

SCORPIO



GOLD CORPORATION

Condensed Interim Consolidated Financial Statements of

Scorpio Gold Corporation

For the three months ended
March 31, 2019 and March 31, 2018
(unaudited)

**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), 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 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 standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Scorpio Gold Corporation

Condensed interim consolidated statements of comprehensive income
Three months ended March 31, 2019 and March 31, 2018
(In thousands of US dollars except for shares and per share amounts)
(unaudited)

	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$
Revenue	1,486	3,026
Cost of sales excluding inventory write down (Note 5)	(917)	(1,915)
Inventory write down (Note 9)	(458)	-
Mine operating earnings	111	1,111
Expenses		
General and administrative (Note 6)	(197)	(266)
Care and maintenance	(148)	(175)
Impairment of mining assets (Note 3c)	(40)	(347)
Gain on debt settlement (Note 12)	3,789	-
Gain on adjustment of provision for environmental rehabilitation	-	43
Operating earnings	3,515	366
Other (expenses) income		
Finance costs (Note 7)	(150)	(200)
Foreign exchange gain	3	2
Finance income	30	15
	(117)	(183)
Earnings before income taxes	3,398	183
Income tax (expense) recovery		
Current	(4)	(50)
Deferred	31	11
	27	(39)
Net earnings and comprehensive income	3,425	144
Net (loss) earnings and comprehensive income attributable to:		
Shareholders of the Company	3,412	(56)
Non-controlling interest	13	200
	3,425	144
Basic and diluted earnings (loss) per share	0.05	(0.00)
Basic and diluted weighted average number of shares outstanding (Note 8)	62,474,118	62,474,118

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of financial position

As at

(In thousands of US dollars)

(unaudited)

	March 31, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash	841	1,100
Trade and other receivables	30	1
Prepaid expenses and other	537	426
Inventories (Note 9)	1,131	1,238
Total current assets	2,539	2,765
Producing mining assets (Note 10)	5,147	5,182
Non-producing mining assets and other (Note 11)	2,686	2,687
Reclamation bonds	6,108	6,078
Total assets	16,480	16,712
Equity and liabilities		
Current liabilities		
Trade and other payables	798	740
Income taxes payable	153	149
Promissory notes (note 12)	3,000	-
Current portion of long-term debt and financing lease (Note 12)	20	6,050
Total current liabilities	3,971	6,939
Provision for environmental rehabilitation	4,871	4,841
Deferred income tax liability	-	31
Total liabilities	8,842	11,811
Equity		
Share capital (Note 13)	51,449	51,449
Equity reserve	6,555	6,555
Investment valuation reserve	(2)	(2)
Foreign currency translation reserve	(194)	(194)
Other reserve	(4,780)	-
Deficit	(45,390)	(48,802)
Equity attributable to shareholders of the Company	7,638	9,006
Non-controlling interest	-	(4,105)
Total equity	7,638	4,901
Total liabilities and equity	16,480	16,712

Statement of compliance, basis of presentation (Note 2)

Subsequent events (Note 17)

APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of changes in equity

Three months ended March 31, 2019 and March 31, 2018

(In thousands of US dollars, shares in thousands)

(unaudited)

	Share capital		Equity	Investment	Foreign	Other	Deficit	Non-	Total
	Number	Amount	reserve	valuation	currency	reserve		controlling	equity
			\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	62,474	51,449	6,555	(2)	(194)	-	(48,802)	(4,105)	4,901
Net (loss) earnings and comprehensive income	-	-	-	-	-	-	3,412	13	3,425
Loss on acquisition of non-controlling interest	-	-	-	-	-	(4,780)	-	4,092	(688)
Balance, March 31, 2019	62,474	51,449	6,555	(2)	(194)	(4,780)	(45,390)	-	7,638

	Share capital		Equity	Investment	Foreign	Other	Deficit	Non-	Total
	Number	Amount	reserve	valuation	currency	reserve		controlling	equity
			\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	62,474	51,449	6,555	(2)	(194)	-	(48,535)	(3,859)	5,414
Net (loss) earnings and comprehensive income	-	-	-	-	-	-	(56)	200	144
Distributions to non-controlling interest	-	-	-	-	-	-	-	(171)	(171)
Balance, March 31, 2018	62,474	51,449	6,555	(2)	(194)	-	(48,591)	(3,830)	5,387

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of cash flows
Three months ended March 31, 2019 and March 31, 2018
(In thousands of US dollars)
(unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Operating activities		
Net earnings before taxes	3,398	183
Adjustment for:		
Environmental rehabilitation payments	-	(48)
Items not involving cash :		
Finance costs (Note 7)	134	200
Finance income	(30)	(15)
Gain on debt settlement	(3,789)	-
Gain on adjustment of provision for environmental rehabilitation	-	(43)
Inventory write-down	458	-
Impairment of mining assets (Note 3c))	40	347
Depletion and amortization	5	6
Cash flows from operating activities before movements in working capital:	216	630
(Increase) decrease in trade and other receivables	(29)	169
Increase in prepaid expenses and other	(111)	(125)
Decrease (increase) in inventories	(351)	250
Decrease (increase) in trade and other payables	70	(96)
	(205)	828
Investing activities		
Additions to non-producing mining assets	(24)	(295)
Acquisition of non-controlling interest	(685)	-
Additions to reclamation bonds	-	(250)
	(709)	(545)
Financing activities		
Distributions to non-controlling interest	-	(171)
Interest paid	-	(148)
Promissory notes (Note 12 a))	3,000	-
Repayment of long-term debt and financing lease (Note 12 a))	(2,345)	(30)
	655	(349)
Decrease in cash	(259)	(66)
Cash, beginning of period	1,100	939
Cash, end of period	841	873
Supplemental cash flow information (Note 14)		

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

1. Continuation of operations

Scorpio Gold Corporation (“Scorpio Gold” or the “Company”) and its subsidiaries conduct mineral exploitation, exploration and development activities in the United States.

The Company is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The address of the Company’s registered office is 506-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

2. Statement of compliance, basis of presentation

These condensed interim consolidated financial statements of the Company, including comparatives, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) using the accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all disclosures required by IFRS for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended December 31, 2018 prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 22, 2019.

3. Significant accounting policies and estimates

The preparation of financial data is based on accounting principles and estimates consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2018, except for the following policy being applied in the current quarter which was not applicable in the 2018 consolidated financial statements:

IFRS 16: Leases (“IFRS 16”)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability which had no material impacts on the financial statements.

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

3. Significant accounting policies and estimates (continued)

IFRS 16: Leases (“IFRS 16”) (Continued)

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

3. Significant accounting policies and estimates (Continued)

Estimates

a) Mineral Ridge mine estimates

The fact that the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of March 31, 2019 is an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using fair value less costs of disposal. Impairment testing is performed using cash flow projections derived from expected future production, which incorporate reasonable estimates of precious metal production, future metal prices, operating costs, capital expenditures and the residual values of the assets. The determination of the recoverable value used Level 3 valuation inputs.

Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was \$4.7 million (March 31, 2018 - \$5.8 million). During the three-month period ended March 31, 2019, the Company recorded non-cash impairment charges for Mineral Ridge of \$0.04 million (2018 - \$0.3 million).

The Company has performed a sensitivity analysis to identify the impact of changes in forecasted revenues which is the key assumption that impacts the impairment calculation mentioned above. Using the foregoing impairment testing model, a 10% change in the forecasted revenues and holding all other assumptions constant has no impact on the impairment as the residual value of the assets remains constant.

4. Financial instruments

a) Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's current policy to manage liquidity risk is to keep cash in bank accounts.

The following table outlines the expected maturity of the Company's significant financial liabilities into relevant maturity grouping based on the remaining period from the date of the statement of financial position to the contractual maturity date:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	798	798	-	-	-
Promissory notes	3,000	3,000	-	-	-
Financing lease	20	20	-	-	-
Provision for environmental rehabilitation	5,420	-	249	4,383	788
	9,238	3,818	249	4,383	788

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

4. Financial instruments (Continued)

b) Fair Value

The fair value of cash, trade and other receivables, reclamation bonds, trade and other payables, promissory notes as well as financing lease approximate their carrying amount due to their short-term nature.

5. Cost of sales

Cost of sales excluding inventory write down includes the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Contractor charges	40	145
Labour	524	857
Fuel and reagents	299	161
Mechanical parts	29	32
Change in ore stockpile, metals in process and finished goods inventories	(321)	246
Royalties	-	16
Utilities, permits and other	346	458
	917	1,915

6. General and administrative

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Salaries and benefits	108	142
Professional fees	29	66
Directors fees	26	26
Insurance, travel and office related	13	21
Investor relations	4	7
Consultants	2	2
Transfer agent and listing fees	15	2
	197	266

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

7. Finance costs

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Interest on promissory notes	16	-
Interest on long-term debt	104	148
Amortization of debt issue cost	-	26
Unwinding of discount of provision for environmental rehabilitation	30	25
Interest on financing lease	-	1
	150	200

8. Weighted average number of shares and dilutive share equivalents

	Three months ended March 31, 2019	Three months ended March 31, 2018
Basic and diluted weighted average number of shares	62,474,118	62,474,118

All of the potentially dilutive securities were excluded from the dilutive number of shares outstanding for the three-month period ended March 31, 2019 and for the three-month period ended March 31, 2018 as they are anti-dilutive.

9. Inventories

	March 31, 2019	December 31, 2018
	\$	\$
Supplies	744	714
Metals in process	373	488
Finished goods	14	36
	1,131	1,238

During the three-month period ended March 31, 2019, inventory included as cost of sales is \$1.4 million (2018, \$1.9 million). During the three-month period ended March 31, 2019, the Company recognized a write-down of inventory of \$0.5 million (2018, nil).

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

10. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2017	74,261	23,329	2,186	816	100,592
Additions	-	43	-	-	43
Change in provision for environmental rehabilitation	31	-	-	-	31
Balance, December 31, 2018	74,292	23,372	2,186	816	100,666
Additions	-	-	-	-	-
Balance, March 31, 2019	74,292	23,372	2,186	816	100,666

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2017	74,261	19,143	1,263	804	95,471
Depletion and amortization	-	8	1	4	13
Balance, December 31, 2018	74,261	19,151	1,264	808	95,484
Impairment	31	-	-	-	31
Depletion and amortization	-	2	1	1	4
Balance, March 31, 2019	74,292	19,153	1,265	809	95,519

Net book value

December 31, 2018	31	4,221	922	8	5,182
March 31, 2019	-	4,219	921	7	5,147

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

10. Producing mining assets (Continued)

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
Cost	\$	\$	\$
Balance, December 31, 2017	97,803	2,789	100,592
Additions	43	-	43
Change in provision for environmental rehabilitation	31	-	31
Balance, December 31, 2018	97,877	2,789	100,666
Additions	-	-	-
Balance, March 31, 2019	97,877	2,789	100,666

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2017	93,303	2,168	95,471
Depletion and amortization	-	13	13
Balance, December 31, 2018	93,303	2,181	95,484
Impairment	31	-	31
Depletion and amortization	-	4	4
Balance, March 31, 2019	93,334	2,185	95,519

Net book value

December 31, 2018	4,574	608	5,182
March 31, 2019	4,543	604	5,147

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

11. Non-producing mining assets and other

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	16,129	689	604	33	1,386	18,841
Additions	178	-	-	-	258	436
Disposal	-	-	-	(7)	-	(7)
Change in provision for environmental rehabilitation	(24)	-	-	-	-	(24)
Balance, December 31, 2018	16,283	689	604	26	1,644	19,246
Additions	3	-	-	-	6	9
Balance, March 31, 2019	16,286	689	604	26	1,650	19,255

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2017	13,656	520	536	33	1,386	16,131
Depletion and amortization	-	8	1	-	-	9
Impairments	168	-	-	-	258	426
Disposal	-	-	-	(7)	-	(7)
Balance, December 31, 2018	13,824	528	537	26	1,644	16,559
Depletion and amortization	-	1	-	-	-	1
Impairment	3	-	-	-	6	9
Balance, March 31, 2019	13,827	529	537	26	1,650	16,569

Net book value

December 31, 2018	2,459	161	67	-	-	2,687
March 31, 2019	2,459	160	67	-	-	2,686

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements
Three months ended March 31, 2019 and March 31, 2018
(Tabular amounts in thousands of US dollars unless otherwise noted)
(unaudited)

11. Non-producing mining assets and other (Continued)

Non-producing mining interest is detailed by property as follows:

	Mineral Ridge	Goldwedge	Other	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2017	7,123	11,667	51	18,841
Additions	426	10	-	436
Disposal	-	-	(7)	(7)
Change in provision for environmental rehabilitation	-	(24)	-	(24)
Balance, December 31, 2018	7,549	11,653	44	19,246
Additions	9	-	-	9
Balance, March 31, 2019	7,558	11,653	44	19,255

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2017	7,123	8,977	31	16,131
Depletion and amortization	-	9	-	9
Impairments	426	-	-	426
Disposal	-	-	(7)	(7)
Balance, December 31, 2018	7,549	8,986	24	16,559
Depletion and amortization	-	1	-	1
Impairment	9	-	-	9
Balance, March 31, 2019	7,558	8,987	24	16,569

Net book value

December 31, 2018	-	2,667	20	2,687
March 31, 2019	-	2,666	20	2,686

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

12. Long-term debt

	March 31, 2019	December 31, 2018
Senior secured credit facility, extinguished in March 2019 ^(a)	\$ -	\$ 6,000
Financing lease on mobile equipment having a net book value of \$137,500, payable by monthly installments of \$10,115 including interest at a rate of 3.2% per annum until May 2019	20	50
Current portion	(20)	(6,050)
Long-term portion	-	-

Future minimum capital payments on financing lease are as follows:

	March 31, 2019	December 31, 2018
	\$	\$
2019	20	50
Total minimum lease payments	20	50
Less: amount representing interest	(-)	(-)
	20	50

a) Waterton Buyout

On March 4, 2019, the Company completed the Waterton Buyout, under which: (i) the \$6 million loan advanced from Waterton Precious Metals Fund II Cayman LP ("Waterton") to the Company was fully extinguished (ii) the gold and silver supply agreement dated May 18, 2011 among the Company, its subsidiaries and an affiliate of Waterton Fund was terminated; and (iii) the Company acquired the 30% non-controlling membership interest of Elevon LLC ("Elevon") in Mineral Ridge Gold (which holds the Mineral Ridge Project) and the related operating agreement dated March 10, 2010 between the Company and Elevon was terminated (collectively, the "Waterton Buyout"). These transactions resulted in a gain on debt settlement of \$3.8 million as well as a loss acquisition of non-controlling interest of \$4.8 million during the period ended March 31, 2019.

In consideration for the Waterton Buyout: (i) the Company paid Waterton Fund \$3 million (the "Upfront Payment"), (ii) the Company assigned to Waterton Fund the Company's right to receive a contingent payment of up to CAD\$1 million from Gold Standard Ventures Corp. ("Gold Standard") upon a change of control of Gold Standard, pursuant to the sale of the Pinon property in 2014, and (iii) a contingent payment will be payable by the Company to Waterton Global Resource Management if the Company completes certain asset sale or change of control transactions before 2022, with the amount of such payment being equal to a certain percentage of the value of such transactions.

\$2.3 million of the Upfront Payment was allocated to the Waterton loan, and the \$0.7 million balance of the upfront Payment was allocated to the acquisition of Elevon's 30% the non-controlling interest in Mineral Ridge Gold.

Scorpio Gold Corporation

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Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

12. Long-term debt (Continued)

a) Waterton Buyout (Continued)

The Company received funding to complete the Upfront Payment pursuant to a 7% interest bearing \$3 million debt bridge financing (the “Bridge Financing”) from arm’s length parties to the Company in the form of promissory notes. The Bridge financing was subsequently repaid at the closing of the convertible debenture financing (Note 17).

13. Share capital

On April 15, 2019, the Company completed a 2 for 1 consolidation of its outstanding common shares (the “Share Consolidation”). All share and per share amounts are shown on a post-consolidated basis retroactively throughout these financial statements.

(a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value.

(b) Stock option plan

A summary of changes in the Company’s outstanding stock options for the three months ended March 31, 2019 and the year ended December 31, 2018, are as follows:

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number (in thousands)	Weighted average exercise price CAD\$	Number (in thousands)	Weighted average exercise price CAD\$
Outstanding, beginning of period	2,805	0.31	3,469	0.31
Expired	-	-	(664)	(0.31)
Outstanding, end of period	2,805	0.31	2,805	0.31

Scorpio Gold Corporation

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Three months ended March 31, 2019 and March 31, 2018
(Tabular amounts in thousands of US dollars unless otherwise noted)
(unaudited)

13. Share capital (Continued)

(b) Stock option plan (Continued)

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2019:

Exercise price CAD\$	Weighted average remaining contractual life (in years)	Outstanding and Exercisable (in thousands)
0.17	2.42	1,143
0.29	0.79	905
0.55	4.19	757
		<u>2,805</u>

14. Supplemental cash flow information

(a) Change in liabilities arising from financing activities are as follows:

	March 31, 2019	December 31, 2018
	\$	\$
Long-term debt and financing lease, beginning of period	6,050	6,106
Cash flows: Principal repayment	(2,241)	(118)
Non-cash: Amortization of debt issue cost	-	62
Non-cash: Gain on debt settlement	(3,789)	-
Long-term debt and financing lease, end of period	20	6,050

(b) Supplementary information regarding other non-cash investing and financing transactions

	March 31, 2019	December 31, 2018
	\$	\$
Accounts payable included in non-producing mining asset	6	21

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Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

15. Segmented information

(a) Industry information

The Company is engaged in mining exploitation, exploration and development and has one operating mine and a toll milling facility. The Company has two reportable segments being Mineral Ridge and Goldwedge. The Other category is composed of head office and Scorpio Gold (US) Corporation. Segments are operations reviewed by the CEO who is considered to be the chief operating decision maker.

Operating segment details are as follows:

	Three months ended March 31, 2019			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	1,486	-	-	1,486
Inter-segment (expense) - management fees	(27)	-	27	-
Cost of sales excluding inventory write down	(1,375)	-	-	(1,375)
Mine operating earnings	84	-	27	111
Expenses				
General and administrative	-	-	(197)	(197)
Care and maintenance	-	(143)	-	(143)
Care and maintenance amortization	-	(5)	-	(5)
Gain on debt settlement	-	-	3,789	3,789
Impairment of mining assets	(40)	-	-	(40)
Operating earnings (loss)	44	(148)	3,619	3,515
Other expenses				
Finance costs	(29)	(2)	(119)	(150)
Foreign exchange gain	-	-	3	3
Finance income	29	1	-	30
Earnings (loss) before income taxes	-	(1)	(116)	(117)
Income tax recovery (expense)	44	(149)	3,503	3,398
	27	-	-	27
Net earnings (loss) and comprehensive income	71	(149)	3,503	3,425

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

15. Segmented information (Continued)

	Three months ended March 31, 2018			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	3,026	-	-	3,026
Inter-segment (expense) - management fees	(65)	-	65	-
Cost of sales excluding depletion and amortization	(1,915)	-	-	(1,915)
Mine operating earnings	1,046	-	65	1,111
Expenses				
General and administrative	(29)	-	(237)	(266)
Care and maintenance	-	(169)	-	(169)
Care and maintenance amortization		(6)	-	(6)
Gain on adjustment of provision for environmental rehabilitation	43	-	-	43
Impairment of mining assets	(347)	-	-	(347)
Operating earnings (loss)	713	(175)	(172)	366
Other expenses				
Finance costs	(24)	-	(176)	(200)
Foreign exchange gain	-	-	2	2
Finance income	15	-	-	15
	(9)	-	(174)	(183)
Earnings (loss) before income taxes	704	(175)	(346)	183
Income tax expense	(39)	-	-	(39)
Net earnings (loss) and comprehensive income	665	(175)	(346)	144

As at March 31, 2019

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	12,501	3,557	422	16,480
Total liabilities	5,023	361	3,458	8,842

As at December 31, 2018

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	12,301	3,552	859	16,712
Total liabilities	5,144	349	6,318	11,811

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

15. Segmented information (Continued)

(b) Geographic information

All revenue from the sale of precious metals for the periods ended March 31, 2019 and March 31, 2018 were earned in the United States. Substantially all of the Company's revenues were from one customer until March 4, 2019 after which revenues are from two customers.

All of the Company's non-current assets are located in the United States of America as at March 31, 2019 and December 31, 2018.

16. Related party transactions

a) Compensation of key management personnel and directors

The Company considers its key management personnel to be the CEO and the individuals having the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The remuneration of directors and key management personnel during the three-month periods ended March 31, 2019 and March 31, 2018 is as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Salaries and directors' fees	189	181
	189	181

As at March 31, 2019, an aggregate of \$217,324 resulting from transactions with key management is included in trade and other payables.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three-month periods ended March 31, 2019 and March 31, 2018.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2019 and March 31, 2018

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

16. Related party transactions (Continued)

b) Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund")

Waterton Fund, the Company's former lender, controls Elevon, LLC ("Elevon") which has owned a 30% non-controlling interest in Mineral Ridge Gold, LLC until March 4, 2019. Management considers that Waterton Fund and Elevon were related parties of the Company until that date.

Related party transactions entered into with Waterton Fund during the periods ended March 31, 2019 and March 31, 2018 are as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	\$	\$
Interest on long-term debt	104	148

17. Subsequent events

Issue of convertible debentures

On April 26, 2019, the Company closed a non-brokered private placement offering (the "Private Placement") of secured subordinated convertible debentures (each, a "Debenture") for gross proceeds of US\$7 million.

Each Debenture has an issue price of US\$1,000, a term of three years from the date of issuance and will bear interest at a rate of 10% per annum, payable semi-annually, which, subject to regulatory approval, may be paid in common shares of the Company ("Shares") at the option of the Company or the holder of the Debenture. The Debentures are secured by a security interest subordinate to all existing and future senior indebtedness of the Company as approved by the Company's board of directors, subject to certain board composition requirements.

Each Debenture is convertible into Shares at the option of the holder at any time prior to maturity at a conversion price of US\$0.08 per Share (the "Conversion Price"), which is equivalent to 12,500 Shares for each US\$1,000 principal amount of Debentures, subject to adjustment in certain circumstances. Debentures must be converted in minimum amounts of US\$1,000. The Company will have the option on maturity, subject to regulatory approval and there being no default to the terms of the Debentures, to repay any portion of the principal amount of the Debentures in cash or by issuing and delivering to the holders of the Debentures such number of Shares equal to the principal amount of the Debenture divided by the Conversion Price.

Prior to the issuance of the Debentures, the Company completed the 2 for 1 Share Consolidation.

The Debentures and Shares issued upon conversion thereof are subject to a four month hold period from the date of issuance of the Debentures in accordance with applicable securities laws and, if required, the policies of the Exchange. A US\$175,000 finder's fee was paid in Debentures in connection with the Private Placement.