



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
FEBRUARY 28, 2019 AND 2018**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

INTERIM CONDENSED 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 of Canada for a review of interim financial statements by an entity's auditor.

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

	February 28, 2019	November 30, 2018
	\$	\$
ASSETS		
Current assets		
Cash	528,752	792,492
Restricted cash (Note 4)	138,267	378,759
Marketable securities	1,622	1,162
Receivables	93,722	81,253
Prepaid expenses	33,412	5,625
	795,775	1,259,291
Non-current assets		
Reclamation deposit	2,000	2,000
Equipment	33,225	36,950
Exploration advances	2,255	2,158
Mineral properties (Note 4)	79,165	79,165
	912,420	1,379,564
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	5,987	40,586
Deposits (Note 4)	138,267	378,759
	144,254	419,345
Shareholders' equity		
Share capital (Note 6)	13,556,719	13,556,719
Equity reserves (Note 6)	2,550,981	2,510,573
Deficit	(15,339,534)	(15,107,073)
	768,166	960,219
	912,420	1,379,564

Nature of operations and going concern (Note 1)
Subsequent events (Note 8)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON APRIL 26, 2019:

“ C. PRENTER ” , Director

“ R. STUART ANGUS ” , Director

SAN MARCO RESOURCES INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
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	For the three months ended February 28,	
	2019	2018
	\$	\$
EXPENSES		
Accounting and audit fees	21,913	22,506
Advertising and promotion	2,668	-
Depreciation	3,641	571
Exploration and evaluation (Note 4)	86,372	170,523
Insurance	12,578	2,091
Investor relations	5,700	33,137
Legal and professional fees	33,281	8,866
Management fees (Note 5)	29,400	29,593
Office and administration expenses	9,359	20,141
Share-based payments (Note 5)	40,408	79,520
Transfer agent and filing fees	1,695	2,124
Travel	6,282	8,563
Total Expenses	253,297	377,635
OTHER ITEMS		
Foreign exchange gain (loss)	19,314	(6,865)
Interest income	1,062	3,746
Unrealized gain (loss) on marketable securities	460	(858)
Total Other Items	20,836	(3,977)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	(232,461)	(381,612)
Basic and diluted loss per common share	(0.00)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	67,916,082	64,715,832

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

	For the three months ended February 28,	
	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net and comprehensive loss for the period	(232,461)	(381,612)
Items not affecting cash:		
Depreciation	3,641	571
Share-based payments	40,408	79,520
Unrealized (gain) loss on marketable securities	(460)	858
Foreign exchange	(14)	-
Changes in non-cash working capital items:		
Receivables	(12,469)	11,355
Prepaid expenses	(27,787)	9,619
Exploration advances	-	37
Accounts payable and accrued liabilities	(34,599)	(23,267)
	(263,740)	(302,919)
INVESTING ACTIVITIES		
Deposits	(240,492)	-
FINANCING ACTIVITIES		
Proceeds from exercise of warrants and options	-	220,538
DECREASE IN CASH	(504,232)	(82,381)
CASH, BEGINNING OF THE PERIOD	1,171,251	1,579,424
CASH, END OF THE PERIOD	667,019	1,497,043
CASH, END OF THE PERIOD, being:		
Cash	528,752	1,497,043
Restricted Cash	138,267	-
CASH, END OF THE PERIOD	667,019	1,497,043

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

	Share Capital Common Shares		Equity Reserves	Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$
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)
Balance at February 28, 2018	66,286,082	13,404,116	2,128,701	(13,916,172)	1,616,645
Balance at November 30, 2018	67,916,082	13,556,719	2,510,573	(15,107,073)	960,219
Share-based payments	-	-	40,408	-	40,408
Net and comprehensive loss for the period	-	-	-	(232,461)	(232,461)
Balance at February 28, 2019	67,916,082	13,556,719	2,550,981	(15,339,534)	768,166

SAN MARCO RESOURCES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2019 AND 2018
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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 17th Floor – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. 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, 2019, the Company had not yet achieved profitable operations and has an accumulated deficit of \$15,339,534 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, 2018, 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 26, 2019.

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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, 2019, the Company adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*. The adoption of IFRS 9 did not have any significant impact on the Company's interim condensed consolidated financial statements other than the classification of financial instrument categories. The adoption of IFRS 15 did not have any impact on the Company's interim condensed consolidated financial statements.

4. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

	CHUNIBAS PROJECT
	\$
Balance at November 30, 2017 and 2018	79,165
Cash payments	-
Balance at February 28, 2019	79,165

Exploration and evaluation costs incurred during the three months ended February 28, 2019 and 2018 are as follows:

	CHUNIBAS	1068	OTHER PROJECTS	TOTAL
	\$	\$	\$	\$
Field supplies and on-site expenses	1,180	-	7,446	8,626
Geological consulting	19,717	-	30,599	50,315
Geophysics, topographic, mapping	-	-	-	-
Mineral rights	6,010	-	20,314	26,324
Sampling, prospecting, study	-	-	-	-
Travel expenses	-	-	1,106	1,106
Expenses for the three months ended February 28, 2019	26,907	-	59,465	86,372
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
Expenses for the three months ended February 28, 2018	67,359	85,356	17,808	170,523

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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\$1,000,000.

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.

On August 7, 2018, the Company entered into an Earn-In Agreement (the “Agreement”) with Antofagasta Minerals S.A. (“Antofagasta”), whereby the Company granted Antofagasta the option to earn a 70% interest in the Company’s Chunibas project by:

- Funding or incurring mineral property expenditures totalling US\$8,000,000 on or before the fourth anniversary of the Agreement. Antofagasta advanced US\$700,000 to the Company during the year ended November 30, 2018 for exploration costs to be incurred.
- Making cash payments totalling US\$200,000 to the Company on or before the third anniversary of the Agreement.

Upon earning the 70% interest in the Chunibas project, Antofagasta and the Company will enter into a Joint Venture agreement for further exploration of the Chunibas project.

In accordance with the terms of the Agreement, US\$100,000 (CAD\$130,430) of the US\$700,000 advanced by Antofagasta was recorded as reimbursement against previously incurred exploration and evaluation costs and was recorded as recovery of exploration and evaluation costs during the year ended November 30, 2018.

The Company shall act as the operator during the option period and shall be entitled to operator’s fee equal to 10% of all exploration expenditures on the Chunibas project other than airborne surveys and drilling costs for which the Company shall be entitled to operator’s fee equal to 5%.

As at February 28, 2019, the Company has recorded US\$105,725 (CAD\$138,627) as restricted cash and deposits for exploration activities to be performed. Subsequent to February 28, 2019, the Company and Antofagasta mutually terminated the Agreement.

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4. MINERAL PROPERTIES (continued)

Other Projects

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.

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5. RELATED PARTY TRANSACTIONS AND BALANCES

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, 2019 and 2018 were as follows:

	2019	2018
	\$	\$
Management fees (i)	68,059	35,000
Share based payments	40,408	63,653
Total	108,477	98,653

(i) Management fees includes \$29,400 (2018 – \$22,400) in management fees and \$38,669 in exploration and evaluation costs (2018 - \$12,600) 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, 2019 and 2018 with these related parties as follows:

	2019	2018
	\$	\$
Accounting fees	13,500	13,500
Legal fees	6,441	4,785
Total	19,941	18,285

Related party balances

At February 28, 2019, there was \$Nil (November 30, 2018 - \$14,840) included in accounts payable and accrued liabilities that was owing to related parties for expense reimbursements, management, accounting and legal fees.

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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, 2019:

The Company did not issue any common shares during the three months ended February 28, 2019.

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:

	Number of Shares issuable under Options	Weighted Average Exercise Price
		\$
Shares issuable under Options outstanding at November 30, 2017	4,280,000	0.18
Granted	2,850,000	0.19
Exercised	(300,000)	0.10
Cancelled	(850,000)	0.19
Shares issuable under Options outstanding at November 30, 2018	5,980,000	0.19
Expired	(380,000)	0.50
Shares issuable under Options outstanding at February 28, 2019	5,600,000	0.17
Shares issuable under Options exercisable at February 28, 2019	5,125,000	0.17

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6. SHARE CAPITAL AND EQUITY RESERVES (continued)

As at February 29, 2018, the following stock options were outstanding:

Number of Shares issuable under Options Outstanding	Exercise Price	Expiry Date
	\$	
1,250,000	0.10	June 6, 2021
400,000	0.185	February 1, 2022
1,600,000	0.19	June 2, 2022
200,000	0.18	October 2, 2022
2,150,000	0.185	June 25, 2023
5,600,000		

As at February 29, 2018, the stock options outstanding have a weighted average outstanding life of 3.35 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. These stock options were cancelled during the year ended November 30, 2018 as a result of the termination of the services provided by the consultant.

On June 25, 2018 the Company granted stock options to certain officers and directors of the Company to purchase a total of 1,900,000 common shares. The options are exercisable for five 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 June 25, 2018 the Company granted stock options to certain consultants of the Company to purchase a total of 250,000 common shares. The options are exercisable for five years from the date of grant at a price of \$0.185 per share, and vest, as to 50% each, on the date of grant, and six months thereafter.

During the three months ended February 28, 2019, the Company recorded share-based payments of \$40,408 (2018 - \$79,520) in connection with the stock options granted and vested during the period.

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6. SHARE CAPITAL AND EQUITY RESERVES (continued)

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:

	2019	2018
Risk free interest rate	-	1.93%
Expected life of options	-	4.28 years
Expected dividend yield	-	0%
Expected stock price volatility	-	220%
Exercise price	-	\$0.19
Stock price	-	\$0.19
Weighted average fair value per option	-	\$0.18

d) Warrants

The Company's warrant transactions are as follows:

	Number of Shares issuable under Warrants	Weighted Average Exercise Price
		\$
Shares issuable under Warrants outstanding at November 30, 2017	10,692,250	0.08
Exercised	(2,700,250)	0.10
Expired	(1,270,000)	0.15
Shares issuable under Warrants outstanding at November 30, 2018 and February 28, 2019	6,722,000	0.28

As at February 28, 2019, the following share purchase warrants were outstanding:

Number of Shares issuable under Warrants	Exercise Price	Expiry Date
	\$	
2,500,000	0.15	April 22, 2019
4,222,000	0.35	April 30, 2019
6,722,000		

As at February 28, 2019, the warrants outstanding have a weighted average outstanding life of 0.16 years.

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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:

February 28, 2019	Canada	Mexico
	\$	\$
Reclamation deposit	2,000	-
Equipment	1,327	31,898
Exploration advances	-	2,255
Mineral properties	-	79,165
	3,327	113,318
November 30, 2018	Canada	Mexico
	\$	\$
Reclamation deposit	2,000	-
Equipment	1,396	35,554
Exploration advances	-	2,159
Mineral properties	-	79,165
	3,396	116,878

8. SUBSEQUENT EVENTS

Subsequent to February 28, 2019:

- i. The Company and Antofagasta mutually terminated the Earn-In Agreement signed during the year ended November 30, 2018 (see Note 4).
- ii. 2,500,000 share purchase warrants expired unexercised.