Management's Discussion and Analysis

For the year ended December 31, 2020

(Expressed in US dollars)

INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the year ended December 31, 2020 and up to the date of this MD&A and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2020, together with the notes thereto (the "Financial Report").

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in US dollars unless otherwise indicated.

The effective date of this MD&A is April 28, 2021.

DESCRIPTION OF BUSINESS

Scorpio Gold was incorporated under the Business Corporations Act (British Columbia). The Company is a reporting issuer in the provinces of British Columbia and Alberta. Scorpio Gold is listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol SGN. The Company and its subsidiaries conduct mining exploitation, exploration and development activities in the United States of America ("USA").

OPERATIONAL HIGHLIGHTS

During the year ended December 31, 2020 and up to the date of this MD&A, the Company completed the following:

- In September and October 2020, the Company raised C$6 million in equity.
- In August 2020, the Company granted an option to Titan Mining Corporation ("Titan") whereby Titan can earn an 80% interest in the Mineral Ridge by spending $35 million.
- In October 2020, the Company commenced an underground bulk sampling program at its 100% owned Goldwedge project. This drill program is currently ongoing.
- In March 2021, the Company completed the acquisition of the Manhattan project located in Nye County, Nevada situated adjacent and proximal to the Company's Goldwedge property.

Private placement

The Company completed a non-brokered private placement in two tranches through the issue of 37,500,000 units at a price of C$0.16 per unit for gross proceeds of $4,545,000 (C$6,000,000). Each unit consists of one common share and one common share purchase warrant with each warrant exercisable into one common share at an exercise price of C$0.24 until September 14, 2023. The Company paid finder's fees of $38,000 and other share issue costs of $22,000.

Augusta Investments Inc. ("Augusta"), a company held by Richard W. Warke, purchased C$4,645,000 of the C$6,000,000 private placement. Augusta initially invested $3,088,000 in the first tranche bringing their investment to 19.99% of the then outstanding common shares of the Company. The Company subsequently received shareholder approval at its October 2, 2020 annual general and special meeting of shareholders to approve Augusta as a control person of the Company, following which, Augusta invested another C$1,557,000 bringing their investment to 27.2% of the outstanding common shares of the Company.

The Company intends to use these proceeds primarily for advancing the Goldwedge property, including advancing planned toll milling operations and furthering its exploration programs on the Goldwedge and Keystone-Jumbo deposit areas.

Mineral Ridge option agreement

In August 2020, the Company entered into an agreement with Titan, whereby Titan can earn an 80% interest in the Mineral Ridge property by spending $35 million in staged expenditures over five years.

If Titan spends $7 million of expenditures by January 1, 2022, it can exercise its option to purchase a 100% interest in Mineral Ridge by paying the Company $35 million on or before December 31, 2022.

Until the earlier of the December 31, 2021 and the date that the Company extracts a further 3,200 ounces of gold from the Mineral Ridge property, the Company may continue its gold recoveries from the heap leach operations on the Mineral Ridge property with 75% to be paid to the Company.

The agreement with Titan was approved by the Company's shareholders on October 2, 2020.

On August 31, 2020, Titan announced that it intends to immediately commence a comprehensive drilling campaign that will focus on the down-dip and strike extensions of the existing deposits around the existing open pits and thoroughly test the other targets with the potential for new discoveries. This will be the first wide-ranging exploration drill program conducted on the nearly 14,000 acre Mineral Ridge property in the history of Scorpio Gold's tenure. While exploration on the Mineral Ridge project has been ongoing by Titan since September 2020, Titan has not released any assay results or drilling updates to date.

Goldwedge exploration

In March 2020, the Company commenced an underground drilling campaign at the Company's Goldwedge project located in Manhattan, Nevada. The drilling program is resource definition drilling in areas where the Company's 2014 surface drilling intersected higher-grade mineralization proximal to existing underground workings (April 27, 2015 news release). The drilling program utilized the Company's Atlas Copco 262 skid-mounted drill rig which was operated by company personnel.

In July 2020, the Company announced initial gold and silver assay results from underground drilling at the Goldwedge property. Several samples from the drilling program were submitted for screen fire assay to determine any variability of the assay results in the fine and coarse fractions. Results from this testing indicated that a coarse component for both gold and silver is present, and although the gold results are fairly repeatable when compared to the original assays, there was a significant increase in silver values in many of the results.

In October 2020, the Company commenced an underground bulk sampling program and preliminary metallurgical testing at the Goldwedge property. The program is intended to provide additional information where 2020 drilling intersected high-grade gold and silver mineralization (7.6 m averaging 12.47 g/t gold and 176.23 g/t silver including 1.52 m grading 53.49 g/t gold and 0.15 m grading 3,960 g/t silver) proximal to underground workings. Scorpio Gold contracted Nevada Rand Mining LLC ("NRM") to conduct the underground program which began on October 7, 2020. The bulk sample program will consist of muck and channel sampling to provide a better representation of the gold and silver grade distribution within the mineralized zone. Metallurgical testing will also be conducted as a preliminary test to determine how the material will respond to conventional milling processes.

In April 2021, the Company announced the results from the first 3 holes of its underground drilling program. The current program is focused on defining the on-strike and down-dip continuity of mineralization intersected in the 2020 drilling as well as testing new areas with the potential to define a mineral resource base. Results to date indicate the extension of mineralization southward, hosted within sheared, metamorphosed, interbedded limestones and argillites with quartz, and calcite veining. Highlights include 7.4 meters grading 9.02 g/t, 5.3 meters grading 5.11 g/t and 2.7 meters grading 9.19 g/t, situated in an area with an average depth from topographic surface of 25 m. Drilling is currently ongoing at the northern section to test mineralization continuity in that strike direction. The planned footage for this drilling program is 2065 meters (6,772 ft) with 371 meters (1,217 ft) (18%) completed to date.

Manhattan project acquisition

In March 2021, the Company completed the acquisition of the Manhattan project located in Nye County, Nevada adjacent and proximal to the Company's Goldwedge property. In consideration, the Company paid $100,000 cash and issued 2,091,149 common shares being the equivalent value of $150,000 on July 20, 2020. The Manhattan project is subject to an existing 2.0% net smelter returns royalty and certain reserved water rights. The sellers will provide copies of all non-interpretive geologic data, mining records and land status information and any drill core samples relating to the Manhattan project that the sellers own or control. In addition, the Company has arranged for substitute surety arrangements in a form acceptable to each of the government authorities in the amount of $191,188.

This acquisition of 4,300 acres (1740 hectares), combined with the Goldwedge 1,771 acres (717 hectares) gives Scorpio Gold complete land control of 6,071 acres (2457 hectares) around the Goldwedge facility, providing the opportunity to expand surface operations and the potential for expanding underground mining and exploration. It also consolidates a large land position along the Reliance Fault Zone, which has significant exploration potential for high-grade gold targets at the intersections of the Reliance structure and ring faulting related to the Manhattan Caldera. The Manhattan property is comprised of 22 patented claims and 219 unpatented claims situated adjacent and proximal to the Company's Goldwedge property.

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse impacts of the outbreak and its effects on the Company's business or ability to raise funds.

QUALIFIED PERSON

Mohan Ramalingaswamy Vulimiri 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 this MD&A.

MINERAL RIDGE OPERATIONAL HIGHLIGHTS

- 2,800 ounces of gold and 1,358 ounces of silver were produced at the Mineral Ridge mine compared to 3,863 ounces of gold and 2,324 ounces of silver produced during 2019.
- Revenue of $4,971,000 compared to $5,247,000 during 2019.
- Total cash cost per ounce of gold sold [(1)] of $1,666, compared to $1,271 during 2019.
- Mine operating earnings of $230,000 compared to $340,000 during 2019.
- Net loss of $1,418,000 ($0.02 basic and diluted loss per share) compared to a loss of $1,437,000 ($0.02 basic and diluted loss per share) during 2019.
- Adjusted net earnings [(1)] of $847,000 ($0.01 basic and diluted earnings per share) compared to earnings of $497,000 ($0.01 basic and diluted earnings per share) during 2019.
- Adjusted EBITDA [(1)] of $1,665,000 ($0.02 basic and diluted per share) compared to $1,252,000 ($0.02 basic and diluted per share) million during 2019.

[(1)] This is a non-IFRS measure; please see Non-IFRS performance measures section.

Production

As a result of mining being suspended since November 2017, no fresh ore has been crushed and placed on the leach pad at Mineral Ridge. During the year ended December 31, 2020, application of cyanide leach solution to the ore on the leach pad was 1,412 million gallons and 1,147 million gallons of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.028 ppm gold and 0.033 ppm silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for the year ended December 31, 2020 was 87% for gold and 40% for silver. The efficiency of this circuit is directly affected by the activity of the activated carbon utilized for recovery of precious metals from solution as well as the flow rate of the solution being pumped through the columns. The average flow rate for the year ended December 31, 2020 was 2,182 gallons per minute. This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and should eventually be recovered. The loaded carbon from this circuit is shipped off-site for custom stripping of the precious metals and upon completion of stripping, the carbon is returned to the site for re-use. The Company produced 2,800 ounces of gold and 1,358 ounces of silver.

Operations

Scorpio Gold reported net loss of $1,418,000 for the year ended December 31, 2020 compared to net loss of $1,437,000 in the comparative year.

Revenue

During the year ended December 31, 2020, the Company sold 2,801 ounces of gold and 1,477 ounces of silver for total revenue of $4,971,000 at an average price of $1,759 for gold and $20 for silver, whereas during the year ended December 31, 2020, the Company sold 3,846 ounces of gold and 12,059 ounces of silver for total revenue of $5,247,000 at an average price of $1,261 for gold and $16 for silver.

As of December 31, 2020, the Company had finished goods inventories including 15 ounces of gold available for sale compared to 23 ounces of gold as at December 31, 2019.

Mine operating earnings

Mine operating earnings were $230,000 for the year ended December 31, 2020 compared to $340,000 for the comparative year of 2019.

Cost of sales, excluding inventory write-down, was $1,850,000 for the year ended December 31, 2020 compared to $2,539,000 for the year ended December 31, 2019. The variance is essentially attributed to the lower number of ounces sold and the variance in cash operating cost per ounce (1) described below.

Cash operating cost per gold ounce sold (1), after silver by-product credits, was $1,666 for the year ended December 31, 2020 compared to $1,271 for the year ended December 31, 2020. The increase in cash costs is due mainly to decreased production rates as compared to the prior year.

During the year ended December 31, 2020, the Company wrote down inventory for an amount of $2,845,000 compared to $2,368,000 for the corresponding year of 2019.

Inventories increased from $973,000 as of December 31, 2019 to $1,122,000 as of December 31, 2020. As indicated above, the Company recorded a write-down of $2,845,000 on inventories during the year ended December 31, 2020.

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at December 31, 2020, included in the metal in process inventories, are inventories on the leach pad for a total cost of $99,000 after inventory write-down ($78,000 as at December 31, 2019). The ultimate recovery of mineralization from the heap leach pad will not be known until the total leaching process is concluded.

General and administrative

General and administrative expenses totaled $1,195,000 during the year ended December 31, 2020 compared to $1,058,000 during 2019. The increase is primarily due to increased share-based compensation off-set by a temporary reduction in salaries and benefits during the year.

(1) This is a non-IFRS measure; please see Non-IFRS performance measures section.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information for each of the last eight quarters (expressed in thousands of US dollars, except per share amounts):

Quarter Ending	Revenues $	Net earnings (loss) $	Basic and diluted earnings (loss) per share $
December 31, 2020	1,057	355	0.00
September 30, 2020	1,434	(968)	(0.01)
June 30, 2020	1,441	(110)	(0.00)
March 31, 2020	1,039	(695)	(0.01)
December 31, 2019	1,535	(3,722)	(0.06)
September 30, 2019	1,241	(281)	(0.00)
June 30, 2019	985	(861)	(0.01)
March 31, 2019	1,486	3,425	0.05

LIQUIDITY AND CAPITAL RESOURCES

The Company suspended mining operations of its Mineral Ridge mine in November 2017 as the Company had mined all of its economical mineral reserves based on gold pricing and heap leach recovery parameters. Management expects to generate limited revenues from Mineral Ridge until approximately Q4 of 2021 from residual but diminishing gold recoveries from the leach pads.

NON-IFRS PERFORMANCE MEASURES

Non-IFRS performance measures are furnished to provide additional information to readers to supplement the Company's financial statements, which are presented in accordance with IFRS. The Company believes that these measures, together with the measures determined in accordance with IFRS, provide investors with an ability to evaluate the underlying performance of the Company. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation or as a substitute for measures of performance presented in accordance with IFRS.

Adjusted net earnings

The Company uses the financial measure "Adjusted Net Earnings" to supplement information in its consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company's performance. The presentation of adjusted measures is not meant to be a substitute for net earnings presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

The term "Adjusted Net Earnings" does not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. Management believes that the presentation of Adjusted Net Earnings provides useful information to investors because they exclude non-cash and other charges and are a better indication of the Company's profitability from operations. The items excluded from the computation of Adjusted Net Earnings, which are otherwise included in the determination of net earnings prepared in accordance with IFRS, are items that the Company does not consider to be meaningful in evaluating the Company's past financial performance or the future prospects and may hinder a comparison of its period-to-period profitability.

The following table provides a reconciliation of adjusted net earnings to the consolidated financial statements:

	FOR THE THREE MONTHS ENDED DECEMBER 31,		**FOR THE YEAR ENDED DECEMBER 31,**	
	2020	2019	**2020**	2019
(In thousands of US dollars, except per share numbers)	**$**	$	**$**	$
Net earnings (loss) for the period	**355**	(3,722)	**(1,418)**	(1,437)
Share-based compensation	**4**	-	**453**	133
Gain on settlement of debt	**-**	-	**-**	(3,892)
Gain on warrant liability	**(1,148)**	-	**(1,148)**	-
Inventory write-down	**567**	751	**2,845**	2,368
Impairment of mining assets	**102**	3,318	**106**	3,359
Gain on disposal of assets	**-**	-	**(24)**	-
Foreign exchange loss (gain)	**(68)**	39	**(36)**	(3)
Deferred income tax expense (recovery)	**-**	-	**-**	(31)
Adjusted net earnings (loss) for the period	**(188)**	386	**778**	497
Non-controlling interest	**-**	-	**-**	(149)
Adjusted net earnings (loss) for the period attributable to the shareholders of the Company	**(188)**	386	**778**	348
Adjusted basic and diluted net earnings (loss) per share	**(0.00)**	0.01	**0.01**	0.01

Cash operating cost and total cash costs per gold ounce sold calculation

The Company has included as non-IFRS performance measures, cash operating costs and total cash costs per gold ounce sold, throughout this document. The Company reports cash costs on a sales basis. In the gold mining industry, cash cost per ounce is a common performance measure but does not have any standardized meaning. The Company follows the recommendations of the Gold Institute Production Cost Standard. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The following table provides a reconciliation of cash operating costs and total cash costs per gold ounce sold to cost of sales per the consolidated financial statements.

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE YEAR ENDED DECEMBER 31,	
	2020	2019	**2020**	2019
(In thousands of US dollars)				
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	**1,138**	1,288	**4,695**	4,907
Inventory adjustment	**-**	-	**-**	10
Share-based compensation	**-**	-	**-**	(24)
By-product silver sales	**(6)**	(7)	**(30)**	(33)
Cash operating costs	**1,132**	1,281	**4,665**	4,860
Nevada net proceeds tax	**-**	3	**-**	5
Total cash cost	**1,132**	1,284	**4,665**	4,865
Divided by ounces of gold sold	**550**	1,020	**2,801**	3,846
Cash operating cost per gold ounce sold	**2,057**	1,254	**1,666**	1,269
Total cash costs per gold ounce sold	**2,057**	1,256	**1,666**	1,271

Adjusted EBITDA

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- Finance costs;
- Depletion and amortization; and
- Income tax expense

Management believes that EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations and fund capital expenditures. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on observed values to determine the approximate total enterprise value of a company. Adjusted EBITDA removes the effects of "impairments of mining assets', "write-down of inventory", "Gain on adjustment of provision for environmental rehabilitation", "gain on disposal of assets", "gain on debt settlement" and "foreign exchange gain". These charges are not reflective of the Company's ability to generate liquidity by producing operating cash flow and therefore these adjustments will result in a more meaningful valuation measure for investors and analysts to evaluate the Company's performance in the period and assess future ability to generate liquidity. EBITDA and adjusted EBITDA are intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently.

The following table provides a reconciliation of adjusted and standardized EBITDA to the consolidated financial statements:

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE YEAR ENDED DECEMBER 31,	
	2020	2019	**2020**	2019
(In thousands of US dollars, except per share numbers)	**$**	$	**$**	$
Net earnings (loss) for the period	**355**	(3,722)	**(1,418)**	(1,437)
Finance costs	**166**	214	**808**	742
Depletion and amortization	**81**	3	**89**	16
Income tax expense	**-**	3	**-**	(34)
Standardized EBITDA	**602**	(3,502)	**(521)**	1,623
Share-based compensation	**4**	-	**453**	133
Gain on debt settlement	**-**	-	**-**	(3,892)
Gain on warrant liability	**(1,148)**	-	**(1,148)**	-
Inventory write-down	**567**	751	**2,845**	2,368
Impairment of mining assets	**102**	3,318	**106**	3,359
Gain on disposal of assets	**-**	-	**(24)**	-
Foreign exchange loss (gain)	**(68)**	39	**(36)**	(3)
Adjusted EBITDA	**59**	606	**1,675**	1,252
Non-controlling interest	**-**	-	**-**	156
Adjusted EBITDA attributable to the shareholders of the Company	**59**	606	**1,675**	1,096
Adjusted basic and diluted EBITDA per share	**0.00**	0.01	**0.02**	0.02

CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal matters are outstanding from time to time. In the opinion of management, there are no legal matters that could have a material effect on the Company's consolidated financial position or results of operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at December 31, 2020.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel and directors

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the year ended December 31, 2020 and 2019 were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries* and director fees	$ 421	$ 693
Share-based compensation	270	109
	$ 691	$ 802

* certain salaries have been allocated to cost of sales and care and maintenance

Amounts due to related parties

Included in trade and other payables as at December 31, 2020, is $18,000 (2019 - $3,000) due to key management for director fees and the reimbursement of expenditures.

Waterton Fund

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

Related party transactions entered into with Waterton Fund during the years ended December 31, 2020 and 2019 are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Interest on secured debt	$ -	$ 104
	$ -	$ 104

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2020 and have not been applied in preparing the Financial Report. In addition, none of these standards are applicable to the Company.

MANAGEMENT JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

a) Critical judgments

Capitalization of exploration and evaluation costs and determination of economic viability of a project

Management has determined that exploration, development and evaluation costs incurred which were capitalized have future economic benefits. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefit including geological and metallurgical information, accessible facilities, existing permits and life of mine plans.

Determination of functional currency

The functional currency of the Company and its US subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that its functional currency and that of its US subsidiaries' functional currency is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment in which the entity operates and the Company reconsiders functional currency if there is a change in events and conditions which determined the primary economic environment.

b) Estimates

Asset carrying values and impairment

The Company performs impairment testing when impairment indicators are present. In the determination of carrying values and impairment charges, management considers the recoverable amount which is the greater of fair value less costs of disposal and value in use in the case of mining assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Mineral Ridge mine

In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $4,202,000 as at December 31, 2020 (2019 - $4,284,000). During the year ended December 31, 2020, the Company recorded non-cash impairment charges for Mineral Ridge of $106,000 (2019 - $470,000).

The recoverability analysis over the Company's inventory as at December 31, 2020, using a gold price assumption of $1,900, 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 for an amount of $2,845,000 during the year ended December 31, 2020 (2019 - $2,368,000).

Goldwedge property and mill

The fact that the Goldwedge property and mill have been on care and maintenance since 2015 is an indicator of impairment. In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $1,917,000 as at December 31, 2020 (2019 - $1,822,000). During the year ended December 31, 2020, the Company recorded non-cash impairment charges for Goldwedge of $Nil (2019 - $2,869,000).

Estimation of asset lives and residual values

Depletion, depreciation and amortization expenses are allocated based on assumed asset lives and estimated residual values. Should the asset life, residual values, depletion rates or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of operations.

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

Convertible debentures

The terms and conditions of financial liabilities may contain embedded derivatives that may or may not require embedded derivatives to be split apart and accounted for as a stand-alone derivative. These determinations require professional judgment. The Company considered the terms and conditions of the convertible debenture and determined the nature of embedded derivatives did not require bifurcation because they are closely related to the host debt instrument. Further, the Company determined based on the terms and conditions of the convertible debentures that the convertible debentures qualified as equity with no liability component since the issuance of shares is solely at the discretion of the Company.

Recognition of deferred taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates may occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized deferred income tax assets.

Estimation of environmental rehabilitation and the timing of expenditure and related accretion

The Company's provision for environmental rehabilitation represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation and assumptions of risks associated with the future cash outflows, and the applicable interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the provision for environmental rehabilitation are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

Inventories

In determining cost of inventories, management makes estimates of quantities of ore stacked on the leach pad and in process and the recoverable gold in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in cost of sales excluding depletion and amortization of future periods and carrying amounts of inventories.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVTOCI"); or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	December 31, 2020	December 31, 2019
Cash	FVTPL	$ 4,147	$ 2,243
Receivables	Amortized cost	23	389
Reclamation bonds	Amortized cost	7,611	6,186
Trade and other payables	Amortized cost	(635)	(524)
Warrant liability	FVTPL	(2,305)	-

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying values of receivables, reclamation bonds, and trade and other payables approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy. The fair value of the Company's warrant liability is recorded at fair value using Level 3 of the fair value hierarchy. The carrying value of the warrant liability is determined using the Black-Scholes option pricing model.

Risk management

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

<u>Credit risk</u>

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, receivables and reclamation bonds. The credit risk on cash, as well as reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. 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.

<u>Liquidity risk</u>

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:

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Trade and other payables	$ 635	$ -	$ -	$ -	$ 635
Provision for environmental rehabilitation (undiscounted)	-	249	5,155	214	5,618

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.

i) 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 Debentures are fixed at an interest rate of 10% per annum and accordingly are 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.

ii) Currency risk

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in Canadian dollars ("CAD$") and presented in thousands of US dollars.

	December 31, 2020	December 31, 2019
Cash	$ 3,892	$ 80
Receivables	7	4
Trade and other payables	(55)	(60)

As at December 31, 2020, the Company holds 94% of its cash in Canadian dollars. Management believes the foreign exchange risk related to currency conversions are minimal and therefore, does not hedge its foreign exchange risk. The effect of a 10% change in the foreign exchange rate on cash held in Canadian dollars at December 31, 2020 would be $389,000.

iii) 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 any significant price risk as at December 31, 2020. The Company does not use derivatives to manage its exposure to price risk.

DISCLOSURE OF OUTSTANDING SECURITIES AS AT THE DATE OF THIS MD&A

Authorized: an unlimited number of common shares without par value

	Common Shares Issued and Outstanding	Warrants	Stock Options	Common Shares underlying the conversion of the principal amount of the convertible debentures
Balance as at December 31, 2020	109,758,957	37,500,000	8,450,000	89,312,500
Issuance of shares on conversion of convertible debentures	250,000	-	-	(250,000)
Manhattan project acquisition	2,091,149	-	-	-
Balance as at the date of this MD&A	112,100,106	37,500,000	8,450,000	89,062,500

FORWARD LOOKING STATEMENTS

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Scorpio Gold or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Scorpio Gold and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Scorpio Gold believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Scorpio Gold is subject to a number of risks and uncertainties, including those risk factors discussed under "Risk Management" in the above documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations and the predictions based on them may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Scorpio Gold will be realized or, even if substantially realized, that they will have the expected consequences for Scorpio Gold.

Forward-looking statements are based on the beliefs, estimates and opinions of Scorpio's management on the date the statements are made. Unless otherwise required by law, Scorpio Gold expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Scorpio Gold does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

OTHER INFORMATION

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.scorpiogold.com.