SAN MARCO RESOURCES

Management's Discussion and Analysis
For the year ended November 30, 2019

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 year ended November 30, 2019. This MD&A contains information up to and including March 30, 2020 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended November 30, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars 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 may be forward-looking statements and 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 British Columbia and 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.

During the year ended November 30, 2019, the Company issued 3,738,334 units for gross proceeds of $448,600 pursuant to a private placement, wherein each unit consisted of one common share and one share purchase warrant. Each share purchase warrant was exercisable to purchase one common share for three years at a price of $0.20 for the first two years and $0.25 for the third year.

The Company also issued 250,000 common shares with a fair value of $37,500 pursuant to the option agreement respecting the Buck Property.

Subsequent to November 30, 2019, the Company issued 266,667 flow-through common shares pursuant to a private placement for gross proceeds of $40,000, issued 7,500 shares for the exercise of share purchase warrants and issued 5,813,703 units for gross proceeds of $784,850 wherein each unit consisted of one common share and one-half share purchase warrant, with each full warrant exercisable to purchase one common share for three years at a price of $0.20.

The Company's exploration portfolio includes but is not limited to the Buck Property in British Columbia, Canada, and the Chunibas, 1068, Espiritu SMR and Mariana projects in Mexico. 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, 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.

EXPLORATION AND ACQUISITION ACTIVITIES

British Columbia, Canada

The Company entered into an option agreement to acquire a 100% interest in the Buck Property, an intermediate sulphidation, epithermal gold/silver/zinc property near the town of Houston in north-central British Columbia.

The Buck Property highlights include:

- large hydrothermal system, intensely altered breccia bodies possibly diatreme related, with mineralization open in all directions;
- considered to be part of the Telkwa Formation of the lower Jurassic Hazelton Group; similar to some major bulk tonnage gold deposits in B.C., such as NewGold's Blackwater-Davidson deposit;
- close proximity to several former operating mines: Equity Silver, (Equity Silver Mines Inc.), Endako (Centerra Gold Inc.) and Huckleberry (Imperial Metals Corporation);
- total of 68 prior drill holes have been conducted within the Property - most holes ended in gold/silver/zinc mineralization. Mineralization extends up to 300 meters below surface suggesting bulk tonnage gold/silver/zinc potential;
- excellent exploration potential for possible new discoveries at multiple untested targets including structurally controlled gold/silver/zinc mineralization; and additional mineralized breccia bodies;
- road accessible with excellent infrastructure, including access to electrical and gas utilities, highways and major airports; and
- large land package totalling approximately 15,000 hectares.

To exercise the option and obtain a 100% interest in the Property, the Company must incur $112,000 in exploration expenditures by December 31, 2019 (incurred), and make cash payments totalling $300,000 and issue 4,000,000 common shares of the Company on or before October 9, 2024, being the fifth anniversary of the TSX Venture Exchange's approval of the option agreement. During the year ended November 30, 2019, the Company issued 250,000 common shares and made cash payments totalling $25,000.

On the exercise of the option, the optionors will be granted a 2.5% net smelter return 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 TSX Venture Exchange's approval of the option agreement.

Property maps and further information with respect to the Buck Property are available on the Company's website. For additional details please refer to the Company's news releases of July 16, 2019, August 15, 2019, September 16, 2019 and September 24, 2019.

Sonora, Mexico

Current exploration activities are located in Sonora State, Mexico. Regional exploration is focused in the Sierra Madre mountains, and consists of various concessions which total 90,092 hectares. A table outlining these properties is provided below.

Concession Group (i)	Acquired	Size (hectares)	Terms
Chunibas	January 2015; from Argonaut Gold Inc.	530	Owned 100% subject to a 1% net smelter return royalty.
Mariana	February 2015; from Argonaut Gold Inc.	72,820	Purchased for a 1% net smelter return royalty (one half of which can be purchased back by the Company for US$2.0 million) and a one-time bonus payment of US$6 per ounce of any gold contained in the Proven and Probable Reserve categories located on the Concession Group.
Suzanne	October 2017	2,159	Owned 100% subject to a 2% net smelter return royalty.
1068	September 29, 2017	1,795	Owned 100% subject to a 2% net smelter return royalty.
La Caridad Este	May 31, 2017	7,758	Owned 100% subject to a 2% net smelter return royalty.
San Martin	November 15, 2016	30	Owned 100%
La Gloria	August 13, 1993	6	Owned 100%
Espiritu SMR	October 12, 2018	2,711	Owned 100%
Los Ocotes	September 18, 2018	2,283	Owned 100%
Total		90,092	

(i) With respect to titles to the various concessions acquired by the Company, some have been transferred to it (in the case of purchased concessions) or remain with the underlying optionor (in the case of optioned concessions) with the exception of the Mariana I concession (one of the Mariana Concession Group), for which title was applied by Argonaut and which is currently awaiting issuance by the Registro Publico de Mineria (the Mexican public mining registry department). Pursuant to the Mariana purchase agreement, title to Mariana I concession will be transferred to the Company by Argonaut when such title is granted to Argonaut.

Property maps of San Marco's concessions are available on its website. For additional details please refer to the Company's news releases of May 14, 2014, December 16, 2014, February 10, 2015, February 25, 2015, November 29, 2017, January 10, 2018, February 27, 2018, March 26, 2018, August 9, 2018, November 6, 2018, December 20, 2018 and January 17, 2019.

In May 2018 the Company announced the acquisition of two properties through the Mexican government lottery system. Both properties are located in Sonora State and within prolific mining districts. The Company is preparing to do a first-pass ground validation and prospecting work on both properties.

On August 7, 2018, the Company entered into an Earn-In Agreement (the "Earn-In 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 Earn-In Agreement. Antofagasta advanced US$100,000 for previously incurred expenditures and US$600,000 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 Earn-In Agreement.

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

The Company would act as the operator during the option period and be entitled to an 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 would be entitled to operator's fee equal to 5%.

The Company and Antofagasta mutually terminated the Earn-In Agreement during the year ended November 30, 2019.

Geology and Mineralization:

With the exception of certain anomalous targets identified by the Company's exploration alliance with GlobeTrotters Resources Group Inc., greenfield exploration has been focused in the Sierra Madre Occidental area of Northern Mexico. The area is more specifically located in the Sahuaripa District, which regionally consists of Cretaceous to Tertiary sedimentary and volcanic sequences. This region is known to host numerous mineral targets representing a wide variety of mineralization types, including epithermal gold and silver, porphyry copper and molybdenum, 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 most of the Chunibas property.

Known Targets and Work to Date:

The Company has currently prioritized three known properties in the Sahuaripa District, namely:

- Chunibas, at which recently discovered mineralization is represented by high grade copper and silver volcanic hosted stratiform structure. High copper and silver values from rock chip sampling results aided in the definition of a mineralized "corridor" of at least 1.7 kilometres long by 300 metres in width. Follow up exploration work may be conducted by the Company or other potential interested parties in the future.
- Espiritu SMR, a recently acquired concession via the Mexican Government lottery, hosts gold and copper porphyry style of mineralization as well as lead, zinc, silver and potentially CRD mineralization. Follow up exploration work may be conducted by the Company or other potential interested parties in the future.
- 1068 (Victoria 1 concession), is a Laramide-age porphyry copper and molybdenum prospect which was recently investigated by a geophysical survey. San Marco's geological staff proposes to evaluate the various identified induced polarization chargeability targets. Follow up exploration work may be conducted by the Company or other potential interested parties in the future.

San Marco's geologists made several field visits to the area 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 expected to warrant further detailed exploration. Significant areas of the Mariana concession property remain to be evaluated.

Readers are referred to the Company's MD&A for the year ended November 30, 2014 and to any news releases noted above for a description of previous exploration and sampling results from the Chunibas and 1068 projects.

Other Projects

La Caridad Este:

An initial field evaluation included geological mapping, limited rock chip sampling and stream sediment sampling have been completed on the concessions. Preliminary results warrant further exploration work over the areas with prospective alteration zones, however, no further work is planned at this time.

Suzanne:

This mining concession was staked after a target was identified by the Company's exploration alliance with GlobeTrotters. Exploration work, including rock sampling and mapping, was conducted with limited positive results. No further work is planned at this time.

Suanse Property:

This property was acquired through the government mineral concession lottery. Suanse property covers 1,115 hectares and is located 62 kilometres southeast of the world class Buenavista copper mine (formerly named Cananea) and 42 kilometres to the north-west of La Caridad mine (both operated by Southern Copper Corporation). During the year ended November 30, 2019, the Company sold its interest in the Suanse property for gross proceeds of $28,965.

Espiritu SMR:

This property has been recently acquired through the government mineral concession lottery. This new land acquisition covers approximately 2,712 hectares and is located less than 30 km southeast of the Company´s Chunibas and 1068 projects. Exploration work may be conducted by the Company or other potential interested parties in the future.

Los Ocotes Property:

This property has been recently acquired through the government mineral concession lottery. Los Ocotes property covers 2283 hectares of underexplored ground located 180 kilometres southeast of Hermosillo and 6 km northeast of Santana gold project (Minera Alamos Inc.).

SELECTED FINANCIAL INFORMATION

The following table sets out selected annual financial information of San Marco Resources Inc. The data should be read in conjunction with the audited financial statements for the respective years.

	For the Years Ended November 30,		
	2019	**2018**	**2017**
	$	**$**	**$**
Exploration and evaluation expenses	(273,954)	(534,712)	(931,053)
Property investigation costs	-	-	(41,230)
Management fees	(94,500)	(98,929)	(65,088)
Share-based compensation	(48,339)	(510,496)	(327,759)
Wages and benefits	(8,485)	-	-
Net interest	2,275	10,836	3,989
Gain on sale of mineral property	-	-	300,037
Other income	-	30,200	-
Realized and unrealized loss on marketable securities	-	(1,318)	(575)
Other administrative costs	(413,897)	(468,121)	(353,546)
Net loss for the year	(836,900)	(1,572,513)	(1,415,225)
Basic & diluted loss per common share	(0.04)	(0.07)	(0.09)
Total assets	656,489	1,379,564	1,737,837
Shareholders' equity	628,323	960,219	1,689,199

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 consolidated financial statements for the year ended November 30, 2019 and the notes thereto.

Period	Revenue	Net Loss	Basic and Diluted Loss per share
	$	$	$
4th quarter ended November 30, 2019	Nil	201,970	0.01
3rd quarter ended August 31, 2018	Nil	247,076	0.01
2nd quarter ended May 31, 2019	Nil	155,393	0.00
1st quarter ended February 28, 2019	Nil	232,461	0.02
4th quarter ended November 30, 2018	Nil	326,404	0.01
3rd quarter ended August 31, 2018	Nil	460,162	0.02
2nd quarter ended May 31, 2018	Nil	404,335	0.02
1st quarter ended February 28, 2018	Nil	381,612	0.02

The Company's quarterly and annual results will vary primarily in accordance with the Company's exploration activities. To finance its operations, the Company also grants incentive stock options to its directors, officers, and consultants, which will also cause variation in the Company's results from period to period.

RESULTS OF OPERATIONS

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 acquisition of the Company's mineral properties have been capitalized as mineral properties. All other costs relating to exploration, evaluation and property maintenance are expensed as incurred.

OPERATIONS DURING THE YEAR ENDED NOVEMBER 30, 2019 COMPARED TO THE YEAR ENDED NOVEMBER 30, 2018

The Company incurred a total loss of $836,900 during the year ended November 30, 2019 (the "Current Year") compared to $1,572,513 during the year ended November 30, 2018 (the "Comparative Year"), resulting in a decrease in loss of $735,613.

Some of the significant changes are as follows:

- Exploration and evaluation: $273,954 (2018 - $534,712) – The decrease in the exploration and evaluation expenses during the current year relate to the Company focusing on strategic targets and the execution of the Earn-In Agreement with Antofagasta signed in 2018. Furthermore, During the current year, the Company recorded a recovery resulting from the termination of the Earn-In Agreement with Antofagasta which provided the Company with operator's fees and other cost recoveries totaling $106,530. In addition, the Company also recorded cost recoveries on its other projects in Mexico through the sale of certain claims totaling $28,965. These cost recoveries were offset by exploration conducted at the Company's Buck Property in British Columbia, Canada and ongoing exploration activity at the Company's other projects in Mexico.

- Investor relations: $17,500 (2018 - $76,405) – The Company decreased investor relations expenditures during the year in order to conserve cash.

- Advertising and promotion: $4,372 (2018 - $36,765) – The Company decreased advertising and promotion expenditures during the year in order to conserve cash.

- Insurance: $43,447 (2018 - $8,942) – The Company incurred additional insurance cost during the current year relating to insuring its operations in Mexico.

- Share-based payments: $48,339 (2018 - $510,496) – Share- based payments consist of share-based compensation related to stock options granted to directors, officers and consultants of the Company. During the current year, the Company did not grant any new stock options and share-based compensation of $48,339 pertained to the vesting of previously granted stock options.

Other costs incurred for the Company's operations during the Current Year remained relatively consistent with those incurred during the comparative period.

All other corporate administrative costs remained relatively consistent with the Comparative Year.

FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2019 COMPARED TO THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2018

The three months ended November 30, 2019 (the "Current Quarter") resulted in a loss of $201,970 compared to the three months ended November 30, 2018 (the "Comparative Quarter") which had a loss of $326,404, a decrease in loss of $124,434. The decrease in loss in the Current Quarter was primarily due to decreased exploration and evaluation expenses and share-based payment expense due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

At November 30, 2019 and November 30, 2018 the Company's liquidity and capital resources were as follows:

	November 30, 2019	November 30, 2018
	$	$
Cash and receivables (i)	434,806	1,252,504
Marketable securities	1,162	1,162
Prepaid expenses	47,847	5,625
Accounts payable	(28,166)	(40,586)
Deposits	-	(378,759)
Working capital	455,649	839,946

(i) As at November 30, 2019, cash includes restricted cash of $Nil (2018 - 378,759) which is restricted for exploration activities to be performed on the Chunibas project on behalf of Antofagasta.

As at November 30, 2019, the Company had $411,091 (2018 - $792,492) in cash. The Company's plan is to continue to conserve its cash resources while focusing on further evaluating the current project portfolio and staking other claims of merit through generative work which includes the evaluation of any mineral property that might be available from the Mexican government. The Company is also exploring projects in British Columbia, Canada.

As at November 30, 2019, the Company also had $Nil (2018 - $378,759) in restricted cash which was being held on behalf of Antofagasta for exploration activities on the Chunibas property to be performed.

During the current year the Company raised net proceeds of $419,165 (2018 - $292,037) from the issuance of common shares pursuant to private placements and exercises of warrants and options. A total of $409,449 in cash was spent on exploration and evaluation activities (2018 - $665,142) and $25,000 was spent on acquisition of mineral properties (2018 - $Nil).

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 and the chief executive officer for the years ended November 30, 2019 and 2018 were as follows:

	2019	2018
	$	$
Management fees (i)	239,256	219,557
Share based payments	48,339	415,151
Total	**287,595**	**634,708**

(i) Management fees includes $94,500 (2018 – $79,100) in management fees and $144,756 (2018 - $140,457) in exploration and evaluation costs in fees paid to 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 years ended November 30, 2019 and 2018 with these related parties as follows:

	2019	2018
	$	$
Accounting fees	68,500	57,000
Legal fees	69,260	46,939
Legal fees related to share issuance costs	16,339	-
Total	**154,099**	**103,939**

At November 30, 2019, there was $17,102 (2018 - $14,840) included in accounts payable that was owing to related parties for accounting and legal fees and $6,799 (2018 - $Nil) owing for other services.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

As at November 30, 2019, the carrying values of the reclamation deposit, receivables, accounts payable, and deposits approximate their fair values due to the short-term nature of these instruments. Cash and marketable securities are measured at fair value.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage and is dependent on obtaining regular funding in order to continue its exploration programs. Despite success with previous financings, there is no guarantee of obtaining future funding. The Company's cash is invested in business accounts with qualified institutions in Canada and are available on demand for the Company's programs. The Company is not invested in any asset backed commercial paper or auction rate securities. Due to the current COVID-19 pandemic, liquidity risk has been assessed as high.

(ii) Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash and reclamation deposit with high-credit quality financial institutions. Receivables are mainly due from government agencies in Canada and Mexico. Credit risk has been assessed as low.

(iii) Foreign currency risk

The Company's mineral properties are located in Mexico and, therefore, a portion of work carried out in exploring and developing these properties is paid in Mexican pesos. Certain administrative costs incurred in Mexico are paid in US dollars.

The operating results and the financial position of the Company are reported in Canadian dollars. The Company's cash, receivables, accounts payable are held in different currencies and therefore the fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

At November 30, 2019, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Mexican Pesos:

	US Dollars	Mexican Peso
Cash	52,281	27,037
Marketable securities	1,162	-
Receivables	-	6,645
Accounts payable and accrued liabilities	-	(8,111)

Based on the above net exposures as at November 30, 2019, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease/increase of approximately $7,000 in the Company's comprehensive loss. Likewise, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would result in a decrease/increase of approximately $3,000 in the Company's comprehensive loss.

(iv) Interest risk

The Company invests its excess cash and reclamation deposit in demand deposits that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks arising from the Company's operations are not considered material.

(v) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors its marketable securities, stock market movements and commodity prices to determine appropriate actions.

The Company does not typically invest in equity securities and the maximum exposure to the price risk is represented by the changing fair value of such investments. Assuming all variables remain constant, a 10% increase/decrease in the quoted market price of the Company's investments would result in an increase/decrease in the Company's income of approximately $248.

(vi) Fair value hierarchy

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair values of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

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. Readers are encouraged to thoroughly review the risks factors detailed in the Company's annual MD&A for fiscal 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
- 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

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The 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.

Exploration and evaluation expenditures

Costs directly related to the acquisition of mineral properties are capitalized. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration, evaluation and property maintenance costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are expensed as incurred up to the date of establishing that property costs are economically recoverable and that the project is technically feasible.

If no economically viable ore body is discovered, previously capitalized acquisition costs are expensed in the period that the property is determined to be uneconomical or abandoned.

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments, estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are, but are not limited to, the following:

Critical accounting judgments

(i) Impairment of mineral properties: The net carrying value of each mineral property and its related concessions is reviewed regularly for conditions that are indicators of impairment. This review requires judgment as the Company does not have proven and probable reserves that enable future cash flows to be compared to the carrying values. Factors considered in assessment of asset impairment include, but are not limited to, accessibility, title, environmental or political factors that could affect the properties' values, whether there has been any accumulation of costs significantly in excess of the amounts originally expected for the properties' acquisition, development, or cost of holding, whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future, and whether the Company has necessary funds to be able to maintain or continue acquiring interests in mineral properties.

(ii) Income taxes: Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. The recognition of deferred tax assets requires management to assess the likelihood that the Company will generate taxable income in future periods to utilize the deferred tax assets. Due to a history of losses, deferred tax assets have not been recognized.

(iii) Going concern: The preparation of these financial statements requires management to make judgements regarding the going concern of the Company as previously discussed in Note 1.

(iv) Functional currencies: The functional currency of an entity is the currency of the primary economic environment in which an entity operates. The determination of an entity's functional currency requires judgment based on analysis of relevant criteria. The Company conducted an analysis of the factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates* ("IAS 21") and determined the functional currencies of the Company and its subsidiaries to be the Canadian dollar.

Critical accounting estimates

(i) Equity-settled transactions: The cost of equity-settled transactions, such as stock options or warrants, is determined by calculating the fair value at the date when the equity award is granted or issued using the Black-Scholes option pricing model. The inputs to the Black-Scholes pricing model require significant estimation. Expected volatility is estimated based on historical stock price observations of the Company's common shares. The risk-free interest rate for the expected term of the award is based on the yields of government bond. The Company uses historic data to estimate the timing of option exercises and forfeiture rates, which may not be representative of future results. Changes in these assumptions, especially the volatility and the expected life determination, could have a material impact on the Company's statement of comprehensive loss.

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 year ended November 30, 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 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 consolidated financial statements.

The following have not yet been adopted by the Company.

- IFRS 16 *Leases*: New standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model, effective for annual periods beginning on or after January 1, 2019. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

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. 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 MD&A, the Company had 32,738,898 common shares issued and outstanding and options and warrants outstanding to purchase common shares as follows:

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		

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.

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.

FUTURE PLANS AND OUTLOOK

Exploration

The Company's primary focus will be continuing exploration on and near the 100% optioned Buck Property. Initial results of compilation of historical data is very encouraging. It is anticipated that a Phase 1 drill program will commence in Q1, 2020.

San Marco's management and Board of Directors strongly believe that the Company's properties provide significant opportunity for increasing shareholder value.

San Marco's Board of Directors is currently assessing the Company's activities in Mexico. All exploration in Mexico is currently on hold as the Company determines its future plans in Mexico.

Corporate

Based on the completion of the recent private placement and common share issuances through the exercise of previously granted warrants, the Company expects to have sufficient financial resources to meet its administrative overhead expenses for the next twelve 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. Such financing, if available, it may be very dilutive to the Company's shares and shareholders. As it has in the past, the Company would likely continue to 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 may be forward-looking statements and prospective. These statements appear in a number of different places in this MD&A 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, 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 MD&A 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 Executive Director, 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.

Blanks and certified standards are routinely inserted into the drill core sample stream as part of San Marco's quality assurance and control program. 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. Pulps weighing 125 grams are sent to ALS Chemex Lab in Vancouver, B.C. A 30 gram portion is analyzed for gold, using the Au-AA23 method. Sample results greater than 10 parts per million ("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 greater than100 ppm, copper, lead and zinc greater than 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 portion is analyzed for 36 elements using ICP-ES/MS method (AQ201). Sample results greater than 1000 ppm copper, lead, zinc, molybdenum and silver over 10 ppm, and antimony, arsenic and mercury over the detection limit are re-assayed, using hot multi-acid digestion using ICP-ES method (MA370). Samples that report gold greater than 100 parts per billion in AQ201 are analyzed by fire assay, AA finish (FA430) using a 30 gram sample. Over limit gold from FA430 and/or silver from MA370 analysis is automatically assayed (30 grams) via fire three assay fusion and gravimetric finish (FA530).

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning San Marco's operating expenses and exploration costs is provided in the Company's consolidated statements of net and comprehensive loss and in Note 5 of the consolidated financial statements for the year ended November 30, 2019 available on San Marco's website at www.sanmarcocorp.com or on its SEDAR company page accessed through www.sedar.com.

APPROVAL

The Audit Committee of the Company has approved the disclosure contained in this MD&A.