

# SCORPIO



**GOLD CORPORATION**

Condensed Interim Consolidated Financial Statements of

**Scorpio Gold Corporation**

For the three months ended  
March 31, 2018 and March 31, 2017  
(unaudited)

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

## Scorpio Gold Corporation

Condensed interim consolidated statements of comprehensive income  
Three months ended March 31, 2018 and March 31, 2017  
(In thousands of US dollars except for shares and per share amounts )  
(unaudited)

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
<b>Revenue</b>	<b>3,026</b>	9,875
Cost of sales excluding depletion and amortization (Note 5)	<b>(1,915)</b>	(7,226)
Depletion and amortization	-	(271)
Mine operating earnings	<b>1,111</b>	2,378
<b>Expenses</b>		
General and administrative (Note 6)	<b>(266)</b>	(391)
Care and maintenance	<b>(175)</b>	(185)
Impairment of mining assets (Note 3c)	<b>(347)</b>	(1,549)
Gain on adjustment of provision for environmental rehabilitation	<b>43</b>	-
Operating earnings	<b>366</b>	253
<b>Other (expenses) income</b>		
Finance costs (Note 7)	<b>(200)</b>	(192)
Foreign exchange gain	<b>2</b>	-
Finance income	<b>15</b>	-
	<b>(183)</b>	(192)
<b>Earnings before income taxes</b>	<b>183</b>	61
Income tax (expense) recovery		
Current	<b>(50)</b>	(149)
Deferred	<b>11</b>	128
	<b>(39)</b>	(21)
<b>Net earnings and comprehensive income</b>	<b>144</b>	40
Net (loss) earnings and comprehensive income attributable to:		
Shareholders of the Company	<b>(56)</b>	(126)
Non-controlling interest	<b>200</b>	166
	<b>144</b>	40
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	(0.00)
<b>Basic and diluted weighted average number of shares outstanding (Note 8)</b>	<b>124,948,235</b>	124,948,235

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

### Condensed interim consolidated statements of financial position

As at

(In thousands of US dollars)

(unaudited)

	March 31, 2018	December 31, 2017
	\$	\$
<b>Assets</b>		
Current assets		
Cash	873	939
Trade and other receivables	19	188
Prepaid expenses and other	673	548
Inventories (Note 9)	2,207	2,457
<b>Total current assets</b>	<b>3,772</b>	<b>4,132</b>
Producing mining assets (Note 10)	5,161	5,121
Non-producing mining assets and other (Note 11)	2,707	2,710
Reclamation bonds	6,010	5,745
<b>Total assets</b>	<b>17,650</b>	<b>17,708</b>
<b>Equity and liabilities</b>		
Current liabilities		
Trade and other payables	1,036	1,007
Income taxes payable	323	274
Current portion of long-term debt and financing lease (Note 12)	6,083	6,056
<b>Total current liabilities</b>	<b>7,442</b>	<b>7,337</b>
Long-term debt and financing lease (Note 12)	20	50
Provision for environmental rehabilitation	4,759	4,854
Deferred income tax liability	42	53
<b>Total liabilities</b>	<b>12,263</b>	<b>12,294</b>
<b>Equity</b>		
Share capital (Note 13)	51,449	51,449
Equity reserve	6,555	6,555
Investment valuation reserve	(2)	(2)
Foreign currency translation reserve	(194)	(194)
Deficit	(48,591)	(48,535)
Equity attributable to shareholders of the Company	9,217	9,273
Non-controlling interest	(3,830)	(3,859)
<b>Total equity</b>	<b>5,387</b>	<b>5,414</b>
<b>Total liabilities and equity</b>	<b>17,650</b>	<b>17,708</b>

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

APPROVED BY THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

Condensed interim consolidated statements of changes in equity

Three months ended March 31, 2018 and March 31, 2017

(In thousands of US dollars, shares in thousands)

(unaudited)

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	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
Balance, December 31, 2017	124,948	\$ 51,449	\$ 6,555	\$ (2)	\$ (194)	\$ (48,535)	\$ (3,859)	\$ 5,414
Net (loss) earnings and comprehensive income	-	-	-	-	-	(56)	200	144
Distributions to non-controlling interest	-	-	-	-	-	-	(171)	(171)
<b>Balance, March 31, 2018</b>	<b>124,948</b>	<b>51,449</b>	<b>6,555</b>	<b>(2)</b>	<b>(194)</b>	<b>(48,591)</b>	<b>(3,830)</b>	<b>5,387</b>

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	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
Balance, December 31, 2016	124,948	\$ 51,449	\$ 6,555	\$ (2)	\$ (194)	\$ (44,853)	\$ (2,310)	\$ 10,645
Net (loss) earnings and comprehensive income	-	-	-	-	-	(126)	166	40
Distributions to non-controlling interest	-	-	-	-	-	-	(261)	(261)
Balance, March 31, 2017	124,948	51,449	6,555	(2)	(194)	(44,979)	(2,405)	10,424

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

Condensed interim consolidated statements of cash flows  
Three months ended March 31, 2018 and March 31, 2017  
(In thousands of US dollars)  
(unaudited)

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
<b>Operating activities</b>		
Net earnings before taxes	183	61
Adjustment for:		
Environmental rehabilitation payments	(48)	-
Items not involving cash :		
Finance costs (Note 7)	200	192
Finance income	(15)	-
Gain on adjustment of provision for environmental rehabilitation	(43)	-
Impairment of mining assets (Note 3c)	347	1,549
Depletion and amortization	6	273
Cash flows from operating activities before movements in working capital:	630	2,075
Decrease in trade and other receivables	169	140
(Increase) decrease in prepaid expenses and other	(125)	170
Decrease in inventories	250	1,384
Decrease in trade and other payables	(96)	(320)
	828	3,449
<b>Investing activities</b>		
Additions to non-producing mining assets	(295)	(864)
Additions to reclamation bonds	(250)	-
Additions to producing mining assets	-	(1,154)
Decrease of restricted cash	-	1,307
	(545)	(711)
<b>Financing activities</b>		
Distributions to non-controlling interest	(171)	(261)
Interest paid	(148)	(148)
Repayment of long-term debt and financing lease	(30)	(37)
	(349)	(446)
(Decrease) increase in cash	(66)	2,292
Cash, beginning of period	939	3,816
<b>Cash, end of period</b>	<b>873</b>	<b>6,108</b>
Supplemental cash flow information (Note 14)		

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

*(unaudited)*

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### 1. Continuation of operations

Scorpio Gold Corporation (“Scorpio Gold” or the “Company”) and its subsidiaries conduct mineral exploitation, exploration and development activities in the United States.

The Company is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The address of the Company’s registered office is 206-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5 and its administrative office is located at 1462, de la Quebecoise, Val-d’Or, Quebec, Canada, J9P 5H4.

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

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

The Company’s only source of revenue, the 70% owned Mineral Ridge mine, suspended mining in November 2017 and management expects to generate limited revenues from residual but diminishing gold recoveries from the leach pads until approximately July 2018. As a result, the Company’s revenues from operations have been and continue to be adversely affected, and cash flow from operations will soon be insufficient to support the Company. In addition, the principal of \$6.0 million of the Company’s long-term debt matures in August 2018. In light of this situation, the Company does not expect that it will be able to generate sufficient cash flows from its operations to continue as a going concern in the near future. The Company will need to raise additional capital in the coming months in order to support its operations and to settle its long-term debt. The Company is currently evaluating various business alternatives, which involve refinancing its long-term debt and raising the required capital to support its operations and for the construction of a new processing facility at the Mineral Ridge mine.

In October 2017, the Company announced a positive feasibility study for processing the heap leach mineral resource at Mineral Ridge. This economically positive study provides the foundation for recovering a substantial portion of the 117,000 ounces of gold proven and probable reserves (6,855,000 tons at a grade of 0.017 ounce per ton (‘opt’)). contained on the heap leach pad. Additionally, due to higher expected recovery rates provided by the new milling circuit, the Company proceeded with a third-party analysis of its other known mineralization reserves. This study added additional mineral reserves of 156,000 ounces of gold (3,713,000 tons at a grade of 0.042 opt) for a combined mineral reserves of 273,000 ounces of gold in the proven and probable category. This is expected to extend the Mineral Ridge life of mine by an estimated total of 7.5 years, subject to the construction of the new processing facility. Further exploration at Mineral Ridge may also add additional resources. For more information, see the Company’s technical report titled “Updated Feasibility Study and National Instrument 43-101 Technical Report: Mineral Ridge Project” which is dated January 2, 2018 and is available on SEDAR. The Company’s Chairman, Mr. Peter J. Hawley, is the Company’s qualified person under National Instrument 43-101-Standards of Disclosure for Mineral Projects (“NI 43-101”), and has reviewed and approved the technical disclosure contained in these financial statements.

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

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

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

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

These condensed interim consolidated financial statements of the Company, including comparatives, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements do not include all disclosures required by IFRS for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2017 prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 29, 2018.

### 3. Significant accounting policies and estimates

The preparation of financial data is based on accounting principles and estimates consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2017, except for the following policy being applied in the current quarter which was not applicable in the 2017 consolidated financial statements:

a) Financial instruments ("IFRS 9")

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

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

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



## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

*(unaudited)*

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### 3. Significant accounting policies and estimates (Continued)

#### c) Mineral Ridge mine estimates

The fact that the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of March 31, 2018 is an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using fair value less costs of disposal. Impairment testing is performed using cash flow projections derived from expected future production, which incorporate reasonable estimates of precious metal production, future metal prices, operating costs, capital expenditures and the residual values of the assets. The determination of the recoverable value used Level 3 valuation inputs.

Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was \$5.8 million. During the three-month period ended March 31, 2018, the Company recorded non-cash impairment charges for Mineral Ridge of \$0.3 million.

The Company has performed a sensitivity analysis to identify the impact of changes in forecasted revenues which is the key assumption that impacts the impairment calculation mentioned above. Using the foregoing impairment testing model, a 10% change in the forecasted revenues and holding all other assumptions constant has no impact on the impairment as the residual value of the assets remains constant.

Based on its assessment, the Company calculated that a non-cash impairment charge for Mineral Ridge of \$2.7 million would be required, using a discount rate of 9% along with an average gold price assumption of \$1,250 for the rest of 2017. However, since the depreciable amount of the assets, being defined as the net of the carrying amounts and the residual value, amounted to \$1.5 million, the Company recorded a \$1.5 million non-cash impairment charge for Mineral Ridge as at March 31, 2017.

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

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### 4. Financial instruments

#### a) Financial risk factors

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

##### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's current policy to manage liquidity risk is to keep cash in bank accounts.

The following table outlines the expected maturity of the Company's significant financial liabilities into relevant maturity grouping based on the remaining period from the date of the statement of financial position to the contractual maturity date:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	1,036	1,036	-	-	-
Principal and interest on long-term debt and financing lease	6,365	6,345	20	-	-
Provision for environmental rehabilitation	5,174	-	250	4,352	572

#### b) Fair Value

The fair value of cash, trade and other receivables, reclamation bonds as well as trade and other payables approximate their carrying amount due to their short-term nature. Fair value of long-term debt is not significantly different from its carrying since most of it matures in August 2018.

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
Contractor charges	145	2,481
Labour	857	1,599
Fuel and reagents	161	608
Mechanical parts	32	475
Change in ore stockpile, metals in process and finished goods inventories	246	1,409
Royalties	16	9
Utilities, permits and other	458	645
	<b>1,915</b>	<b>7,226</b>

### 6. General and administrative

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
Salaries and benefits	142	165
Professional fees	66	41
Directors fees	26	42
Insurance, travel and office related	21	32
Investor relations	7	77
Consultants	2	8
Transfer agent and listing fees	2	2
Project evaluation	-	24
	<b>266</b>	<b>391</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 7. Finance costs

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
Interest on long-term debt	148	148
Amortization of debt issue cost	26	23
Unwinding of discount of provision for environmental rehabilitation	25	19
Interest on financing lease	1	2
	<b>200</b>	192

### 8. Weighted average number of shares and dilutive share equivalents

	Three months ended March 31, 2018	Three months ended March 31, 2017
Basic and diluted weighted average number of shares	124,948,235	124,948,235

All of the potentially dilutive securities were excluded from the dilutive number of shares outstanding for the three-month period ended March 31, 2018 and for the three-month period ended March 31, 2017 as they are anti-dilutive.

### 9. Inventories

	March 31, 2018	December 31, 2017
	\$	\$
Supplies	755	771
Metals in process	989	1,661
Finished goods	463	25
	<b>2,207</b>	2,457

During the three-month period ended March 31, 2018, inventory included as cost of sales is \$1.9 million (2017, \$7.5 million).

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 10. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2016	70,160	23,182	1,973	798	96,113
Transfer from non-producing mining assets	1,284	135	-	11	1,430
Additions	2,728	78	213	7	3,026
Disposal	-	(66)	-	-	(66)
Change in provision for environmental rehabilitation	89	-	-	-	89
Balance, December 31, 2017	74,261	23,329	2,186	816	100,592
Additions	-	43	-	-	43
<b>Balance, March 31, 2018</b>	<b>74,261</b>	<b>23,372</b>	<b>2,186</b>	<b>816</b>	<b>100,635</b>

### Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2016	70,160	19,036	1,198	790	91,184
Transfer from non-producing mining assets	856	-	-	8	864
Depletion and amortization	1,288	8	1	-	1,297
Impairments	1,957	155	64	6	2,182
Disposal	-	(56)	-	-	(56)
Balance, December 31, 2017	74,261	19,143	1,263	804	95,471
Depletion and amortization	-	2	1	-	3
<b>Balance, March 31, 2018</b>	<b>74,261</b>	<b>19,145</b>	<b>1,264</b>	<b>804</b>	<b>95,474</b>

### Net book value

December 31, 2017	-	4,186	923	12	5,121
<b>March 31, 2018</b>	<b>-</b>	<b>4,227</b>	<b>922</b>	<b>12</b>	<b>5,161</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 10. Producing mining assets (Continued)

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
<b>Cost</b>	\$	\$	\$
Balance, December 31, 2016	93,464	2,649	96,113
Transfer from non-producing mining assets	1,295	135	1,430
Additions	3,021	5	3,026
Disposal	(66)	-	(66)
Change in provision for environmental rehabilitation	89	-	89
Balance, December 31, 2017	97,803	2,789	100,592
Additions	43	-	43
<b>Balance, March 31, 2018</b>	<b>97,846</b>	<b>2,789</b>	<b>100,635</b>

#### Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2016	89,118	2,066	91,184
Transfer from non-producing mining assets	864	-	864
Depletion and amortization	1,289	8	1,297
Impairments	2,088	94	2,182
Disposal	(56)	-	(56)
Balance, December 31, 2017	93,303	2,168	95,471
Depletion and amortization	-	3	3
<b>Balance, March 31, 2018</b>	<b>93,303</b>	<b>2,171</b>	<b>95,474</b>

#### Net book value

December 31, 2017	4,500	621	5,121
<b>March 31, 2018</b>	<b>4,543</b>	<b>618</b>	<b>5,161</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 11. Non-producing mining assets and other

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	15,640	685	604	37	741	17,707
Transfer to producing mining assets	(1,284)	-	-	-	(146)	(1,430)
Additions	1,766	4	-	-	791	2,561
Disposal	-	-	-	(4)	-	(4)
Change in provision for environmental rehabilitation	7	-	-	-	-	7
Balance, December 31, 2017	16,129	689	604	33	1,386	18,841
Additions	127	-	-	-	220	347
<b>Balance, March 31, 2018</b>	<b>16,256</b>	<b>689</b>	<b>604</b>	<b>33</b>	<b>1,606</b>	<b>19,188</b>

### Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2016	13,295	520	500	37	725	15,077
Transfer to producing mining assets	(856)	-	-	-	(8)	(864)
Impairments	1,217	-	36	-	669	1,922
Disposal	-	-	-	(4)	-	(4)
Balance, December 31, 2017	13,656	520	536	33	1,386	16,131
Depletion and amortization	-	2	1	-	-	3
Impairment	127	-	-	-	220	347
<b>Balance, March 31, 2018</b>	<b>13,783</b>	<b>522</b>	<b>537</b>	<b>33</b>	<b>1,606</b>	<b>16,481</b>

### Net book value

December 31, 2017	2,473	169	68	-	-	2,710
<b>March 31, 2018</b>	<b>2,473</b>	<b>167</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>2,707</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 11. Non-producing mining assets and other (Continued)

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

	Mineral Ridge	Goldwedge	Other	Total
<b>Cost</b>	\$	\$	\$	\$
Balance, December 31, 2016	6,471	11,192	44	17,707
Transfer to producing mining assets	(1,295)	(135)	-	(1,430)
Additions	1,947	603	11	2,561
Disposal	-	-	(4)	(4)
Change in provision for environmental rehabilitation	-	7	-	7
Balance, December 31, 2017	7,123	11,667	51	18,841
Additions	347	-	-	347
<b>Balance, March 31, 2018</b>	<b>7,470</b>	<b>11,667</b>	<b>51</b>	<b>19,188</b>

#### Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2016	6,471	8,571	35	15,077
Transfer to producing mining assets	(864)	-	-	(864)
Impairments	1,516	406	-	1,922
Disposal	-	-	(4)	(4)
Balance, December 31, 2017	7,123	8,977	31	16,131
Depletion and amortization	-	3	-	3
Impairment	347	-	-	347
<b>Balance, March 31, 2018</b>	<b>7,470</b>	<b>8,980</b>	<b>31</b>	<b>16,481</b>

#### Net book value

December 31, 2017	-	2,690	20	2,710
<b>March 31, 2018</b>	<b>-</b>	<b>2,687</b>	<b>20</b>	<b>2,707</b>



## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 12. Long-term debt

	March 31, 2018	December 31, 2017
	\$	\$
Senior secured credit facility, repayable in August 2018, bearing interest at a rate of 10% per annum payable quarterly, secured by a first priority security interest over all of the Company's assets, net of debt issue cost of \$36,000 <sup>a)</sup>	5,964	5,938
Financing lease on mobile equipment having a net book value of \$150,000, payable by monthly installments of \$10,115 including interest at a rate of 3.2% per annum until May 2019 <sup>b)</sup>	139	168
Current portion	(6,083)	(6,056)
<b>Long-term portion</b>	<b>20</b>	<b>50</b>

Future long-term debt principal repayments are as follows:

2018: \$6,000

- a) On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"), an affiliate of Elevon, LLC, for a loan in the principal amount of \$6 million (the "Loan"). The Company paid Waterton Fund a \$0.12 million structuring fee and incurred \$0.16 million of other related issue costs. The Loan matures and is payable 36 months after the date of advancement, but may be voluntarily prepaid by the Company at any time, provided that upon such prepayment the Company shall pay the lesser of 24 months of interest on the principal amount, or such interest as would be payable between the date of such prepayment and the maturity date of the Loan. Also, the Loan is subject to mandatory prepayment in certain circumstances, including upon a change of control of the Company, as defined in the definitive agreement.

There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company's trade payables not exceed \$8.0 million. The Company has complied with all restrictions pursuant to the Loan as at March 31, 2018.

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

	March 31, 2018	December 31, 2017
	\$	\$
2018	121	121
2019	20	51
Total minimum lease payments	141	172
Less: amount representing interest	(2)	(4)
	<b>139</b>	<b>168</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 13. Share capital

(a) Authorized

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

(b) Stock option plan

A summary of changes in the Company's outstanding stock options for the three months ended March 31, 2018 and the year ended December 31, 2017, are as follows:

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	(in thousands)	CAD\$	(in thousands)	CAD\$
Outstanding, beginning of period	6,937	0.16	10,890	0.27
Expired	(927)	(0.16)	(3,953)	(0.47)
Outstanding, end of period	6,010	0.16	6,937	0.16

(b) Stock option plan

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2018:

Exercise price	Weighted average remaining contractual life	Outstanding and Exercisable
CAD\$	(in years)	(in thousands)
0.085	3.42	2,460
0.145	1.79	1,885
0.205	0.27	100
0.275	5.19	1,565
		6,010

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

*(unaudited)*

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### 14. Supplemental cash flow information

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

	<b>March 31, 2018</b>	December 31, 2017
	<b>\$</b>	<b>\$</b>
Long-term debt and financing lease, beginning of period	<b>6,106</b>	6,130
Cash flows: Principal repayment	<b>(29)</b>	(121)
Non-cash: Amortization of debt issue cost	<b>26</b>	97
<b>Long-term debt and financing lease, end of period</b>	<b>6,103</b>	6,106

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

	<b>March 31, 2018</b>	December 31, 2017
	<b>\$</b>	<b>\$</b>
Accounts payable included in non-producing mining asset	<b>74</b>	21
Additions to producing mining assets from an increase to provision for environmental rehabilitation	<b>43</b>	-

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

(unaudited)

### 15. Segmented information

#### (a) Industry information

The Company is engaged in mining exploitation, exploration and development and has one operating mine and a toll milling facility. The Company has two reportable segments being Mineral Ridge and Goldwedge. The Other category is composed of head office and Scorpio Gold (US) Corporation. Segments are operations reviewed by the CEO who is considered to be the chief operating decision maker.

Operating segment details are as follows:

	Three months ended March 31, 2018			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	3,026	-	-	3,026
Inter-segment (expense) - management fees	(65)	-	65	-
Cost of sales excluding depletion and amortization	(1,915)	-	-	(1,915)
Mine operating earnings	1,046	-	65	1,111
Expenses				
General and administrative	(29)	-	(237)	(266)
Care and maintenance	-	(169)	-	(169)
Care and maintenance amortization	-	(6)	-	(6)
Gain on adjustment of provision for environmental rehabilitation	43	-	-	43
Impairment of mining assets	(347)	-	-	(347)
Operating earnings (loss)	713	(175)	(172)	366
Other expenses				
Finance costs	(24)	-	(176)	(200)
Foreign exchange gain	-	-	2	2
Finance income	15	-	-	15
Earnings (loss) before income taxes	(9)	-	(174)	(183)
Income tax expense	704	(175)	(346)	183
Income tax expense	(39)	-	-	(39)
Net earnings (loss) and comprehensive income	665	(175)	(346)	144

**Scorpio Gold Corporation**

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

	<b>Three months ended March 31, 2017</b>			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	9,875	-	-	9,875
Inter-segment (expense) - management fees	(237)	-	237	-
Cost of sales excluding depletion and amortization	(7,226)	-	-	(7,226)
Depletion and amortization	(271)	-	-	(271)
Mine operating earnings	2,141	-	237	2,378
<b>Expenses</b>				
General and administrative	-	(5)	(386)	(391)
Care and maintenance	-	(183)	-	(183)
Care and maintenance amortization	-	(2)	-	(2)
Impairment of mining assets	(1,549)	-	-	(1,549)
Operating earnings (loss)	592	(190)	(149)	253
<b>Other expenses</b>				
Finance costs	(19)	(2)	(171)	(192)
Earnings (loss) before income taxes	573	(192)	(320)	61
Income tax expense	(21)	-	-	(21)
Net earnings (loss) and comprehensive income	552	(192)	(320)	40

**As at March 31, 2018**

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	13,743	3,570	337	17,650
Total liabilities	5,616	376	6,271	12,263

**As at December 31, 2017**

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

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

*(unaudited)*

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### 15. Segmented information (Continued)

#### (b) Geographic information

All revenue from the sale of precious metals for the periods ended March 31, 2018 and March 31, 2017 were earned in the United States. Substantially all of the Company's revenues are with one customer.

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

### 16. Related party transactions

#### a) Compensation of key management personnel and directors

The Company considers its key management personnel to be the CEO and the individuals having the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The remuneration of directors and key management personnel during the three-month periods ended March 31, 2018 and March 31, 2017 is as follows:

	<b>Three months ended March 31, 2018</b>	Three months ended March 31, 2017
Salaries and directors' fees	<b>\$ 181</b>	\$ 209
Consulting fee with a director	<b>-</b>	6
	<b>181</b>	215

As at March 31, 2018, an aggregate of \$130,711 resulting from transactions with key management is included in trade and other payables.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three-month periods ended March 31, 2018 and March 31, 2017.

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2018 and March 31, 2017

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

*(unaudited)*

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### 16. Related party transactions (Continued)

b) Waterton Precious Metals Fund II Cayman, LP (“Waterton Fund”)

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

Related party transactions entered into with Waterton Fund during the periods ended March 31, 2018 and March 31, 2017 are as follows:

	<b>Three months ended March 31, 2018</b>	Three months ended March 31, 2017
	<b>\$</b>	<b>\$</b>
Interest on long-term debt	<b>148</b>	148