



GOLD CORPORATION

Condensed Consolidated Interim Financial Statements of

Scorpio Gold Corporation

For the three months ended
March 31, 2015 and March 31, 2014
(unaudited)

Scorpio Gold Corporation

Condensed consolidated interim financial statements of operations

Three months ended March 31, 2015 and March 31, 2014

(In thousands of US dollars except for shares and per share amounts)

(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Revenue	12,343	13,249
Cost of sales excluding depletion and amortization (Note 5)	(9,555)	(8,786)
Depletion and amortization	(733)	(3,133)
Mine operating earnings	2,055	1,330
Expenses		
General and administrative (Note 6)	(1,106)	(540)
Operating earnings	949	790
Other (expenses) income		
Finance costs (Note 7)	(77)	(211)
Foreign exchange loss	(219)	(5)
Finance income	10	5
Gain on disposal of investments	172	-
	(114)	(211)
Earnings before income taxes	835	579
Current income tax expense	(80)	(201)
Net earnings for the period	755	378
Net earnings attributable to:		
Shareholders of the Company	131	46
Non-controlling interest	624	332
	755	378
Earnings per share		
Basic	0.00	0.00
Diluted	0.00	0.00
Weighted average number of shares outstanding (Note 8)		
Basic	124,948,235	124,948,235
Diluted	125,060,770	125,184,860

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim financial statements of comprehensive income (loss)

Three months ended March 31, 2015 and March 31, 2014

(In thousands of US dollars)

(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Net earnings for the period	755	378
Other comprehensive income (loss)		
Items that may subsequently be reversed to statement of operations:		
Change in fair value of available-for-sale investments (net of tax, nil) (Note 10)	98	(448)
Reclassification to statement of operations	(101)	-
Comprehensive income (loss) for the period	752	(70)
Comprehensive income (loss) attributable to:		
Shareholders of the Company	128	(402)
Non-controlling interest	624	332
	752	(70)

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim financial statements of financial position

As at

(In thousands of US dollars)

(unaudited)

	March 31, 2015	December 31, 2014
	\$	\$
Assets		
Current assets		
Cash	3,450	1,114
Trade and other receivables	20	89
Prepaid expenses and other	656	542
Inventories (Note 9)	7,534	9,568
Investments (Note 10)	1	5,264
Total current assets	11,661	16,577
Producing mining assets (Note 11)	8,310	7,178
Non-producing mining assets and other (Note 12)	14,882	11,831
Reclamation bonds	5,357	5,357
Total assets	40,210	40,943
Equity and liabilities		
Current liabilities		
Trade and other payables	6,423	5,264
Income taxes payable	80	145
Current portion of long-term debt (Note 13)	75	3,126
Total current liabilities	6,578	8,535
Long-term debt (Note 13)	66	312
Provision for environmental rehabilitation	5,764	5,745
Total liabilities	12,408	14,592
Equity		
Share capital (Note 14)	51,449	51,449
Equity reserve	6,383	6,184
Investment valuation reserve	(2)	1
Foreign currency translation reserve	(194)	(194)
Deficit	(29,690)	(29,821)
Equity attributable to shareholders of the Company	27,946	27,619
Non-controlling interest	(144)	(1,268)
Total equity	27,802	26,351
Total liabilities and equity	40,210	40,943

Contingencies (Note 19)

Subsequent event (Note 20)

APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim financial statements of changes in equity

Three months ended March 31, 2015 and March 31, 2014

(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, 2014	124,948	51,449	6,184	1	(194)	(29,821)	(1,268)	26,351
Net earnings for the period	-	-	-	-	-	131	624	755
Distributions to non-controlling interest	-	-	-	-	-	-	(100)	(100)
Contribution by non-controlling interest	-	-	-	-	-	-	600	600
Change in fair value of available-for-sale investments	-	-	-	98	-	-	-	98
Reclassification of gain on available-for-sale investments to statement of operations	-	-	-	(101)	-	-	-	(101)
Share-based compensation	-	-	199	-	-	-	-	199
Balance, March 31, 2015	124,948	51,449	6,383	(2)	(194)	(29,690)	(144)	27,802

	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	124,948	51,449	6,181	-	(194)	(9,682)	7,143	54,897
Net earnings for the period	-	-	-	-	-	46	332	378
Distributions to non-controlling interest	-	-	-	-	-	-	(354)	(354)
Change in fair value of available-for-sale investments	-	-	-	(448)	-	-	-	(448)
Share-based compensation	-	-	3	-	-	-	-	3
Balance, March 31, 2014	124,948	51,449	6,184	(448)	(194)	(9,636)	7,121	54,476

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of cash flows
Three months ended March 31, 2015 and March 31, 2014
(In thousands of US dollars)
(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Operating activities		
Net earnings for the period before taxes	835	579
Adjustments for:		
Income taxes paid	(145)	(211)
Environmental rehabilitation expenditures	(4)	(2)
Items not involving cash :		
Finance costs	77	211
Finance income	(10)	(5)
Gain on disposal of investments	(172)	-
Share-based compensation	177	3
Depletion and amortization	735	3,135
Cash flows from operating activities before movements in working capital:	1,493	3,710
Decrease (increase) in trade and other receivables	69	(14)
Increase in prepaid expenses and other	(114)	(306)
Decrease in inventories	2,034	402
Increase (decrease) in trade and other payables	862	(654)
	4,344	3,138
Investing activities		
Additions to non-producing mining assets	(3,546)	(2,038)
Proceeds from disposal of non-producing mining assets	-	5,413
Proceeds from disposal of investments	5,250	-
Additions to producing mining assets	(900)	(231)
Additions to reclamation bonds	-	(2,291)
Reduction to reclamation bonds	-	3,096
Finance income received	15	-
	819	3,949
Financing activities		
Repayment of long-term debt	(3,451)	(5,521)
Interest paid	(53)	(185)
Distributions to non-controlling interest	(100)	(354)
Contribution by non-controlling interest	600	-
	(3,004)	(6,060)
Effect of foreign exchange rate changes on cash	177	3
Increase in cash	2,336	1,030
Cash, beginning of period	1,114	2,775
Cash, end of period	3,450	3,805

Supplemental cash flow information (Note 15)

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

(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 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 and its administrative office is located at 1462, de la Quebequoise, Val-d’Or, Quebec, Canada, J9P 5H4.

2. Statement of compliance and basis of preparation

These condensed consolidated interim 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”) and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on May 28, 2015.

3. Significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2014.

Accounting standards issued but not effective

In addition to the accounting standards issued but not effective disclosed in the consolidated financial statements as at December 31, 2014, the following improvements are effective January 1, 2016. The Company is assessing the impact of these amendments:

a) Amendments to *Non-current assets held for sale and discontinued operations* (“IFRS 5”)

Changes in methods of disposal with respect to non-current assets held for sale and discontinued operations.

b) Amendments to Interim financial reporting (“IAS 34”)

Disclosure of information elsewhere in the interim financial report.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

(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	6,423	6,423	-	-	-
Income taxes payable	80	80	-	-	-
Long-term debt	141	75	66	-	-
Provision for environmental rehabilitation	5,796	-	411	2,650	2,735

b) Fair Value

The fair value of cash, reclamation bonds, trade and other payables approximate their carrying amount due to their short-term nature. Investments, which are designated as available-for-sale, are recorded at fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's investments in common shares are classified as Level 1 in the fair value hierarchy. The Company has no financial instruments classified as Level 2 or Level 3.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

(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 March 31, 2015	Three months ended March 31, 2014
	\$	\$
Contractor charges	2,839	3,582
Labour	2,374	2,118
Fuel and reagents	802	856
Mechanical parts	728	853
Change in ore stockpile, metals in process and finished goods inventories	1,978	507
Other	834	870
	9,555	8,786

6. General and administrative

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Break fee and related costs ⁽¹⁾	597	-
Salaries and benefits	219	256
Share-based compensation	79	3
Professional fees	76	89
Insurance, travel and office related	56	57
Investor relations	36	49
Directors fees	30	50
Consultants	8	14
Transfer agent and listing fees	3	5
Amortization	2	2
Project evaluation	-	15
	1,106	540

⁽¹⁾ On March 6, 2015, the Company announced a strategic financing to raise \$15 million from the issuance of equity to an affiliate of Coral Reef Capital LLC ("Coral Reef"). This financing was thereafter terminated and as such the Company is obligated to pay a break fee of \$0.5 million along with approximately \$0.1 million of related due diligence and legal costs incurred by Coral Reef.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

7. Finance costs

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Interest on long-term debt	54	190
Unwinding of discount of provision for environmental rehabilitation	23	21
	77	211

8. Weighted average number of shares and dilutive share equivalents

	Three months ended March 31, 2015	Three months ended March 31, 2014
Basic weighted average number of shares	124,948,235	124,948,235
Effect of dilutive securities:		
Stock options	112,535	236,625
Diluted weighted average number of shares	125,060,770	125,184,860

The following potentially dilutive securities were excluded from the dilutive number of shares outstanding for the following periods as they are anti-dilutive.

	Three months ended March 31, 2015	Three months ended March 31, 2014
Stock options	7,545,000	9,582,000

9. Inventories

	March 31, 2015	December 31, 2014
	\$	\$
Supplies	1,126	1,183
Ore stockpile	175	356
Metals in process	4,644	7,862
Finished goods	1,589	167
	7,534	9,568

During the three-month period ended March 31, 2015, inventory included as cost of sales is \$ 10.3 million (2014, \$11.9 million).

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

10. Investments

	March 31, 2015	December 31, 2014
	\$	\$
Investment in common shares of Gold Standard Ventures Corp. ("Gold Standard")		
Balance, beginning of period	3,084	-
Addition	-	4,363
Disposal ⁽¹⁾	(3,084)	-
Change in fair value during the period		(1,279)
Balance, end of period	-	3,084
Promissory note receivable from Gold Standard and accrued interest ⁽¹⁾	-	2,176
Other investment in shares		
Balance, beginning of period	4	3
Change in fair value during the period	(3)	1
Balance, end of period	1	4
	1	5,264

⁽¹⁾ During the first quarter of 2015, the Company sold its investment in the common shares of Gold Standard for aggregate net proceeds of \$3.3 million which resulted in a gain on disposal of \$0.2 million and the Company received payment of the debt represented by the CAD\$2.5 million promissory note received as part of the sale of the Pinon property.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

11. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2013	36,794	19,427	1,016	802	58,039
Additions	1,280	100	24	37	1,441
Disposal	-	(151)	(59)	(108)	(318)
Change in provision for environmental rehabilitation	356	-	-	-	356
Transfer from non-producing mining assets	-	3,789	182	7	3,978
Balance, December 31, 2014	38,430	23,165	1,163	738	63,496
Transfer from non-producing mining assets	3,767 ⁽¹⁾	21	-	-	3,788
Additions	865	27	154	-	1,046
Balance, March 31, 2015	43,062	23,213	1,317	738	68,330

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2013	25,910	9,389	314	559	36,172
Disposal	-	(100)	(45)	(104)	(249)
Transfer from non-producing mining assets	-	37	59	4	100
Impairments	3,632	5,426	145	-	9,203
Depletion and amortization	8,701	2,012	207	172	11,092
Balance, December 31, 2014	38,243	16,764	680	631	56,318
Transfer from non-producing mining assets ⁽¹⁾	2,969	-	-	-	2,969
Depletion and amortization	584	53	54	42	733
Balance, March 31, 2015	41,796	16,817	734	673	60,020

Net book value

December 31, 2014	187	6,401	483	107	7,178
March 31, 2015	1,266	6,396	583	65	8,310

⁽¹⁾ The Wedge and Brodie pits entered into the production phase during Q1 of 2015, and therefore related asset and impairment balances were transferred from non-producing mining assets to producing mining assets.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

11. Producing mining assets (Continued)

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
Cost	\$	\$	\$
Balance, December 31, 2013	58,039	-	58,039
Transfer from non-producing mining assets	1,372	2,606	3,978
Additions	1,441	-	1,441
Disposal	(318)	-	(318)
Change in provision for environmental rehabilitation	356	-	356
Balance, December 31, 2014	60,890	2,606	63,496
Transfer from non-producing mining assets	3,767	21	3,788
Additions	1,046	-	1,046
Balance, March 31, 2015	65,703	2,627	68,330

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2013	36,172	-	36,172
Disposal	(249)	-	(249)
Transfer from non-producing mining assets	-	100	100
Impairments	9,203	-	9,203
Depletion and amortization	11,086	6	11,092
Balance, December 31, 2014	56,212	106	56,318
Transfer from non-producing mining assets	2,969	-	2,969
Depletion and amortization	716	17	733
Balance, March 31, 2015	59,897	123	60,020

Net book value

December 31, 2014	4,678	2,500	7,178
March 31, 2015	5,806	2,504	8,310

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

12. 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, 2013	15,084	3,030	771	50	805	19,740
Additions	13,097	3	-	-	2,285	15,385
Change in provision for environmental rehabilitation	82	-	-	-	-	82
Transfer	602	569	-	-	(1,171)	-
Transfer to producing mining assets	-	(2,417)	(182)	(7)	(1,372)	(3,978)
Balance, December 31, 2014	28,865	1,185	589	43	547	31,229
Transfer to producing mining assets	(3,767)	-	-	-	(21)	(3,788)
Additions	3,596	-	-	-	282	3,878
Balance, March 31, 2015	28,694	1,185	589	43	808	31,319

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2013	1,198	461	32	22	-	1,713
Transfer to producing mining assets	-	(37)	(59)	(4)	-	(100)
Impairments	17,697	-	-	-	-	17,697
Amortization	-	38	39	11	-	88
Balance, December 31, 2014	18,895	462	12	29	-	19,398
Transfer to producing mining assets	(2,969)	-	-	-	-	(2,969)
Amortization	-	5	1	2	-	8
Balance, March 31, 2015	15,926	467	13	31	-	16,437

Net book value

December 31, 2014	9,970	723	577	14	547	11,831
March 31, 2015	12,768	718	576	12	808	14,882

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

12. 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, 2013	8,026	11,174	540	19,740
Change in provision for environmental rehabilitation	-	82	-	82
Additions	13,697	1,688	-	15,385
Transfer to producing mining assets	(1,372)	(2,606)	-	(3,978)
Balance, December 31, 2014	20,351	10,338	540	31,229
Transfer to producing mining assets	(3,767)	(21)	-	(3,788)
Additions	3,750	128	-	3,878
Balance, March 31, 2015	20,334	10,445	540	31,319

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2013	1,198	69	446	1,713
Transfer to producing mining assets	-	(100)	-	(100)
Impairments	17,697	-	-	17,697
Amortization	-	79	9	88
Balance, December 31, 2014	18,895	48	455	19,398
Transfer to producing mining assets	(2,969)	-	-	(2,969)
Amortization	-	6	2	8
Balance, March 31, 2015	15,926	54	457	16,437

Net book value

December 31, 2014	1,456	10,290	85	11,831
March 31, 2015	4,408	10,391	83	14,882

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

13. Long-term debt

	March 31, 2015	December 31, 2014
Senior secured credit agreement ^{a)}	\$ -	\$ 3,438
Loan secured by mobile equipment having a net book value of \$137,967, bearing interest at 4.8%, payable by monthly instalments of \$6,731 until January 2017	141	-
Current portion	(75)	(3,126)
Long-term portion	66	312

^{a)} On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton Global Value L.P. ("Waterton").

Future principal repayments are as follows:

2016	\$75
2017	\$66

14. Share capital

(a) Authorized

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

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

14. Share capital (Continued)

(b) Stock option plan

A summary of changes in the Company's outstanding stock options for the three months ended March 31, 2015 and year ended December 31, 2014, are as follows:

	Three months ended March 31, 2015		Year ended December 31, 2014	
	Number (in thousands)	Weighted average exercise price CAD\$	Number (in thousands)	Weighted average exercise price CAD\$
Outstanding, beginning of period	9,170	0.65	12,227	0.61
Granted	2,925	0.145	-	-
Expired	(1,625)	(0.74)	(3,057)	(0.47)
Outstanding, end of period	10,470	0.49	9,170	0.65
			Three months ended March 31, 2015	Three months ended March 31, 2014
Weighted average fair value as at grant date			\$ 0.07	\$ -

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2015:

Exercise price CAD\$	Weighted average remaining contractual life (in years)	Outstanding and exercisable (in thousands)
0.145	4.79	2,925
0.205	3.28	100
0.275	8.19	2,290
0.64	2.43	100
0.65	0.78	300
0.75	1.21	3,025
0.91	1.82	1,730
		10,470

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Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

14. Share capital (Continued)

(c) Share-based compensation

The Company used the Black-Scholes model to estimate fair value using the following weighted average assumptions. Expected stock price volatility is based on the historical share price volatility.

	Three months ended March 31, 2015	Three months ended March 31, 2014
Expected dividend yield	Nil %	-
Expected stock price volatility	76%	-
Risk free interest rate	1.21%	-
Expected life	4 years	-
Expected forfeiture rate	0.00%	-
Share-based compensation included in:	\$	\$
General and administrative expenses	79	3
Cost of sales	98	-
Capitalized to non-producing mining assets	22	-
Total share-based compensation	199	3

15. Supplemental cash flow information

Supplementary information regarding other non-cash investing and financing transactions

	Three months ended March 31, 2015	Three months ended March 31, 2014
Disposal of the Pinon non-producing mining assets:	\$	\$
By receipt of promissory note receivable	-	2,267
By receipt of investment in common shares in Gold Standard	-	3,737

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

16. Capital management

Capital is defined as equity attributable to equity shareholders and long-term debt (including the short-term portion thereof). The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern and to maximize the value for its shareholders.

The Company's activities have been primarily funded so far through cash flows from operating activities and equity and debt financing based on cash needs. The Company typically sells its shares by way of private placement.

The Company manages its capital structure and determines its capital requirements in light of the changing economic conditions and the risk characteristics of its assets. To reach its objectives, the Company may need to maintain or adjust its capital structure by issuing new share capital or new debt.

At this stage of its development, it is the Company's policy to preserve cash to fund its operations and not to pay dividends.

The following summarizes the Company's capital structure:

	March 31, 2015	December 31, 2014
	\$	\$
Long-term debt, including current portion	141	3,438
Equity attributable to shareholders of the Company	27,946	27,619
Capital	28,087	31,057

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

17. Segmented information

(a) Industry information

The Company is engaged in mining exploitation, exploration and development and has one operating mine and a service toll milling facility. During the year ended December 31, 2014, the Company's determination of its reportable operating segments was revised to reflect the fact that Goldwedge toll milling facility was placed in service. The Company has two reportable segments being Mineral Ridge and Goldwedge. The Other category is composed of head office, Scorpio Gold (US) Corporation and Pinon LLC. Segments are operations reviewed by the CEO who is considered to be the chief operating decision maker.

Comparative information have been prepared to conform with the current reportable segment format and definition.

Operating segment details are as follows:

	Three months ended March 31, 2015			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	12,343	-	-	12,343
Inter-segment (expense) - management fees	(380)	-	380	-
Inter-segment (expense) - cost of sales	(123)	123	-	-
Cost of sales excluding depletion and amortization	(9,313)	(242)	-	(9,555)
Depletion and amortization	(716)	(17)	-	(733)
Mine operating earnings (loss)	1,811	(136)	380	2,055
Expenses				
General and administrative	-	-	(1,104)	(1,104)
Amortization	-	-	(2)	(2)
Operating earnings (loss)	1,811	(136)	(726)	949
Other (expenses) income				
Finance costs	(22)	(2)	(53)	(77)
Foreign exchange loss	-	-	(219)	(219)
Finance income	-	-	10	10
Gain on disposal of investments	-	-	172	172
	(22)	(2)	(90)	(114)
Gain (loss) before income taxes	1,789	(138)	(816)	835
Income tax expense	(80)	-	-	(80)
Net earnings (loss) for the period	1,709	(138)	(816)	755

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Notes to the condensed consolidated interim financial statements

Three months ended March 31, 2015 and March 31, 2014

*(Tabular amounts in thousands of US dollars unless otherwise noted)**(unaudited)***17. Segmented information (Continued)**

	Three months ended March 31, 2014			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	13,249	-	-	13,249
Inter-segment (expense) -management fees	(299)	-	299	-
Cost of sales excluding depletion and amortization	(8,786)	-	-	(8,786)
Depletion and amortization	(3,133)	-	-	(3,133)
Mine operating earnings	1,031	-	299	1,330
Expenses				
General and administrative	-	-	(538)	(538)
Amortization	-	-	(2)	(2)
Operating earnings (loss)	1,031	-	(241)	790
Other (expenses) income				
Finance costs	(21)	-	(190)	(211)
Foreign exchange loss	-	-	(5)	(5)
Finance income	-	-	5	5
	(21)	-	(190)	(211)
Earnings (loss) before income taxes	1,010	-	(431)	579
Income tax expense	(201)	-	-	(201)
Net earnings (loss) for the period	809	-	(431)	378

As at March 31, 2015

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	26,325	13,176	709	40,210
Total liabilities	10,908	411	1,089	12,408

As at December 31, 2014

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	22,226	13,052	5,665	40,943
Total liabilities	10,290	412	3,890	14,592

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Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

17. Segmented information (Continued)

(b) Geographic information

All revenue from the sale of precious metals for the period ended March 31, 2015 and March 31, 2014 were earned in the United States. Substantially all of the Company's revenues are with one customer.

The Company's non-current assets by geographic locations are as follows:

	March 31, 2015	December 31, 2014
	\$	\$
Canada	84	86
USA	28,465	24,280
	28,549	24,366

18. 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, directly or indirectly.

The remuneration of directors and key management personnel during the three-month periods ended March 31, 2015 and March 31, 2014 is as follows:

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Salaries and directors' fees	265	295
Consulting fee with a director	32	23
Share-based compensation ⁽¹⁾	80	-
	377	318

⁽¹⁾ Share-based compensation is the fair value of options expensed during the period to key management personnel and directors.

As at March 31, 2015, \$121,162 resulting from these transactions 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, 2015 and March 31, 2014.

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Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

18. Related party transactions (Continued)

b) Waterton Global Value, L.P. -

An affiliate of Waterton, the Company's former lender, owns a 30% non-controlling interest in the Mineral Ridge mine. Management considers that Waterton is a related party.

Transactions entered into with Waterton during the three-month periods ended March 31, 2015 and March 31, 2014 are as follows:

	Three months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Sales	12,197	13,028
Interest on long-term debt	56	190

19. Contingencies

Due to the complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the condensed consolidated financial statements of the Company.

20. Subsequent event

On May 12, 2015, the Company entered into a commitment letter with Coral Reef for the issuance of senior secured convertible notes (the "Notes") in the principal amount of approximately US\$3.4 million, the proceeds of which will be used for the purposes of funding exploration, development and mining of the Mineral Ridge property and exploration at the Goldwedge property, for general working capital purposes, and to fund fees and expenses incurred in connection with the Notes transaction, as well as fees and expenses from the previous cancelled Coral Reef financing (see the Company's news release of April 28, 2015 for more information).

The Notes will bear interest at a rate of 12% per annum and mature 13 months after their issue date, subject to a right of the Company to extend maturity for six months if the Notes are not in default. The Notes will be convertible into common shares of Scorpio Gold at the option of Coral Reef based on a conversion price of US\$0.108, per share. In addition, the Company will pay a 2% arrangement fee to Coral Reef and will issue to Coral Reef 31,217,529 common share purchase warrants (the "Warrants"). The Warrants will have an exercise price of US\$0.108 and will expire upon maturity of the Notes. However, should the Notes be prepaid in advance of one year, the exercise period of the Warrants will be one year from the date of issuance. The Notes and Warrants will contain a restriction that they may not be converted or exercised to acquire more than an aggregate of 19.99% of the outstanding common shares of the Company unless shareholder approval is first obtained. Coral Reef will be granted two board of director observer positions on closing and, if Coral Reef holds more than 19.99% of Scorpio Gold's outstanding shares as a result of the conversion of the Notes or the exercise of the Warrants, Coral Reef's appointed observers will become directors of Scorpio Gold.

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Three months ended March 31, 2015 and March 31, 2014

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

(unaudited)

20. Subsequent event (Continued)

The Notes will be subject to customary default/acceleration provisions as well as customary financial covenants including a restriction on maximum capital expenditures and a minimum required level of earnings before interest, tax, depreciation and amortization (EBITDA). The Notes will be secured by the Company's interest in the Mineral Ridge mine as well as the Goldwedge property. Under the terms of the commitment letter, the issue of the Notes remains subject to definitive documentation, regulatory approvals and other customary conditions, and therefore there can be no assurance that the foregoing financing will be completed.