculated immediately preceding the day of the grant and shall not be less than \$0.10 per share.

On February 1, 2018, the Company granted stock options to an officer of the Company to purchase a total of 400,000 common shares. The options are exercisable for four years from the date of grant at a price of \$0.185 per share, and vest, as to 25% each, on the date of grant, and every three months thereafter.

On February 14, 2018, the Company granted stock options to a consultant of the Company to purchase a total of 300,000 common shares. The options are exercisable for three years from the date of grant at a price of \$0.215 per share, and vest, as to 25% each, on the date of grant, and every three months thereafter.

During the three months ended February 28, 2018, the Company recorded share-based payments of \$79,250 (2017 - \$25,349) in connection with the stock options granted and vested during the period.

The fair value of the stock options granted was estimated as at the date of the grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

	2018	2017
Risk free interest rate	1.95%	-
Expected life of options	3.20 years	-
Expected dividend yield	0%	-
Expected stock price volatility	177%	-
Exercise price	\$0.20	-
Stock price	\$0.18	-
<b>Weighted average fair value per option</b>	<b>\$0.17</b>	-

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**6. SHARE CAPITAL AND EQUITY RESERVES (continued)**

d) Warrants

The Company's warrant transactions are as follows:

	<b>Number of Shares issuable under Warrants</b>	<b>Weighted Average Exercise Price</b>
		<b>\$</b>
Shares issuable under Warrants outstanding at November 30, 2016	15,811,000	0.08
Issued	4,222,000	0.35
Exercised	(9,340,750)	0.08
Shares issuable under Warrants outstanding at November 30, 2017	10,692,250	0.20
Exercised	(1,270,250)	0.15
Expired	(1,270,000)	0.15
<b>Shares issuable under Warrants outstanding at February 28, 2018</b>	<b>8,152,000</b>	<b>0.22</b>

As at February 28, 2018, the following share purchase warrants were outstanding:

<b>Number of Shares issuable under Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	<b>\$</b>	
1,430,000	0.05	October 16, 2018
2,500,000	0.10 <sup>(1)</sup>	April 22, 2019
4,222,000	0.35	April 30, 2019
<b>8,152,000</b>		

<sup>(1)</sup> Each warrant is exercisable to purchase one common share of the Company for \$0.10 until April 22, 2018 and \$0.15 until April 22, 2019.

As at February 28, 2018, the warrants outstanding have a weighted average outstanding life of 1.06 years.

**SAN MARCO RESOURCES INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**7. 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:

<b>February 28, 2018</b>	<b>Canada</b>	<b>Mexico</b>
	\$	\$
Reclamation deposit	2,000	-
Equipment	1,658	9,183
Exploration advances	-	2,243
Mineral properties	-	79,165
	<b>3,658</b>	<b>90,591</b>
<b>November 30, 2017</b>	<b>Canada</b>	<b>Mexico</b>
	\$	\$
Reclamation deposit	2,000	-
Equipment	1,746	9,667
Exploration advances	-	2,282
Mineral properties	-	79,165
	<b>3,746</b>	<b>91,114</b>