

SCORPIO

GOLD CORPORATION

Condensed Interim Consolidated Financial Statements of

Scorpio Gold Corporation

For the three and nine months ended
September 30, 2018 and September 30, 2017
(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 and nine months ended September 30, 2018 and September 30, 2017
 (In thousands of US dollars except for shares and per share amounts)
 (unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Revenue	2,211	6,042	7,729	22,216
Cost of sales excluding depletion and amortization (Note 5)	(1,295)	(6,400)	(4,806)	(18,495)
Depletion and amortization	-	(730)	-	(1,289)
Mine operating earnings (loss)	916	(1,088)	2,923	2,432
Expenses				
General and administrative (Note 6)	(150)	(273)	(652)	(963)
Care and maintenance	(149)	(175)	(471)	(536)
Gain (loss) on disposal of assets	-	(6)	4	(4)
Impairment of mining assets (Note 3c))	(8)	(1,123)	(413)	(3,375)
Gain on adjustment of provision for environmental rehabilitation	-	-	43	-
Operating earnings (loss)	609	(2,665)	1,434	(2,446)
Other (expenses) income				
Finance costs (Note 7)	(186)	(196)	(589)	(582)
Foreign exchange (loss) gain	(1)	-	2	(1)
Finance income	23	-	58	-
	(164)	(196)	(529)	(583)
Earnings (Loss) before income taxes	445	(2,861)	905	(3,029)
Income tax (expense) recovery				
Current	(34)	(26)	(123)	(184)
Deferred	4	113	23	194
	(30)	87	(100)	10
Net earnings (loss) and comprehensive income	415	(2,774)	805	(3,019)
Net earnings (loss) and comprehensive income attributable to:				
Shareholders of the Company	163	(2,075)	127	(2,534)
Non-controlling interest	252	(699)	678	(485)
	415	(2,774)	805	(3,019)
Basic and diluted earnings (loss) per share	0.00	(0.02)	0.00	(0.02)
Basic and diluted weighted average number of shares outstanding (Note 8)	124,948,235	124,948,235	124,948,235	124,948,235

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)

	September 30, 2018	December 31, 2017
	\$	\$
Assets		
Current assets		
Cash	864	939
Trade and other receivables	1	188
Prepaid expenses and other	536	548
Inventories (Note 9)	1,916	2,457
Total current assets	3,317	4,132
Producing mining assets (Note 10)	5,155	5,121
Non-producing mining assets and other (Note 11)	2,715	2,710
Reclamation bonds	6,050	5,745
Total assets	17,237	17,708
Equity and liabilities		
Current liabilities		
Trade and other payables	687	1,007
Income taxes payable	123	274
Current portion of long-term debt and financing lease (Note 12)	6,080	6,056
Total current liabilities	6,890	7,337
Long-term debt and financing lease (Note 12)	-	50
Provision for environmental rehabilitation	4,809	4,854
Deferred income tax liability	30	53
Total liabilities	11,729	12,294
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)
Deficit	(48,408)	(48,535)
Equity attributable to shareholders of the Company	9,400	9,273
Non-controlling interest	(3,892)	(3,859)
Total equity	5,508	5,414
Total liabilities and equity	17,237	17,708

Statement of compliance, basis of presentation and going concern (Note 2)

Subsequent event (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 and nine months ended September 30, 2018 and September 30, 2017
(In thousands of US dollars, shares in thousands)
(unaudited)

	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
Balance, December 31, 2017	124,948	\$ 51,449	\$ 6,555	\$ (2)	\$ (194)	\$ (48,535)	\$ (3,859)	\$ 5,414
Net earnings and comprehensive income	-	-	-	-	-	127	678	805
Distributions to non-controlling interest	-	-	-	-	-	-	(711)	(711)
Balance, September 30, 2018	124,948	51,449	6,555	(2)	(194)	(48,408)	(3,892)	5,508

	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
Balance, December 31, 2016	124,948	\$ 51,449	\$ 6,555	\$ (2)	\$ (194)	\$ (44,853)	\$ (2,310)	\$ 10,645
Net loss and comprehensive income	-	-	-	-	-	(2,534)	(485)	(3,019)
Distributions to non-controlling interest	-	-	-	-	-	-	(771)	(771)
Balance, September 30, 2017	124,948	51,449	6,555	(2)	(194)	(47,387)	(3,566)	6,855

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of cash flows

Three and nine months ended September 30, 2018 and September 30, 2017

(In thousands of US dollars)

(unaudited)

	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Operating activities				
Earnings (loss) before taxes for the period	445	(2,861)	905	(3,029)
Adjustment for:				
Environmental rehabilitation payments	(24)	-	(120)	-
Income tax paid		-	(274)	(583)
Items not involving cash:				
Finance costs (Note 7)	186	196	589	582
Finance income	(23)	-	(58)	-
Loss (gain) on disposal of assets		6	(4)	4
Gain on adjustment of provision for environmental rehabilitation	-	-	(43)	-
Inventory write-down (Note 3c))	-	830		830
Impairment of mining assets (Note 3c))	8	1,123	413	3,375
Depletion and amortization	4	732	13	1,295
Cash flows from operating activities before movements				
in working capital:	596	26	1,421	2,474
Change in working capital items (Note 14)	66	1,011	434	1,127
	662	1,037	1,855	3,601
Investing activities				
Additions to non-producing mining assets	(16)	(603)	(436)	(2,536)
Reductions (additions) to reclamation bonds (net)	-	-	(247)	-
Additions to producing mining assets	-	(1,395)		(3,017)
Proceeds from disposal of asset s	-	-	4	2
Decrease in restricted cash	-	-		1,307
	(16)	(1,998)	(679)	(4,244)
Financing activities				
Distributions to non-controlling interest	(304)	(210)	(711)	(771)
Interest paid	(151)	(151)	(449)	(449)
Repayment of long-term debt and financing lease	(30)	(30)	(91)	(97)
	(485)	(391)	(1,251)	(1,317)
Increase (decrease) in cash	161	(1,352)	(75)	(1,960)
Cash, beginning of period	703	3,208	939	3,816
Cash, end of period	864	1,856	864	1,856

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 and nine months ended September 30, 2018 and September 30, 2017

(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 206-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

2. Statement of compliance, basis of presentation and going concern

The Company’s condensed interim consolidated financial statements have been prepared on the going concern basis which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Company’s only source of revenue, the 70% owned Mineral Ridge mine, suspended mining in November 2017 and management expects to generate limited revenues until approximately Q1 of 2019 from residual but diminishing gold recoveries from the leach pads. As a result, the Company’s revenues from operations have been and continue to be adversely affected, and cash flow from operations will soon be insufficient to support the Company. In addition, the principal of \$6.0 million of the Company’s senior secured long-term debt matured on August 13, 2018. The Company requested and received from its lender extensions of the maturity date of its senior secured debt, the most recent of which extended it to December 19, 2018, subject to certain conditions. For further information, see note 17.

In light of this situation, the Company does not expect that it will be able to generate sufficient cash flows from its operations to continue as a going concern in the near future. The Company will need to raise additional capital in order to support its operations and to settle its long-term debt. The Company is currently evaluating various business alternatives, which involve refinancing its long-term debt and raising the required capital to support its operations and for the construction of a new processing facility at the Mineral Ridge mine.

In October 2017, the Company announced a positive feasibility study for processing the heap leach mineral resource at Mineral Ridge. This economically positive study provides the foundation for recovering a substantial portion of the the gold reserves contained on the heap leach pad. Additionally, due to higher expected recovery rates provided by the new milling circuit, the Company proceeded with a third-party analysis of its other known mineralization reserves. This study added additional mineral reserves. This is expected to extend the Mineral Ridge life of mine, subject to the construction of the new processing facility. Further exploration at Mineral Ridge may also add additional resources. For more information, see the Company’s technical report titled “Updated Feasibility Study and National Instrument 43-101 Technical Report: Mineral Ridge Project” which is dated January 2, 2018 and is available on SEDAR. The Company’s Chairman, Mr. Peter J. Hawley, is the Company’s qualified person under National Instrument 43-101-Standards of Disclosure for Mineral Projects (“NI 43-101”), and has reviewed and approved the technical disclosure contained in these financial statements.

The successful completion of the refinancing of the Company’s long-term debt, raising capital to finance construction of a new processing facility and to support operations during the period of construction, obtaining relevant permits to proceed with construction and to resume mining, provided it is economically viable to do so, and the ability to identify future profitable business operations are not entirely within the control of the Company. These factors create significant doubt and material uncertainty over the Company’s ability to continue as a going concern in the foreseeable future.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

2. Statement of compliance, basis of presentation and going concern (Continued)

The Company's condensed interim consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

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, 2017 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 November 28, 2018.

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, 2017, except for the following policy being applied in the current period which was not applicable in the 2017 consolidated financial statements:

a) Financial instruments ("IFRS 9")

Financial instruments ("IFRS 9") was issued by the IASB and replaces *Financial instruments: recognition and measurement* ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments also introduce a new loss impairment model and limited changes to the classification and measurement requirements for financial assets. This standard did not have a significant effect on the presentation and disclosure of the financial statements.

b) Revenue from contracts with customers ("IFRS 15")

The core principle of this new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements. The Company has adopted IFRS 15 using the cumulative effect method, without practical expedients, with the effect of initially applying this standard recognized at the date of initial application of January 1, 2018. Accordingly, the information presented for 2017 has not been restated. It is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. This standard did not have a significant effect on the presentation and disclosure of the financial statements.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

3. Significant accounting policies and estimates (Continued)

c) 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 September 30, 2018 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 \$5.6 million. During the nine-month period ended September 30, 2018, a total of \$0.4 million of non-cash impairment charges for Mineral Ridge were recorded.

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.

Based on its assessment, the Company calculated that a non-cash impairment charge for Mineral Ridge of \$4.8 million would be required, using a discount rate of 9% along with an average gold price assumption of \$1,275 for the rest of 2017. However, since the depreciable amount of the assets, being defined as the net of the carrying amounts and the residual value, amounted to \$1.1 million, the Company recorded a \$1.1 million non-cash impairment charge during the third quarter of 2017 and a total of \$3.4 million for the nine months ended September 30, 2017.

The recoverability analysis over the Company's inventory as at September 30, 2017, using a gold price assumption of \$1,275, indicated that their net realizable value was lower than the costs of production. As a result, a write-down on inventory was recognized in cost of sales in an amount of \$0.8 million during the period ended September 30, 2017.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

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	687	687	-	-	-
Principal on long-term debt and financing lease	6,080	6,080	-	-	-
Provision for environmental rehabilitation	5,174	-	250	4,352	572

b) Fair Value

The fair value of cash, trade and other receivables, reclamation bonds as well as trade and other payables approximate their carrying amount due to their short-term nature. Fair value of long-term debt is not significantly different from its carrying amount since it matures in the short term.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Contractor charges	91	1,336	340	6,221
Labour	572	1,471	2,228	4,628
Fuel and reagents	200	453	492	1,529
Mechanical parts	26	388	93	1,402
Change in ore stockpile, metals in process and finished goods inventories	87	1,269	490	1,992
Inventory write-down	-	830	-	830
Royalties	-	-	17	10
Utilities, permits and other	319	653	1,146	1,883
	1,295	6,400	4,806	18,495

6. General and administrative

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Salaries and benefits	105	147	375	456
Investor relations	-	36	7	142
Directors fees	25	39	76	115
Professional fees	7	14	127	89
Insurance, travel and office related	10	26	55	79
Project evaluation	-	-	-	50
Consultants	1	7	5	23
Transfer agent and listing fees	2	4	7	9
	150	273	652	963

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

7. Finance costs

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Interest on long-term debt	151	151	449	449
Amortization of debt issue cost	9	25	62	72
Unwinding of discount of provision for environmental rehabilitation	25	18	75	55
Interest on financing lease	1	2	3	6
	186	196	589	582

8. Weighted average number of shares and dilutive share equivalents

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Basic weighted average number of shares	124,948,235	124,948,235	124,948,235	124,948,235

All of the potentially dilutive securities were excluded from the dilutive number of shares outstanding for the three and nine months periods ended September 30, 2018 and for the three and nine months periods ended September 30, 2017 as they are anti-dilutive.

9. Inventories

	September 30, 2018	December 31, 2017
	\$	\$
Supplies	721	771
Metals in process	1,061	1,661
Finished goods	134	25
	1,916	2,457

During the nine-month period ended September 30, 2018, inventory included as cost of sales was \$4.8 million (2017, \$19.8 million). During the nine-month period ended September 30, 2017, a write-down of inventory recognized in cost of sales amounted to \$830,045 as a result of a recoverability analysis performed at the reporting date.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

(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, 2016	70,160	23,182	1,973	798	96,113
Transfer from non-producing mining assets	1,284	135	-	11	1,430
Additions	2,728	78	213	7	3,026
Disposal	-	(66)	-	-	(66)
Change in provision for environmental rehabilitation	89	-	-	-	89
Balance, December 31, 2017	74,261	23,329	2,186	816	100,592
Additions	-	43	-	-	43
Balance, September 30, 2018	74,261	23,372	2,186	816	100,635

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2016	70,160	19,036	1,198	790	91,184
Transfer from non-producing mining assets	856	-	-	8	864
Depletion and amortization	1,288	8	1	-	1,297
Impairments	1,957	155	64	6	2,182
Disposal	-	(56)	-	-	(56)
Balance, December 31, 2017	74,261	19,143	1,263	804	95,471
Depletion and amortization	-	5	4	-	9
Balance, September 30, 2018	74,261	19,148	1,267	804	95,480

Net book value

December 31, 2017	-	4,186	923	12	5,121
September 30, 2018	-	4,224	919	12	5,155

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

(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, 2016	93,464	2,649	96,113
Transfer from non-producing mining assets	1,295	135	1,430
Additions	3,021	5	3,026
Disposal	(66)	-	(66)
Change in provision for environmental rehabilitation	89	-	89
Balance, December 31, 2017	97,803	2,789	100,592
Additions	43	-	43
Balance, September 30, 2018	97,846	2,789	100,635

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2016	89,118	2,066	91,184
Transfer from non-producing mining assets	864	-	864
Depletion and amortization	1,289	8	1,297
Impairments	2,088	94	2,182
Disposal	(56)	-	(56)
Balance, December 31, 2017	93,303	2,168	95,471
Depletion and amortization	-	9	9
Balance, September 30, 2018	93,303	2,177	95,480

Net book value

December 31, 2017	4,500	621	5,121
September 30, 2018	4,543	612	5,155

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

(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, 2016	15,640	685	604	37	741	17,707
Transfer to producing mining assets	(1,284)	-	-	-	(146)	(1,430)
Additions	1,766	4	-	-	791	2,561
Disposal	-	-	-	(4)	-	(4)
Change in provision for environmental rehabilitation	7	-	-	-	-	7
Balance, December 31, 2017	16,129	689	604	33	1,386	18,841
Additions	174	-	-	-	248	422
Balance, September 30, 2018	16,303	689	604	33	1,634	19,263

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2016	13,295	520	500	37	725	15,077
Transfer to producing mining assets	(856)	-	-	-	(8)	(864)
Impairments	1,217	-	36	-	669	1,922
Disposal	-	-	-	(4)	-	(4)
Balance, December 31, 2017	13,656	520	536	33	1,386	16,131
Depletion and amortization	-	3	1	-	-	4
Impairment	165	-	-	-	248	413
Balance, September 30, 2018	13,821	523	537	33	1,634	16,548

Net book value

December 31, 2017	2,473	169	68	-	-	2,710
September 30, 2018	2,482	166	67	-	-	2,715

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

(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, 2016	6,471	11,192	44	17,707
Transfer to producing mining assets	(1,295)	(135)	-	(1,430)
Additions	1,947	603	11	2,561
Disposal	-	-	(4)	(4)
Change in provision for environmental rehabilitation	-	7	-	7
Balance, December 31, 2017	7,123	11,667	51	18,841
Additions	413	9	-	422
Balance, September 30, 2018	7,536	11,676	51	19,263

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2016	6,471	8,571	35	15,077
Transfer to producing mining assets	(864)	-	-	(864)
Impairments	1,516	406	-	1,922
Disposal	-	-	(4)	(4)
Balance, December 31, 2017	7,123	8,977	31	16,131
Depletion and amortization	-	4	-	4
Impairment	413	-	-	413
Balance, September 30, 2018	7,536	8,981	31	16,548

Net book value

December 31, 2017	-	2,690	20	2,710
September 30, 2018	-	2,695	20	2,715

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

12. Long-term debt

	September 30, 2018	December 31, 2017
	\$	\$
Senior secured credit facility, bearing interest at a rate of 10% per annum payable quarterly, secured by a first priority security interest over all of the Company's assets ^{a)}	6,000	5,938
Financing lease on mobile equipment having a net book value of \$150,000, payable by monthly installments of \$10,115 including interest at a rate of 3.2% per annum until May 2019 ^{b)}	80	168
Current portion	(6,080)	(6,056)
Long-term portion	-	50

Future long-term debt principal repayments are as follows:

2018: \$6,000

- ^{a)} On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"), an affiliate of Elevon, LLC, for a loan in the principal amount of \$6 million (the "Loan"). The Company paid Waterton Fund a \$0.12 million structuring fee and incurred \$0.16 million of other related issue costs. On August 13, 2018, the Company was not in a position to repay the \$6 million principal amount of the Loan. As a result, the Company entered into forbearance agreements with Waterton Fund under the most recent of which the maturity date was extended to December 19, 2018, subject to certain conditions. For more information, see note 17.

There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company's trade payables not exceed \$8.0 million. The Company has complied with all restrictions pursuant to the Loan as at September 30, 2018.

- ^{b)} Future minimum capital payments on financing lease are as follows:

	September 30, 2018	December 31, 2017
	\$	\$
2018	81	121
2019	-	51
Total minimum lease payments	81	172
Less: amount representing interest	(1)	(4)
	80	168

Scorpio Gold Corporation

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Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

13. Share capital

(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 nine months ended September 30, 2018 and the year ended December 31, 2017, are as follows:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	(in thousands)	CAD\$	(in thousands)	CAD\$
Outstanding, beginning of period	6,937	0.16	10,890	0.27
Expired	(1,327)	(0.16)	(3,953)	(0.47)
Outstanding, end of period	5,610	0.16	6,937	0.16

(b) Stock option plan

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2018:

Exercise price	Weighted average remaining contractual life	Outstanding and Exercisable
CAD\$	(in years)	(in thousands)
0.085	2.92	2,285
0.145	1.29	1,810
0.275	4.68	1,515
		5,610

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Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

14. Supplemental cash flow information

(a) Information regarding change in working capital items is as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Decrease (increase) in trade and other receivables	11	(92)	188	52
(Increase) decrease in prepaid expenses and other	(139)	(241)	12	93
Decrease (increase) in inventories	124	1,267	541	2,003
Increase (decrease) in trade and other payables	70	77	(307)	(1,021)
	66	1,011	434	1,127

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

	September 30, 2018	December 31, 2017
	\$	\$
Long-term debt and financing lease, beginning of period	6,106	6,130
Cash flows: Principal repayment	(88)	(121)
Non-cash: Amortization of debt issue cost	62	97
Long-term debt and financing lease, end of period	6,080	6,106

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

	September 30, 2018	December 31, 2017
	\$	\$
Accounts payable included in non-producing mining asset	9	21
Additions to producing mining assets from an increase to provision for environmental rehabilitation	43	-

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Three and nine months ended September 30, 2018 and September 30, 2017

(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 September 30, 2018			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	2,211	-	-	2,211
Inter-segment (expense) - management fees	(38)	-	38	-
Cost of sales excluding depletion and amortization	(1,295)	-	-	(1,295)
Mine operating earnings	878	-	38	916
Expenses				
General and administrative	-	-	(150)	(150)
Care and maintenance	-	(145)	-	(145)
Care and maintenance amortization	-	(4)	-	(4)
Gain on disposal of assets	-	-	-	-
Impairment of mining assets	(8)	-	-	(8)
Operating earnings (loss)	870	(149)	(112)	609
Other expenses				
Finance costs	(24)	(2)	(160)	(186)
Foreign exchange (loss) gain	-	-	(1)	(1)
Finance income	23	-	-	23
	(1)	(2)	(161)	(164)
Earnings (loss) before income taxes	869	(151)	(273)	445
Income tax expense	(30)	-	-	(30)
Net earnings (loss) and comprehensive income	839	(151)	(273)	415

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Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

*(Tabular amounts in thousands of US dollars unless otherwise noted)**(unaudited)***15. Segmented information (Continued)**

	Three months ended September 30, 2017			
	Mineral Ridge	Goldwedge	Other	Total
Revenue from precious metal sales	\$ 6,042	\$ -	\$ -	\$ 6,042
Revenue from toll milling	-	-	-	-
Inter-segment (expense) - management fees	(185)	-	185	-
Cost of sales excluding depletion and amortization	(6,400)	-	-	(6,400)
Depletion and amortization	(730)	-	-	(730)
Mine operating (loss) earnings	(1,273)	-	185	(1,088)
Expenses				
General and administrative	-	-	(273)	(273)
Care and maintenance	-	(173)	-	(173)
Care and maintenance- amortization	-	(2)	-	(2)
Loss on disposal of assets	(6)	-	-	(6)
Impairment of mining assets	(1,123)	-	-	(1,123)
Operating earnings (loss)	(2,402)	(175)	(88)	(2,665)
Other expenses				
Finance costs	(19)	(2)	(175)	(196)
Loss before income taxes	(2,421)	(177)	(263)	(2,861)
Income tax expense	87	-	-	87
Net loss and comprehensive income	(2,334)	(177)	(263)	(2,774)

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

*(Tabular amounts in thousands of US dollars unless otherwise noted)**(unaudited)***15. Segmented information (Continued)**

	Nine months ended September 30, 2018			
	Mineral Ridge	Goldwedge	Other	Total
Revenue from precious metal sales	\$ 7,729	\$ -	\$ -	\$ 7,729
Inter-segment (expense) - management fees	(147)	-	147	-
Cost of sales excluding depletion and amortization	(4,806)	-	-	(4,806)
Depletion and amortization	-	-	-	-
Mine operating earnings	2,776	-	147	2,923
Expenses				
General and administrative	(29)		(623)	(652)
Care and maintenance		(458)	-	(458)
Care and maintenance – amortization		(13)	-	(13)
Gain on adjustment of provision for environmental rehabilitation	43	-	-	43
Gain on disposal of assets	-	-	4	4
Impairment of mining assets	(413)	-	-	(413)
Operating earnings (loss)	2,377	(471)	(472)	1,434
Other expenses (revenue)				
Finance costs	(72)	(6)	(511)	(589)
Finance income	56	2	-	58
Foreign exchange gain	-	-	2	2
	(16)	(4)	(509)	(529)
Earnings (loss) before income taxes	2,361	(475)	(981)	905
Income tax expense	(100)	-	-	(100)
Net earnings (loss) and comprehensive income	2,261	(475)	(981)	805

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Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

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

(unaudited)

15. Segmented information (Continued)

	Nine months ended September 30, 2017			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	22,212	-	-	22,212
Revenue from toll milling	-	4	-	4
Inter-segment (expense) - management fees	(621)	-	621	-
Cost of sales excluding depletion and amortization	(18,492)	(3)	-	(18,495)
Depletion and amortization	(1,289)	-	-	(1,289)
Mine operating earnings	1,810	1	621	2,432
Expenses				
General and administrative	-	(5)	(958)	(963)
Care and maintenance	-	(530)	-	(530)
Care and maintenance – amortization	-	(6)	-	(6)
(loss) gain on disposal of assets	(6)	-	2	(4)
Impairment of mining assets	(3,375)	-	-	(3,375)
Operating (loss)	(1,571)	(540)	(335)	(2,446)
Other expenses				
Finance costs	(56)	(6)	(520)	(582)
Foreign exchange loss	-	-	(1)	(1)
	(56)	(6)	(521)	(583)
Loss before income taxes	(1,627)	(546)	(856)	(3,029)
Income tax recovery	10	-	-	10
Net loss and comprehensive income	(1,617)	(546)	(856)	(3,019)

As at September 30, 2018

	Mineral			
	Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	12,907	3,577	753	17,237
Total liabilities	5,021	381	6,327	11,729

As at December 31, 2017

	Mineral			
	Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	13,683	3,592	433	17,708
Total liabilities	5,667	389	6,238	12,294

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

(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 September 30, 2018 and September 30, 2017 were earned in the United States. Substantially all of the Company's revenues are with one customer.

All of the Company's non-current assets are located in the United States of America as at September 30, 2018 and December 31, 2017.

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 and six months periods ended June 30, 2018 and June 30, 2017 is as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
Salaries and directors fees	178	193	531	593
Consulting fee paid to a former director	-	-	-	6
	178	193	531	599

As at September 30, 2018, an aggregate of \$176,522 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 and nine months periods ended September 30, 2018 and September 30, 2017.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2018 and September 30, 2017

(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 lender, controls Elevon, LLC (“Elevon”) which owns a 30% non-controlling interest in Mineral Ridge Gold, LLC. Management considers that Waterton Fund and Elevon are related parties of the Company.

Related party transactions entered into with Waterton Fund during the three and nine months periods ended September 30, 2018 and September 30, 2017 are as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Interest on long-term debt	\$ 151	\$ 151	\$ 449	\$ 449

17. Subsequent Event

In November 2018, the Company entered into a third forbearance agreement (the “Forbearance Agreement”) among the Company and Waterton Fund in connection with the repayment of the Loan in the principal amount of US\$6,000,000, pursuant to the terms of a senior secured credit agreement dated August 14, 2015 (the “Credit Agreement”) among the Company and Waterton Fund. Under the terms of the Forbearance Agreement, Waterton Fund has agreed to not exercise its rights and remedies in connection with the Loan and extend the maturity date thereof to December 19, 2018, subject to the occurrence of default under, and the Company’s compliance with, the Forbearance Agreement and Credit Agreement.

The Company intends to use the period until December 19, 2018 to complete its review of potential strategic alternatives, including possible sale transactions or capital investments and financing alternatives, in an effort to fully repay the Loan.