

SCORPIO



GOLD CORPORATION

Condensed Consolidated Interim Financial Statements of

Scorpio Gold Corporation

For the three and nine months ended
September 30, 2014 and 2013
(unaudited)

**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 consolidated interim statements of comprehensive income (loss)
 Three and nine months ended September 30, 2014 and September 30, 2013
(In thousands of US dollars)
(unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013 (Note 5)	Nine months ended September 30, 2014	Nine months ended September 30, 2013 (Note 5)
	\$	\$	\$	\$
Revenue	14,754	14,406	38,649	40,907
Cost of sales excluding depletion and amortization (Note 5)	(10,819)	(8,846)	(26,476)	(19,195)
Depletion and amortization	(2,743)	(3,770)	(8,603)	(12,690)
Mine operating earnings	1,192	1,790	3,570	9,022
Expenses				
General and administrative (Note 6)	(402)	(422)	(1,430)	(1,877)
Impairments of mining assets (Notes 11 and 12)	-	-	-	(9,895)
(Loss) gain on disposal of mining assets (Note 11)	(69)	19	(69)	13
Operating earnings (loss)	721	1,387	2,071	(2,737)
Other income (expenses)				
Finance costs (Note 7)	(115)	(285)	(455)	(926)
Foreign exchange gain (loss)	(113)	3	(34)	8
Finance income	16	1	39	5
	(212)	(281)	(450)	(913)
Earnings (loss) before income taxes	509	1,106	1,621	(3,650)
Income tax expense				
Current	(147)	(296)	(360)	(1,034)
Deferred	(87)	-	-	(182)
	(234)	(296)	(360)	(1,216)
Net earnings (loss) for the period	275	810	1,261	(4,866)
Net earnings (loss) attributable to:				
Shareholders of the Company	(11)	363	337	(4,334)
Non-controlling interest	286	447	924	(532)
	275	810	1,261	(4,866)
Earnings (loss) per share				
Basic	(0.00)	0.00	0.00	(0.03)
Diluted	(0.00)	0.00	0.00	(0.03)
Weighted average number of shares outstanding (Note 8)				
Basic	124,948,235	124,948,235	124,948,235	124,948,235
Diluted	124,948,235	124,958,131	124,965,575	124,948,235

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of comprehensive income (loss)
Three and nine months ended September 30, 2014 and September 30, 2013
(In thousands of US dollars)
(unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Net earnings (loss) for the period	275	810	1,261	(4,866)
Other comprehensive income (loss) Items that may subsequently be reversed to profit or loss:				
Change in fair value of available-for-sale investments (net of tax, (\$87), nil, nil, nil) (Note 10)	(710)	3	(154)	1
Comprehensive income (loss) for the period	(435)	813	1,107	(4,865)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(721)	366	183	(4,333)
Non-controlling interest	286	447	924	(532)
	(435)	813	1,107	(4,865)

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of financial position

As at

(In thousands of US dollars)

(unaudited)

	September 30, 2014	December 31, 2013
	\$	\$
Assets		
Current assets		
Cash	1,471	2,775
Trade and other receivables	111	134
Prepaid expenses and other	503	359
Inventories (Note 9)	13,482	15,521
Investments (Note 10)	5,821	3
Assets held for sale	-	11,459
Total current assets	21,388	30,251
Producing mining assets (Note 11)	15,935	21,944
Non-producing mining assets and other (Note 12)	27,163	17,950
Reclamation bonds	5,355	6,401
Total assets	69,841	76,546
Equity and liabilities		
Current liabilities		
Trade and other payables	5,213	5,002
Liabilities held for sale	-	44
Income taxes payable	143	215
Current portion of long-term debt (Note 13)	3,105	5,225
Total current liabilities	8,461	10,486
Long-term debt (Note 13)	1,064	5,922
Provision for environmental rehabilitation	5,287	5,241
Total liabilities	14,812	21,649
Equity		
Share capital (Note 14)	51,449	51,449
Equity reserve	6,184	6,181
Investment valuation reserve	(154)	-
Foreign currency translation reserve	(194)	(194)
Deficit	(9,345)	(9,682)
Equity attributable to shareholders of the Company	47,940	47,754
Non-controlling interest	7,089	7,143
Total equity	55,029	54,897
Total liabilities and equity	69,841	76,546

Contingencies (Note 19)

APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of changes in equity

Three and nine months ended September 30, 2014 and September 30, 2013

(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, 2013	124,948	51,449	6,181	-	(194)	(9,682)	7,143	54,897
Net earnings for the period	-	-	-	-	-	337	924	1,261
Distributions to non-controlling interest	-	-	-	-	-	-	(978)	(978)
Change in fair value of available-for-sale investments (net of tax)	-	-	-	(154)	-	-	-	(154)
Share-based compensation	-	-	3	-	-	-	-	3
Balance, September 30, 2014	124,948	51,449	6,184	(154)	(194)	(9,345)	7,089	55,029

	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2012	124,948	51,449	5,612	(47)	(194)	(2,892)	9,182	63,110
Net loss for the period	-	-	-	-	-	(4,334)	(532)	(4,866)
Distributions to non-controlling interest	-	-	-	-	-	-	(1,453)	(1,453)
Change in fair value of available-for-sale investments	-	-	-	1	-	-	-	1
Share-based compensation	-	-	563	-	-	-	-	563
Balance, September 30, 2013	124,948	51,449	6,175	(46)	(194)	(7,226)	7,197	57,355

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of cash flows

Three and nine months ended September 30, 2014 and September 30, 2013

(In thousands of US dollars)

(unaudited)

	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Operating activities				
Earnings (loss) before taxes for the period	509	1,106	1,621	(3,650)
Adjustment for:				
Income tax paid	(16)	(322)	(431)	(887)
Environmental rehabilitation expenditures	-	(47)	(24)	(75)
Items not involving cash:				
Finance costs	115	285	455	926
Finance income	(16)	-	(39)	-
Impairments of mining assets (Notes 11 and 12)	-	-	-	9,895
Loss (gain) on disposal of mining assets (Note 11)	69	(19)	69	(13)
Share-based compensation (Note 14)	-	19	3	563
Depletion and amortization	2,745	3,772	8,610	12,697
Cash flows from operating activities before movements in working capital:	3,406	4,794	10,264	19,456
(Increase) decrease in trade and other receivables	(91)	-	28	1,698
(Increase) decrease in prepaid expenses and other	(22)	23	(192)	179
Decrease (increase) in inventories	2,601	801	2,031	(4,066)
(Decrease) increase in trade and other payables	(888)	981	(1,763)	798
	5,006	6,599	10,368	18,065
Investing activities				
Additions to non-producing mining assets	(3,597)	(1,461)	(7,538)	(4,063)
Proceeds from disposal of mining assets	-	162	5,413	162
Additions to producing mining assets	(499)	(3,345)	(2,314)	(7,551)
Net (additions) reductions to reclamation bonds	(211)	(1)	1,046	(54)
Finance income received	17	-	34	-
	(4,290)	(4,645)	(3,359)	(11,506)
Financing activities				
Repayment of long-term debt	(736)	(1,324)	(6,993)	(3,972)
Payment of finance cost	(88)	(275)	(376)	(878)
Distributions to non-controlling interest	(357)	(459)	(978)	(1,453)
	(1,181)	(2,058)	(8,347)	(6,303)
Effect of foreign exchange rate changes on cash	111	-	34	-
(Decrease) increase in cash	(354)	(104)	(1,304)	256
Cash, beginning of period	1,825	2,409	2,775	2,049
Cash, end of period	1,471	2,305	1,471	2,305

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 and nine months ended September 30, 2014 and September 30, 2013

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

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 Quebeoise, 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, 2013.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on November 19, 2014.

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, 2013.

The following policies reflect policies being applied in the current period which were not applicable in the 2013 consolidated financial statements.

a) Financial Instruments: Presentation (“IAS 32”)

On January 1, 2014, the Company adopted IAS 32. Amendments to IAS 32 provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. The adoption of this new standard did not have any significant impact on the presentation of the Company’s financial statements.

b) Levies (“IFRIC 21”)

On January 1, 2014, the Company adopted IFRIC 21. This interpretation addresses when an entity should recognize a liability to pay a government levy (other than income taxes). IFRIC 21 is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this new standard did not have any significant impact on the presentation of the Company’s financial statements.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

3. Significant accounting policies (Continued)

Accounting standards issued but not effective

Certain amendments and new standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") and are mandatory for annual accounting periods beginning on or after January 1, 2015, unless otherwise indicated. Those not applicable to or that do not have a significant impact on the Company have been excluded from the list below. The following is a description of the new or amended standards that have not yet been adopted by the Company.

i) Financial instruments ("IFRS 9")

Financial instruments ("IFRS 9") was issued by the IASB and will replace *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 expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new standard on its financial statements.

ii) Joint arrangements: Accounting for acquisitions of interests in joint operations ("IFRS 11")

The objective of the amendments to this standard is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, *Business Combinations* ("IFRS 3"). Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. These amendments are effective for annual periods beginning after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

iii) 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 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. These amendments are effective for annual periods beginning after January 1, 2017. The Company is currently assessing the impact of this new standard on its financial statements.

iv) Property, plant and equipment and Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation ("IAS 16" and "IAS 38")

Amendments to IAS 16 and IAS 38 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

4. Financial instruments

a) Financial risk factors

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

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash, trade and other receivables, a promissory note and reclamation bonds. The credit risk on cash and reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. Trade receivables on regular precious metal sales are generally received within a week after delivery. The Company has no past due accounts and has not recorded a provision for doubtful accounts. The promissory note with a book value of \$2.2 million is secured against title to the Pinon property.

(ii) 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	5,213	5,213	-	-	-
Long-term debt ⁽¹⁾	4,169	3,105	1,064	-	-
Provision for environmental rehabilitation	5,736	-	411	2,650	2,675

⁽¹⁾ Any proceeds from the sale of the common shares of Gold Standard Ventures Corp. ("Gold Standard") or payment of the CAD\$2.5 million promissory note received as part of the sale of the Pinon property is required to be applied against the then outstanding long-term debt balance, if any. Such transactions were not reflected in the table above.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

4. Financial instruments (Continued)

a) Financial risk factors (Continued)

(iii) Market risk (Continued)

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's senior secured credit agreement fixes interest at 8% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The CAD\$2.5 million promissory note bears interest at 3% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest.

The Company does not use financial derivatives to manage its exposure to interest rate risk.

2) Currency Risk

As at September 30, 2014, the Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in Canadian dollars ("CAD\$") and presented in US dollars.

	\$
Cash	305
Value added tax and other receivables	2
Promissory note receivable	2,235
Trade and other payables	(95)

A sensitivity analysis as at September 30, 2014, using a reasonably possible change in the USD/CAD exchange rate of 10%, returns an approximate impact on net earnings and comprehensive income of \$0.2 million. As of September 30, 2014 the USD/CAD exchange rate was 1.12082.

The Company does not use derivatives to manage its exposure to currency risk.

3) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. The Company is not exposed to price risk as at September 30, 2014. The Company does not use derivatives to manage its exposure to price risk.

b) Fair Value

The fair value of cash, trade and other receivables, promissory note, 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. Fair value of long-term debt is not significantly different from its carrying amount since interest rates in the market have not materially changed since the Company assumed the debt in December 2012.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

4. Financial instruments (Continued)

b) Fair Value (Continued)

- 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 of publicly listed companies are classified as Level 1 in the fair value hierarchy. The Company has no Level 2 inputs.

5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Contractor charges	3,215	3,365	10,052	9,448
Labour	2,202	2,169	6,458	6,206
Fuel and reagents	923	817	2,620	2,393
Mechanical parts	866	787	2,515	2,273
Change in ore stockpile, metals in process and finished goods inventories	2,676	869	2,169	(3,826)
Other	937	839	2,662	2,701
	10,819	8,846	26,476	19,195

During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified \$0.296 million and \$1.034 million, respectively, previously recognized as cost of sales during the three-month and nine-month periods ended September 30, 2013 as an income tax expense. There is no impact on the overall earnings (loss) per share or the Company's statement of financial position as a result of this change.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

6. General and administrative

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Salaries and benefits	223	228	719	726
Professional fees	26	-	168	272
Investor relations	43	55	163	203
Insurance, travel and office related	38	31	126	160
Directors fees	34	36	135	95
Consultants	15	22	41	51
Project evaluation	8	18	43	47
Transfer agent and listing fees	13	15	25	32
Share-based compensation	-	15	3	284
Amortization	2	2	7	7
	402	422	1,430	1,877

7. Finance costs

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Interest on long-term debt	94	269	391	878
Unwinding of discount of provision for environmental rehabilitation	21	16	64	48
	115	285	455	926

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

8. Weighted average number of shares and dilutive share equivalents

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Basic weighted average number of shares	124,948,235	124,948,235	124,948,235	124,948,235
Effect of dilutive securities:				
Stock options	-	9,896	17,340	-
Diluted weighted average number of shares	124,948,235	124,958,131	124,965,575	124,948,235

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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Stock options	9,610,000	12,127,000	9,510,000	12,227,000
Warrants	-	5,000,000	-	5,000,000

9. Inventories

	September 30, 2014	December 31, 2013
	\$	\$
Supplies	1,167	1,029
Ore stockpile	159	294
Metals in process	10,753	12,874
Finished goods	1,403	1,324
	13,482	15,521

During the nine-month period ended September 30, 2014, inventory included as cost of sales is \$35.1 million (2013, \$31.9 million).

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

10. Investments

	September 30, 2014	December 31, 2013
	\$	\$
Investment in common shares of Gold Standard Ventures Corp.		
Balance, beginning of period	-	-
Addition ⁽¹⁾	3,737	-
Change in fair value during the period	(155)	-
Balance, end of period	3,582	-
Promissory note receivable from Gold Standard and accrued interest ⁽¹⁾	2,235	-
Other investment in shares		
Balance, beginning of period	3	4
Change in fair value during the period	1	(1)
Balance, end of period	4	3
	5,821	3

⁽¹⁾ On March 5, 2014, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard for consideration of \$7.7 million (CAD\$8.5 million) in cash and 5.5 million common shares of Gold Standard. Of the cash consideration, \$5.4 million (CAD\$6.0 million) was paid at or before closing and applied to the Company's long term debt and a \$2.2 million (CAD\$2.5 million) amount bearing interest at 3% is to be paid a maximum of one year after closing. Payment of this amount is secured against the Pinon property. The sale agreement provides for bonus consideration to be paid to the Company if certain levels of mineral resources are established on the Pinon property or if Gold Standard or its properties are sold for certain minimum amounts.

On October 24, 2014, Gold Standard published a technical report disclosing an initial mineral resource estimate on the Pinon property including indicated mineral resources of 423,000 troy ounces of gold and inferred mineral resources of 1,022,000 troy ounces of gold, thereby triggering an obligation under the purchase agreement in respect of the Pinon property to pay the Company bonus consideration consisting of 1,250,000 common shares of Gold Standard. Scorpio Gold received the bonus shares on November 5, 2014

All common shares of Gold Standard held by the Company are subject to an orderly sale restriction and voting trust agreement. Any proceeds from the sale of these common shares of Gold Standard or payments of the CAD\$2.5 million amount outstanding under the promissory note will be applied against the then outstanding debt balance with Waterton, if any.

The investment in Gold Standard common shares is accounted for as an available-for-sale financial asset which is reviewed quarterly for significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. This review includes an analysis of the facts and circumstances of this financial asset, its market price, the severity of loss and the length of time the fair value has been below cost.

Scorpio Gold Corporation

Notes to the condensed consolidated interim financial statements

Three and nine months ended September 30, 2014 and September 30, 2013

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

11. Producing mining assets

Mineral Ridge mine

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, December 31, 2012	23,068	10,363	771	755	5,704	40,661
Additions	3,534	144	261	47	3,572	7,558
Disposal	-	(279)	(19)	-	-	(298)
Transfer	-	9,199	-	-	(9,199)	-
Change in provision for environmental rehabilitation	913	-	-	-	-	913
Transfer from non-producing mining assets ⁽¹⁾	9,279	-	3	-	-	9,282
Balance, December 31, 2013	36,794	19,427	1,016	802	77	58,116
Additions	1,087	65	24	26	1,461	2,663
Disposal	-	(151)	(59)	(108)	-	(318)
Transfer	-	1,147	-	-	(1,147)	-
Balance, September 30, 2014	37,881	20,488	981	720	391	60,461

Accumulated depreciation and impairments

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2012	8,336	2,284	170	346	-	11,136
Depletion and amortization	12,831	3,064	157	213	-	16,265
Disposal	-	(135)	(13)	-	-	(148)
Impairments ⁽²⁾	4,743	4,176	-	-	-	8,919
Balance, December 31, 2013	25,910	9,389	314	559	-	36,172
Disposal	-	(100)	(45)	(104)	-	(249)
Depletion and amortization	6,879	1,434	157	133	-	8,603
Balance, September 30, 2014	32,789	10,723	426	588	-	44,526

Net book value

December 31, 2013	10,884	10,038	702	243	77	21,944
September 30, 2014	5,092	9,765	555	132	391	15,935

⁽¹⁾ The Mary pit entered into the production phase during 2013, and therefore related asset balances were transferred from non-producing mining assets to producing mining assets.

⁽²⁾ Includes an amount of nil and \$8.9 million for the three and nine-month periods ended September 30, 2013.

Depreciation of certain plant and equipment and construction in progress will commence when in condition and location necessary for its intended use.

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

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, 2012	33,718	3,615	-	41	-	37,374
Reclassification	-	(760)	755	5	-	-
Additions	4,814	175	19	4	728	5,740
Transfer to producing mining assets	(9,279)	-	(3)	-	-	(9,282)
Change in provision for environmental rehabilitation	(13)	-	-	-	-	(13)
Transfer to assets held for sale ^(a)	(14,156)	-	-	-	-	(14,156)
Balance, December 31, 2013	15,084	3,030	771	50	728	19,663
Additions	8,872	3	-	-	407	9,282
Transfer	602	185	-	-	(787)	-
Balance, September 30, 2014	24,558	3,218	771	50	348	28,945

Accumulated depreciation and impairments

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2012	392	255	-	10	-	657
Impairments ^(b)	3,503	171	-	-	-	3,674
Transfer to assets held for sale ^(a)	(2,697)	-	-	-	-	(2,697)
Amortization	-	35	32	12	-	79
Balance, December 31, 2013	1,198	461	32	22	-	1,713
Amortization	-	29	31	9	-	69
Balance, September 30, 2014	1,198	490	63	31	-	1,782

Net book value

December 31, 2013	13,886	2,569	739	28	728	17,950
September 30, 2014	23,360	2,728	708	19	348	27,163

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

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

	Mineral Ridge	Goldwedge	Pinon	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2012	13,190	6,575	13,953	33,718
Additions	3,435	1,174	205	4,814
Transfer to producing mining assets	(9,279)	-	-	(9,279)
Change in provision for environmental rehabilitation	-	(11)	(2)	(13)
Transfer to assets held for sale ^(a)	-	-	(14,156)	(14,156)
Balance, December 31, 2013	7,346	7,738	-	15,084
Additions	7,847	1,025	-	8,872
Balance, September 30, 2014	15,193	8,763	-	23,956
Accumulated depreciation and impairment				
	Mineral Ridge	Goldwedge	Pinon	Total
Balance, December 31, 2012	392	-	-	392
Impairment ^(b)	806	-	2,697	3,503
Transfer to assets held for sale ^(a)	-	-	(2,697)	(2,697)
Balance, December 31, 2013	1,198	-	-	1,198
Balance, September 30, 2014	1,198	-	-	1,198
Net book value				
December 31, 2013	6,148	7,738	-	13,886
September 30, 2014	13,995	8,763	-	22,758

(a) During 2013, the Company entered into discussions with Gold Standard regarding the Company selling to Gold Standard its interest in the Pinon non-producing mining asset group. As a consequence, as of December 31, 2013, the Company had classified the assets and liabilities related to this property as held for sale. The sale of the Pinon property to Gold Standard was completed on March 5, 2014.

(b) Includes amounts of nil and \$0.8 million related to Mineral Ridge's mining interest and nil and \$0.2 million related to plant and equipment for the three and nine-month periods ended September 30, 2013.

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13. Long-term debt

	September 30, 2014	December 31, 2013
	\$	\$
Senior secured credit agreement ^{a)}	4,169	11,147
Current portion	(3,105)	(5,225)
Long-term portion	1,064	5,922

Future principal repayments are as follows:

2015	\$3,105
2016	\$1,064

a) Senior secured credit agreement

In connection with the acquisition of the Goldwedge and Pinon properties from Royal Standard Minerals Inc. ("Royal Standard") in December 2012, the Company assumed Royal Standard's debt pursuant to the terms of a senior secured credit agreement (the "Credit Agreement") with Waterton Global Value, L.P. ("Waterton"), which provides that the Company will be indebted to Waterton (the "Scorpio Debt") in the principal amount of \$16 million, but that the principal amount will increase to \$16.25 million if not repaid within one year, and increase to \$16.5 million if not repaid within two years. Under the terms of the Credit Agreement, the Scorpio Debt accrues interest at a rate of 8% per annum, is repayable in monthly instalments over a 36 month period, is secured against all of the Company's assets, and may be repaid by the Company at any time without penalty. The Credit Agreement also provides that the Company will be required to use 50% of any net revenues from the Goldwedge property and 100% of any net toll-milling revenues from the mill located on the Goldwedge property to pre-pay the Scorpio Debt.

There are certain restrictions placed on the Company pursuant to the Credit Agreement, 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 \$7.5 million.

As part of the sale of the Pinon non-producing assets completed on March 5, 2014, cash proceeds of \$5.2 million were applied against the long-term debt (Note 10).

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

14. 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, 2014 and the year ended December 31, 2013, are as follows:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	(in thousands)	CAD\$	(in thousands)	CAD\$
Outstanding, beginning of period	12,227	0.61	9,732	0.70
Granted	-	-	2,645	0.27
Expired	(2,617)	(0.46)	(150)	0.80
Outstanding, end of period	9,610	0.64	12,227	0.61

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$
Weighted average fair value as at grant date	-	0.22

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2014:

Exercise price	Weighted average remaining contractual life	Outstanding and exercisable
CAD\$	(in years)	(in thousands)
0.205	3.78	100
0.275	8.69	2,515
0.64	2.93	100
0.65	1.28	375
0.75	1.28	4,700
0.91	2.32	1,820
		9,610

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Three and nine months ended September 30, 2014 and September 30, 2013

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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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Expected dividend yield	-	Nil%	-	Nil%
Expected stock price volatility	-	85%	-	87%
Risk free interest rate	-	1.69%	-	1.75%
Expected life	-	8 years	-	8 years
Expected forfeiture rate	-	0.00%	-	0.00%
Share-based compensation included in:	\$	\$	\$	\$
General and administrative expenses	-	15	3	284
Cost of sales	-	4	-	279
Total share-based compensation	-	19	3	563

15. Supplemental cash flow information

Supplementary information regarding other non-cash investing and financing transactions

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
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	-

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Notes to the condensed consolidated interim financial statements

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

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 assumed a long-term debt in connection with the acquisition of the Goldwedge and Pinon properties completed in December 2012. As part of the sale of the Pinon non-producing assets completed on March 5, 2014, cash proceeds of \$5.2 million were applied against the long-term debt.

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 Company is subject to externally imposed capital requirements as described in Note 13.

The following summarizes the Company's capital structure:

	September 30, 2014	December 31, 2013
	\$	\$
Long-term debt, including current portion	4,169	11,147
Equity attributable to shareholders of the Company	47,940	47,754
Capital	52,109	58,901

17. Segmented information

(a) Industry information

The Company operates in one reportable operating segment being exploitation, acquisition, exploration and development of mineral resource properties.

(b) Geographic information

All revenue from the sale of precious metals for the periods ended September 30, 2014 and September 30, 2013 was earned in the United States. Substantially all of the Company's revenues are from one customer.

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

	September 30, 2014	December 31, 2013
	\$	\$
Canada	88	95
USA	48,365	46,200
	48,453	46,295

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

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 other 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 and nine months periods ended September 30, 2014 and September 30, 2013 is as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Salaries and directors fees	272	274	850	827
Consulting fee with a director	48	-	118	-
Share-based compensation ⁽¹⁾	-	12	-	283
	320	286	968	1,110

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

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and nine months ended September 30, 2014 and September 30, 2013.

As at September 30, 2014, \$16 (2013, \$nil) resulting from these transactions is included in trade and other payables.

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Notes to the condensed consolidated interim financial statements

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

18. Related party transactions (Continued)

b) Waterton Global Value, L.P. ("Waterton")

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

Related party transactions entered into with Waterton during the three and nine-month periods ended September 30, 2014 and September 30, 2013 are as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	\$	\$	\$	\$
Sales	14,694	14,306	38,091	40,641
Interest on long-term debt	94	269	391	878

As at September 30, 2014, \$nil (2013, \$nil) resulting from these transactions is included in trade and other payables.

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.