Management's Discussion and Analysis

For the year ended December 31, 2021

(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, 2021 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, 2021, 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, 2022.

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, 2021, and up to the date of this MD&A, the Company completed the following:

- In March 2021, the Company completed the acquisition of 100% of the Manhattan project located in Nye County, Nevada situated adjacent and proximal to the Company's Goldwedge property.
- In June 2021, the Company regained 100% control of the Mineral Ridge project.
- In November/December 2021 and January 2022, the Company announced the completion and results of an RC drill program at its Manhattan project.
- In April/September/October 2021, the Company announced the results from an underground bulk sampling program at its 100% owned Goldwedge property.

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 valued at $199,000. The Manhattan project is subject to an existing 2.0% net smelter returns royalty and certain reserved water rights. The sellers provided to the Company copies of all non-interpretive geologic data, mining records, land status information, and all drill core samples relating to the Manhattan project that the sellers owned or controlled.

This acquisition of 4,300 acres (1,740 hectares), combined with the Goldwedge 1,771 acres (717 hectares) gives Scorpio Gold complete land control of 6,071 acres (2,457 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.

Manhattan exploration

In May 2021, the Company announced its planned surface drilling program for the Manhattan Property. The initial phase of drilling was to target high-grade mineralized zones intersected in historic drilling below the mined-out Manhattan East and West pits as well as investigate the continuity of mineralization extending northward from the West Pit toward the Goldwedge underground workings. The program and follow-up exploration drilling was to focus on delineating a mineral resource base for potential underground mining.

The initial program includes 4,800 meters of RC drilling with drillholes sited at the periphery of the pits and northward of the West Pit. The goal of the program is to provide considerable information on the structural and lithological controls to mineralization, providing greater confidence in targeting future drilling to build the resource base. Historical exploration and production drilling at the Manhattan Mine below the mined-out pits indicates a shallow, southwesterly dipping trend to mineralization.

The program commenced in June 2021 and completed in November 2021 with 31 holes (6907m) drilled including 19 holes in the West Pit area and 12 holes at East Pit area (Figure 1). Assay results were reported in the Company's July 20, September 7, November 2 and December 9, 2021 and January 4, 2022 news releases. Scorpio Gold's geological staff are in the process of compiling and reviewing the analytical and geological data in context with historical results to build a better understanding of the controls to mineralization and structural complexity of the East and West pit areas. Planning for a Phase II drilling program is in progress and will focus on defining the extent and continuity of the multiple mineralized zones intersected to date.

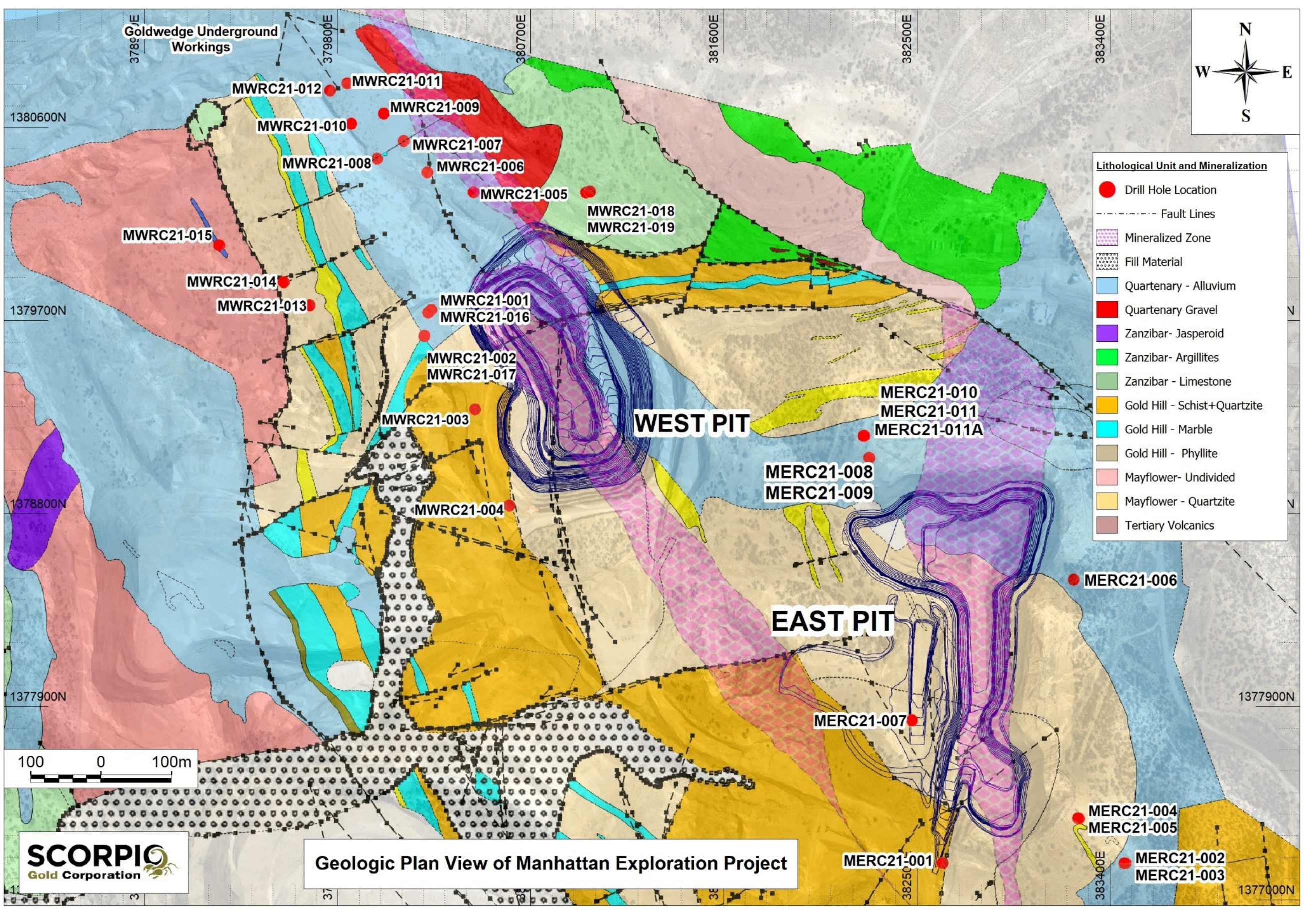

Figure 1. Geological plan map of the West and East pits in the Manhattan Mine area

Goldwedge exploration

Bulk Sample Program

As announced in October 2020, the Company commenced an underground bulk sampling program and preliminary metallurgical testing. The program is intended to provide additional information where 2020 drilling intersected high-grade gold and silver mineralization proximal to underground workings as reported in the Company's news release dated July 27, 2020.

The bulk sample program consisted 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.

The bulk sampling program was designed to drift through an area of high-grade mineralization intersected in 2020 drill hole GWUG20-001, which returned 7.6 m averaging 12.47 g/t gold and 176.23 g/t silver, including 1.52m grading 53.49 g/t gold and 0.15m grading 3,960 g/t silver. The program incorporated a 2.7 x 2.7m drift driven for 34m to a vertical depth of 34m (near horizontal length of 34m) with chip-channel samples collected along the ribs at 1.5m intervals. Results from the sampling have confirmed that high-grade gold mineralization is associated with subparallel quartz and calcite veins and veinlets within foliation and bedding. The mineralization appears to be stratabound and is hosted within sheared metamorphosed interbedded limestones, argillites and phyllites of late Cambrian age. This mode of occurrence of mineralization appears to show significant potential.

Underground Drilling Program

In addition, the Company commenced an underground drilling program focused on defining the on-strike and down-dip continuity of mineralization intersected in the 2020 drilling (July 27, 2020 news release) as well as testing new areas with the potential to define a mineral resource base.

To date, the Goldwedge deposit has been traced over a strike length of ~350m from near surface to a vertical depth of 160m. The southwestern extent of drilling at the Goldwedge deposit lies 100m northwest of Scorpio Gold's most northerly exploration drill hole in the West Pit area of the Manhattan Mine Property. Future drilling will test the Company's structural interpretation that mineralization at Goldwedge could connect with mineralization in the West Pit area, where drilling has indicated a 300m continuous trend of mineralization from as shallow as 19m from surface. Collectively, the Goldwedge, West Pit and East Pit areas outline a mineralized trend along the Reliance Structural Zone ~2 km in strike length. This trend continues a further 3 km southeast to Scorpio Gold's Keystone-Jumbo project area.

Drill hole GWUG21-015 returned 50.2 g/t gold over 5.6m, including a higher-grade intercept of 260g/t over 0.9m. The mineralization is hosted within sheared, interbedded limestones and argillites with quartz and calcite veining. The intersection is located ~7m on strike from historical 2011 drill hole GWUG-11-2, which reported 56.4g/t gold over 3.1m, including 91.6g/t over 1.5m. The mineralization is situated at an average depth of ~58m from topographic surface and is located ~350m northwest of the mine portal. Drilling to further test the extent of high-grade mineralization along strike and at depth below the existing mine workings is ongoing. The planned meterage for this drill program is 2066 meters with 874 meters (42%) completed to date.

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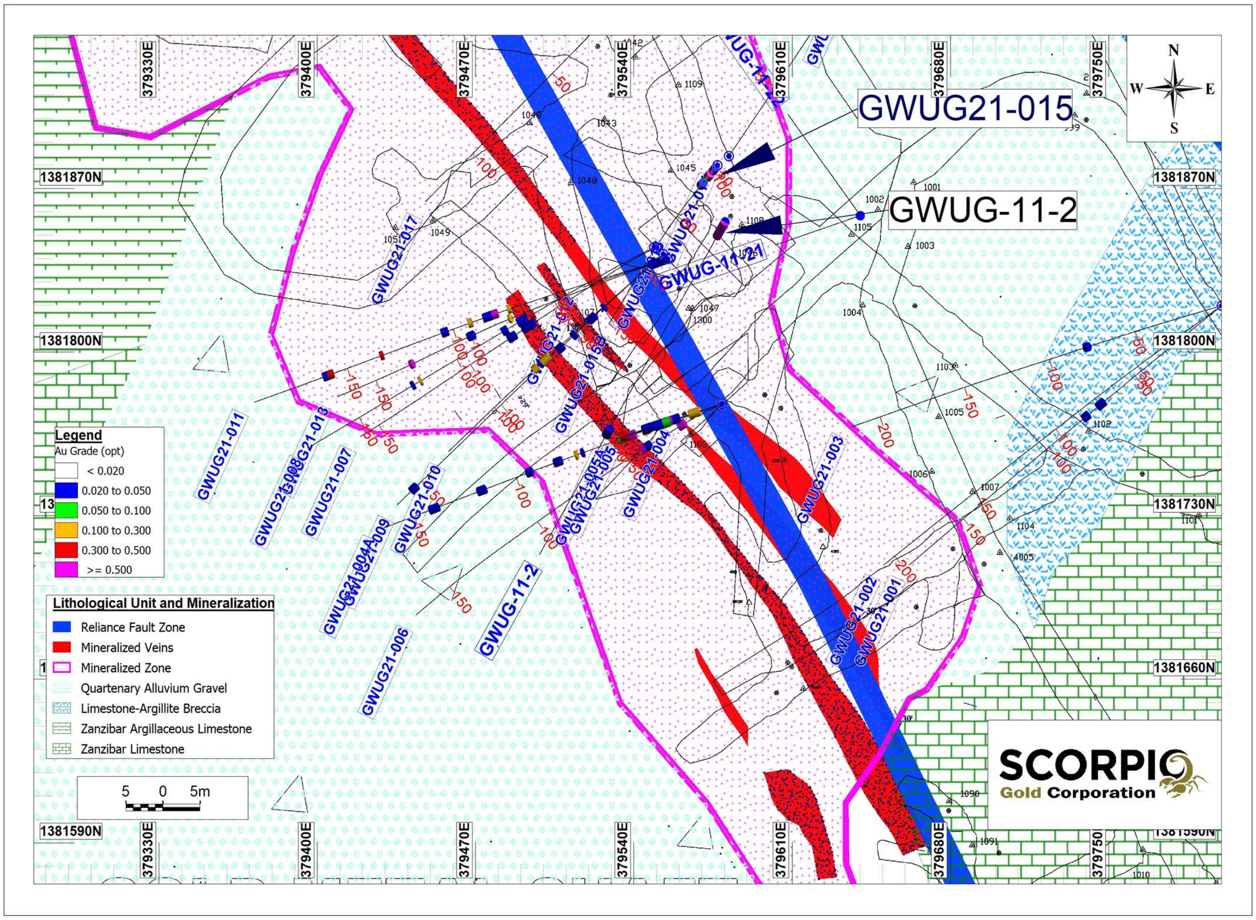

Figure 1: Plan view showing location of GWUG21-015, lithological units and modeled high-grade veins projected to surface. The significant results to date from Goldwedge underground drilling can be referred to in the Company's news releases dated April 13 and September 29, 2021.

Mineral Ridge exploration

The Company was party to an earn-in agreement with Titan Mining Corporation ("Titan"), from August 2020 to June 2021. Titan commissioned an independent technical report on Mineral Ridge with an effective date of December 22, 2020 (the "Titan Report) based on the Company's January 2, 2018 feasibility study. The Titan Report is filed on www.sedar.com on Titan's company profile on February 26, 2021. Titan Report confirmed the estimate of 335,600 ounces of gold in Measured and Indicated Resource and an additional 11,830 ounces of gold in the Inferred Category. Of the resource a total of 260,200 ounces of gold are in the reserve category.

Titan previously identified seven targets, outside the production areas, for exploration drilling. These targets included: North Springs, Chieftain, Vanderbilt, Custer Ridge, Drinkwater NW, and Tarantula (Figure 1). These targets were prioritized based on surface sampling of high-grade gold and/or a combination of structure and lithology hosting anomalous gold (Figure 2).

Titan has delivered the results of their drilling conducted during their tenure and the results are being analyzed by the Company.

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.

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 any potential adverse impacts of the outbreak and its effects on the Company's business or ability to raise funds. The Company's programs have not been impacted to date.

MINERAL RIDGE OPERATIONAL HIGHLIGHTS

- 1,827 ounces of gold and 1,154 ounces of silver were produced at the Mineral Ridge mine compared to 2,800 ounces of gold and 1,358 ounces of silver produced during 2020.
- Revenue of $3,236,000 compared to $4,971,000 during 2020.
- Total cash cost per ounce of gold sold (1) of $2,757 compared to $1,666 during 2020.
- Mine operating loss of $1,925,000 compared to earnings of $230,000 during 2020.
- Net loss of $4,676,000 ($0.04 basic and diluted loss per share) compared to $1,418,000 ($0.02 basic and diluted loss per share) during 2020.
- Adjusted net loss (1) of $2,046,000 ($0.02 basic and diluted loss per share) compared to earnings of $778,000 ($0.01 basic and diluted earnings per share) during 2020.
- Adjusted EBITDA (1) of ($1,144,000) (($0.01) basic and diluted per share) compared to $1,675,000 ($0.02 basic and diluted per share) during 2020.

(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. Further in December 2021, the Company ceased operating the leach pad as it was not generating sufficient metals to make the operation economic. During the year ended December 31, 2021, application of cyanide leach solution to the ore on the leach pad was 1,243 million gallons and 937 million gallons of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.014 ppm gold and 0.013 ppm silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for the year ended December 31, 2021 was 84% for gold and 51% 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, 2021 was 1,782 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 1,827 ounces of gold and 1,154 ounces of silver.

Operations

Scorpio Gold reported a net loss of $4,676,000 for the year ended December 31, 2021 compared to a net loss of $1,418,000 in the comparative year.

Revenue

During the year ended December 31, 2021, the Company sold 1,813 ounces of gold and 1,184 ounces of silver for total revenue of $3,236,000 at an average price of $1,745 for gold and $26 for silver, whereas 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.

Mine operating earnings

Mine operating loss was $1,925,000 for the year ended December 31, 2021 compared to earnings of $230,000 for the comparative year of 2020.

Cost of sales, excluding inventory write-down, was $2,765,000 for the year ended December 31, 2021 compared to $1,850,000 for the year ended December 31, 2020. 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 $2,757 for the year ended December 31, 2021 compared to $1,666 for the year ended December 31, 2020. The increase in cash costs is due mainly to decreased production rates and increased reagent consumption as compared to the prior year.

During the year ended December 31, 2021, the Company wrote down inventory for an amount of $2,263,000 compared to $2,845,000 for the corresponding year of 2020.

General and administrative

General and administrative expenses totaled $862,000 during the year ended December 31, 2021 compared to $1,195,000 during 2020. The decrease is primarily due to decreased share-based compensation off-set by increased investor relations 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, 2021	839	(3,859)	(0.03)
September 30, 2021	698	(1,091)	(0.01)
June 30, 2021	605	386	0.00
March 31, 2021	1,094	(112)	(0.00)
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)

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. Further in December 2021, the Company ceased operating the leach pad as it was not generating sufficient metals to make the operation economic.

As at December 31, 2021, the Company had a working capital deficiency of $273,000. Management estimates that these funds will not provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. Additional financing may be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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 YEAR ENDED DECEMBER 31,	
	2021	2020
(In thousands of US dollars, except per share numbers)	**$**	$
Net loss for the year	**(4,676)**	(1,418)
Share-based compensation	**2**	453
Loss on settlement of convertible debenture interest	**31**	-
Gain on warrant liability	**(1,975)**	(1,148)
Inventory write-down	**2,263**	2,845
Impairment of mining assets	**2,373**	106
Gain on disposal of assets	**(51)**	(24)
Foreign exchange loss (gain)	**(13)**	(36)
Adjusted net earnings (loss) for the year	**(2,046)**	778
Adjusted basic and diluted net earnings (loss) per share	**(0.02)**	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 YEAR ENDED DECEMBER 31,	
	2021	2020
(In thousands of US dollars)		
Cash costs		
Cost of sales excluding depletion and amortization per consolidated financial statements	**5,028**	4,695
By-product silver sales	**(31)**	(30)
Cash operating costs	**4,997**	4,665
Nevada net proceeds tax	**-**	-
Total cash cost	**4,997**	4,665
Divided by ounces of gold sold	**1,813**	2,801
Cash operating cost per gold ounce sold	**2,757**	1,666
Total cash costs per gold ounce sold	**2,757**	1,666

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 YEAR ENDED DECEMBER 31,	
	2021	2020
(In thousands of US dollars, except per share numbers)	**$**	$
Net loss for the year	**(4,676)**	(1,418)
Finance costs	**746**	808
Depletion and amortization	**156**	89
Standardized EBITDA	**(3,774)**	(521)
Share-based compensation	**2**	453
Gain on settlement of convertible interest payable	**31**	-
Gain on warrant liability	**(1,975)**	(1,148)
Inventory write-down	**2,263**	2,845
Impairment of mining assets	**2,373**	106
Gain on disposal of assets	**(51)**	(24)
Foreign exchange loss (gain)	**(13)**	(36)
Adjusted EBITDA	**(1,144)**	1,675
Adjusted basic and diluted EBITDA per share	**(0.01)**	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, 2021.

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 years ended December 31, 2021 and 2020 were as follows:

	Year ended December 31, 2021	2020
Salaries and benefits		
Chief Executive Officer	$ 229	$ 149
Chief Financial Officer & Corporate Secretary	160	115
Former President *	-	117
	389	381
Director fees	-	40
Share-based compensation	-	270
	$ 389	$ 691

* allocated to cost of sales and care and maintenance

Amounts due to related parties

Included in trade and other payables as at December 31, 2021, is $19,000 (2020 - $18,000) due to key management for director fees and the reimbursement of expenditures.

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, 2021	117,104,189	37,500,000	5,885,000	88,637,500
Conversion of debentures	950,000	-	-	(950,000)
Options cancelled	-	-	(1,832,500)	-
Issuance of shares for debenture interest	5,194,976	-	-	-
Maturity of debentures	87,687,500	-	-	(87,687,500)
Balance as at the date of this MD&A	210,936,665	37,500,000	4,052,500	-

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, 2021 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 $4,480,000 as at December 31, 2021 (2020 - $4,202,000). During the year ended December

31, 2021, the Company recorded non-cash impairment charges for Mineral Ridge of $375,000 (2020 - $106,000).

As noted above, the Company ceased operations of its heap leach pads in December 2021. Accordingly, the Company wrote-off its inventory and recorded an impairment in cost of sales for an amount of $2,263,000 during the year ended December 31, 2021 (2020 - $2,845,000).

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 $2,009,000 as at December 31, 2021 (2020 - $1,917,000). During the year ended December 31, 2021, the Company recorded non-cash impairment charges for Goldwedge of $1,998,000 (2020 - $Nil).

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, 2021	December 31, 2020
Cash	FVTPL	$ 279	$ 4,147
Receivables	Amortized cost	144	23
Reclamation bonds	Amortized cost	7,723	7,611
Trade and other payables	Amortized cost	(623)	(635)
Loans	Amortized cost	(450)	-
Warrant liability	FVTPL	(370)	(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:

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, 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.

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:

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Trade and other payables	$ 623	$ -	$ -	$ -	$ 623
Provision for environmental rehabilitation (undiscounted)	-	258	5,699	241	6,198

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 convertible 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, 2021	December 31, 2020
Cash	$ 8	$ 3,892
Receivables	8	7
Trade and other payables	(68)	(55)

As at December 31, 2021, the Company holds 3% 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, 2021 would be less than $1,000.

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, 2021. The Company does not use derivatives to manage its exposure to price risk.

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.