



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

(Expressed in Canadian Dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

NOTES TO THE CONDENSED INTERIM 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 condensed interim 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.
CONSOLIDATED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	February 29, 2020 (Unaudited)	November 30, 2019 (Audited)
	\$	\$
ASSETS		
Current assets		
Cash	875,565	411,091
Marketable securities	1,104	1,162
Receivables	19,879	23,715
Prepaid expenses	110,517	47,847
	1,007,065	483,815
Non-current assets		
Reclamation deposit	2,000	2,000
Equipment (Note 4)	7,266	26,768
Exploration advances	1,953	2,241
Mineral properties (Note 5)	154,343	141,665
	1,172,627	656,489

LIABILITIES AND EQUITY

Current liabilities		
Accounts payable and accrued liabilities (Note 6)	25,646	28,166
Shareholders' equity		
Share capital (Note 7)	14,641,769	13,896,908
Equity reserves (Note 7)	2,869,619	2,675,388
Deficit	(16,364,407)	(15,943,973)
	1,146,981	628,323
	1,172,627	656,489

Nature of operations and going concern (Note 1)

APPROVED AND AUTHORIZED BY THE DIRECTORS ON APRIL 28, 2020:

“ C. PRENTER ” , Director

“ R. STUART ANGUS ” , Director

SAN MARCO RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended	
	February 29, 2020	February 28, 2019
	\$	\$
EXPENSES		
Accounting and audit fees	22,939	21,913
Advertising and promotion	42,566	2,668
Depreciation	1,889	3,641
Exploration and evaluation (Note 5)	63,384	86,372
Insurance	1,364	12,578
Investor relations	37,799	5,700
Legal and professional fees	29,265	33,281
Management fees (Note 6)	14,700	29,400
Office and administration expenses	7,282	9,359
Wages and benefits (Note 6)	186,896	40,408
Transfer agent and filing fees	3,392	1,695
Travel	10,868	6,282
Total Expenses	422,344	253,297
OTHER ITEMS		
Foreign exchange gain (loss)	(4,007)	19,314
Gain on disposition of property and equipment	5,657	-
Interest income	318	1,062
Unrealized loss on marketable securities	(58)	460
Total Other Items	1,910	20,836
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	(420,434)	(232,461)
Basic and diluted loss per common share	(0.02)	(0.01)
Weighted average number of common shares outstanding		
– basic and diluted	27,468,116	22,638,694

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

	For the three months ended	
	February 29, 2020	February 28, 2019
	\$	\$
OPERATING ACTIVITIES		
Net and comprehensive loss for the period	(420,434)	(232,461)
Items not affecting cash:		
Depreciation	1,889	3,641
Share-based payments	161,427	40,408
Loss on disposition of property and equipment	(5,657)	-
Unrealized (gain) loss on marketable securities	58	(460)
Foreign exchange	(1,024)	(14)
Changes in non-cash working capital items:		
Receivables	3,836	(12,469)
Prepaid expenses	(62,670)	(27,787)
Exploration advances	-	-
Accounts payable and accrued liabilities	(2,520)	(34,598)
Net cash used in operating activities	(325,094)	(263,740)
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,600)	-
Purchase of mineral properties	(12,678)	-
Sale of property and equipment	29,181	-
Deposits	-	(240,492)
Net cash used in investing activities	11,903	(240,492)
FINANCING ACTIVITIES		
Proceeds from issuance of shares, net	776,765	-
Proceeds from exercise of warrants	900	-
Net cash provided by financing activities	777,665	-
INCREASE (DECREASE) IN CASH	464,474	(504,232)
CASH, BEGINNING OF THE PERIOD	411,091	1,171,251
CASH, END OF THE PERIOD	875,565	667,019
CASH, END OF THE PERIOD, being:		
Cash	875,565	528,752
Restricted Cash	-	138,267
CASH, END OF THE PERIOD	875,565	667,019

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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

	Share Capital Common Shares		Equity Reserves	Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$
Balance at November 30, 2018	22,638,694	13,556,719	2,510,573	(15,107,073)	960,219
Share-based payments	-	-	40,408	-	40,408
Net and comprehensive loss	-	-	-	(232,461)	(232,461)
Balance at February 28, 2019	22,638,694	13,556,719	2,550,981	(15,339,534)	768,166
Balance at November 30, 2019	26,651,028	13,896,908	2,675,388	(15,943,973)	628,323
Shares issued for cash	6,080,370	824,850	-	-	824,850
Share issuance costs	-	(80,889)	32,804	-	(48,085)
Exercise of warrants	7,500	900	-	-	900
Share-based payments	-	-	161,427	-	161,427
Net and comprehensive loss	-	-	-	(420,434)	(420,434)
Balance at February 29, 2020	32,738,898	14,641,769	2,869,619	(16,364,407)	1,146,981

SAN MARCO RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019
(Expressed in Canadian Dollars)
(Unaudited)

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 and its shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol SMN. The Company’s mailing address is 1700 – 1030 W. 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 British Columbia, Canada and Mexico.

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 condensed interim 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, 2020, the Company had not yet achieved profitable operations and has an accumulated deficit of \$16,364,407 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 condensed interim 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.

In March 2020 the World Health Organization declared the coronavirus (“COVID-19”) a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. BASIS OF PRESENTATION

The condensed interim 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, 2019, 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 condensed interim consolidated financial statements on April 28, 2020.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 August 31, 2019, the Company adopted IFRS 16 *Leases*. This standard sets out a new model for lease accounting. The adoption of this standard did not have a material impact on the Company's financial statements.

4. EQUIPMENT

	Office Equipment	Vehicles	Exploration Equipment	Totals
	\$	\$	\$	\$
Cost:				
Balance, November 30, 2018	22,933	28,949	5,344	57,226
Additions	3,439	-	-	3,439
Disposals	(3,173)	(2,235)	(3,709)	(9,117)
Balance, November 30, 2019	23,199	26,714	1,635	51,548
Additions	4,600	-	-	4,600
Disposals	(5,072)	(26,714)	(1,635)	(33,421)
Balance, February 29, 2020	22,727	-	-	22,727
Accumulated depreciation:				
Balance, November 30, 2018	15,528	3,297	1,451	20,276
Additions	2,309	5,050	767	8,126
Disposals	(1,228)	(867)	(1,527)	(3,622)
Balance, November 30, 2019	16,609	7,480	691	24,780
Additions	1,889	-	-	1,889
Disposals	(3,037)	(7,480)	(691)	(11,208)
Balance, February 29, 2020	15,461	-	-	15,461
Carrying values:				
Balance, November 30, 2019	6,590	19,234	944	26,768
Balance, February 29, 2020	7,266	-	-	7,266

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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5. MINERAL PROPERTIES

A summary of capitalized acquisition costs is as follows:

	CUATRO DE MAYO PROJECT	BUCK PROPERTY	TOTAL
	\$	\$	\$
Balance at November 30, 2018	79,165	-	79,165
Additions:			
Cash payments	-	25,000	25,000
Common shares issued (Note 8)	-	37,500	37,500
Balance, November 30, 2019	79,165	62,500	141,665
Additions:			
Cash payments	-	12,678	12,678
Balance, February 29, 2020	79,165	75,178	154,343

Exploration and evaluation costs incurred during the three months ended February 29, 2020 and February 28, 2019 are as follows:

	BUCK	CHUNIBAS	1068	OTHER PROJECTS	TOTAL
	\$	\$	\$	\$	\$
Field supplies and on-site expenses	32	-	697	2,472	3,200
Geological consulting	21,000	-	-	7,316	28,316
Geophysics, topographic, mapping	18,600	-	-	-	18,600
Mineral rights	-	-	-	4,117	4,117
Sampling, prospecting, study	5,466	-	-	21	5,487
Travel expenses	3,303	-	-	360	3,663
Expenses for the three months ended February 29, 2020	48,401	-	697	14,286	63,384
Field supplies and on-site expenses	-	1,180	-	7,446	8,626
Geological consulting	-	19,717	-	30,599	50,315
Mineral rights	-	6,010	-	20,314	26,324
Travel expenses	-	-	-	1,016	1,106
Expenses for the three months ended February 28, 2019	-	26,907	-	59,465	86,372

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5. MINERAL PROPERTIES (continued)

Buck Property

As of July 5, 2019, the Company entered into an option agreement (the “Buck Agreement”) to acquire a 100% interest in a mineral property in north-central British Columbia (the “Buck Property”). To exercise the option and obtain a 100% interest in the Buck Property, the Company must incur \$112,000 in exploration expenditures by December 31, 2019, and make cash payments totalling \$300,000 and issue 4,000,000 common shares of the Company on or before the fifth anniversary of Exchange approval of the Buck Agreement, on October 9, 2019, as follows:

	Cash	Common shares
	\$	#
On October 9, 2019 (paid and issued)	25,000	250,000
On or before October 9, 2020	25,000	400,000
On or before October 9, 2021	25,000	500,000
On or before October 9, 2022	25,000	750,000
On or before October 9, 2023	50,000	1,000,000
On or before October 9, 2024	150,000	1,100,000
Total	300,000	4,000,000

On the exercise of the option, the optionors will be granted a 2.5% net smelter return (“NSR”) royalty on any commercial production from the Property. An additional 4,000,000 common shares are also to be issued to the optionors upon the earlier of the completion of a bankable feasibility study or the eighth anniversary of the Exchange’s approval of the Buck Agreement on October 9, 2019.

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% 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 “Antofagasta 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 Antofagasta 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 Antofagasta Agreement.

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5. MINERAL PROPERTIES (continued)

Chunibas (continued)

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 Antofagasta 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%. The Company recorded \$Nil (2018 - \$30,200) as other income.

During the year ended November 30, 2019, the Company and Antofagasta mutually terminated the Antofagasta Agreement, and accordingly the Company recorded a recovery of exploration costs of \$106,530 on the consolidated statement of comprehensive loss.

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6. 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 29, 2020 and February 28, 2019 were as follows:

	2020	2019
	\$	\$
Management fees ⁽ⁱ⁾	35,700	68,059
Share based payments – included in wages and benefits	112,697	40,408
Total	148,397	108,477

(i) Management fees includes \$14,700 (2019 – \$29,400) in management fees and \$21,000 (2018 - \$38,669) in exploration and evaluation costs paid to related parties.

Transactions with other related parties

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

The Company incurred the following fees and expenses during the three months ended February 29, 2020 and February 28, 2019 with these related parties as follows:

	2019	2018
	\$	\$
Accounting fees	13,500	13,500
Legal fees	17,132	6,441
Legal fees related to share issuance costs	9,750	-
Total	40,382	19,941

At February 29, 2020, there was \$19,623 (November 30, 2019 - \$17,102) included in accounts payable and accrued liabilities that was owing to related parties for accounting and legal fees.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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7. SHARE CAPITAL AND EQUITY RESERVES

- a) Authorized
Unlimited number of common shares without par value
- b) Issued

During the three months ended February 29, 2020:

- i. The Company issued 266,667 flow-through common shares pursuant to a private placement for gross proceeds of \$40,000.
- ii. The Company issued 7,500 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$900.
- iii. The Company issued 5,813,703 common shares pursuant to a private placement wherein the Company issued 5,813,703 units at a price of \$0.135 per unit for gross proceeds of \$784,850. Each unit consisted of one common share and one-half share purchase warrant, with each full warrant to purchase one common share for three years at a price of \$0.20.

In connection with the private placement, the Company paid cash finders' fees of \$37,100 and issued 274,820 finders' warrants, with each warrant exercisable to purchase one common share for one year at a price of \$0.135. The Company also incurred other share issuance costs of \$10,985 in connection with the private placement.

During the three months ended February 28, 2019:

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

SAN MARCO RESOURCES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019
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7. SHARE CAPITAL AND EQUITY RESERVES (continued)

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, 2018	1,993,334	0.57
Expired	(126,667)	1.50
Cancelled	(116,667)	0.48
Shares issuable under Options outstanding at November 30, 2019	1,750,000	0.50
Granted	1,175,000	0.18
Shares issuable under Options outstanding at February 29, 2020	2,925,000	0.37
Shares issuable under Options outstanding at February 29, 2020	2,650,000	0.34

As at February 29, 2020, the following stock options were outstanding:

Number of Shares issuable under Options Outstanding	Exercise Price	Expiry Date
		\$
100,000	0.30 to 0.57	June 20, 2020
50,000	0.18	March 7, 2021
350,000	0.30	June 6, 2021
133,333	0.56	February 1, 2022
500,000	0.57	June 2, 2022
66,667	0.54	October 2, 2022
600,000	0.56	June 25, 2023
1,125,000	0.18	February 6, 2025
2,925,000		

As at February 29, 2020 the stock options outstanding have a weighted average outstanding life of 3.29 years.

The Company has a 10% rolling stock option plan whereby the Company may from time to time, in accordance with the Exchange's 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.

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7. SHARE CAPITAL AND EQUITY RESERVES (continued)

c) Stock options (continued)

During the three months ended February 29, 2020, the Company granted stock options to various directors, officers and consultants of the Company to purchase 1,175,000 common shares. Each stock option is exercisable at a price of \$0.18 per common share for a period ranging from 13 months to five years.

During the three months ended February 29, 2020 and February 28, 2019, the Company recorded share-based payments of \$161,427 (2019 - \$40,408) 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:

	2020	2019
Risk free interest rate	1.36%	-
Expected life of options	4.84 years	-
Expected dividend yield	0%	-
Expected stock price volatility	159%	-
Exercise price	\$0.18	-
Stock price	\$0.17	-
Weighted average fair value per option	\$0.16	\$ -

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, 2018	2,240,667	0.84
Expired	(2,240,667)	0.84
Issued	3,887,134	0.20
Shares issuable under Warrants outstanding at November 30, 2019	3,887,134	0.20
Exercised	(7,500)	0.12
Issued	3,181,672	0.19
Shares issuable under Warrants outstanding at February 29, 2020	7,061,306	0.20

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7. SHARE CAPITAL AND EQUITY RESERVES (continued)

d) Warrants (continued)

As at February 29, 2020, the following share purchase warrants were outstanding:

Number of Shares issuable under Warrants	Exercise Price	Expiry Date
	\$	
117,300	0.12	November 21, 2020
274,820	0.135	February 19, 2021
3,762,334	0.20*	November 21, 2022
2,906,852	0.20	February 19, 2023
7,061,306		

* The exercise price of these warrants will increase to \$0.25 on November 22, 2021.

As at February 29, 2020, the warrants outstanding have a weighted average outstanding life of 2.73 years.

During the three months ended February 29, 2020, the Company issued 274,820 finders' warrants in connection with a private placement completed during the quarter. The Company recorded share issuance costs of \$32,804 in connection with the finders' warrants. The fair value of the finders' warrants 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	1.63%	-
Expected life of warrants	1.00 years	-
Expected dividend yield	0%	-
Expected stock price volatility	151%	-
Exercise price	\$0.135	-
Stock price	\$0.19	-
Weighted average fair value per warrants	\$0.12	\$ -

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8. 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 29, 2020	Canada	Mexico	Total
	\$	\$	\$
Reclamation deposit	2,000	-	2,000
Equipment	7,266	-	7,266
Exploration advances	-	1,953	1,953
Mineral properties	75,178	79,165	154,343
	84,444	81,118	165,562
November 30, 2019	Canada	Mexico	Total
	\$	\$	\$
Reclamation deposit	2,000	-	2,000
Equipment	4,557	22,211	26,768
Exploration advances	-	2,241	2,241
Mineral properties	62,500	79,165	141,665
	69,057	103,617	172,674