MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") is for the three-month period ended March 31, 2016 and is provided as of May 12, 2016. This MD&A is to be read in conjunction with the most recently issued annual consolidated financial statements for the year ended December 31, 2015 and the condensed interim consolidated financial statements of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the three-month period ended March 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on the Company's website (www.scorpiogold.com) and filed on SEDAR (www.sedar.com). All dollar amounts are in US dollars unless otherwise indicated.

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 mineral exploitation, exploration and development activities on mining properties in the United States.

HIGHLIGHTS FOR THE FIRST QUARTER ("Q1") ENDED MARCH 31, 2016

- 8,508 ounces of gold were produced at the Mineral Ridge mine during Q1 of 2016, compared to 11,952 ounces during Q1 of 2015.
- Revenue of $9.4 million, compared to $12.3 million during Q1 of 2015.
- Total cash cost per ounce of gold sold[1] of $801 compared to $797 during Q1 of 2015.
- Mine operating earnings of $1.9 million compared to $2.1 million during Q1 of 2015.
- Net earnings of $1.1 million ($0.00 basic and diluted per share), compared to $0.8 million ($0.00 basic and diluted per share) during Q1 of 2015.
- Adjusted net earnings[1] of $1.0 million ($0.00 basic and diluted per share) for both Q1 of 2016 and Q1 of 2015.
- Adjusted EBITDA [1] of $1.6 million ($0.01 basic and diluted per share) compared to $1.9 million ($0.01 basic and diluted per share) during Q1 of 2015.

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

OUTLOOK

We are pleased to report another strong quarter of production at Mineral Ridge, wherein total ore mined increased 16.4%, processed material increased 15.2% and the head grade increased 17%, compared to Q1 2015. Both gold and silver recoveries from the leach pad are expected to increase in Q2 2016.

As always the Company remains focused on being cost effective for 2016, and anticipates another full year of strong production at Mineral Ridge from the Mary LC, Bluelite and Solberry pits with additional development commencing in Q2 of 2016 from the Phase Three LC pit.

Production guidance for the Mineral Ridge mine for 2016 remains at 30,000-35,000 ounces of gold produced at a total cost of $850-$900 per ounce gold sold. The Company has completed its drill program for 2016 with approximately 19,000 meters of RC drilling completed in 148 holes with the main focus on the 2015 exploration successes. Infill and development drilling has focused on delineating and expanding the Custer and Oromonte areas of known mineralization proximal to existing production pits and satellite deposits. In addition, the exploration drilling was designed to quickly identify and delineate new open pit targets for potential development within the existing Plan of Operation permit boundary such as the Paris target.

Mining at Mineral Ridge remains scheduled to end in mid-2017. An initial presentation was made in March, 2016 to the Bureau of Land Management (BLM) with respect to permitting the Custer, Oromonte, and Paris claims for additional mining which would extend the mining schedule. There can be no assurance that any applications made for permitting will be successful.

The Company continues to seek and evaluate new projects, mergers and acquisitions that will increase its asset base as well as enhance value for its shareholders.

KEY OPERATING AND FINANCIAL STATISTICS FOR THE THREE MONTHS ENDED

	MARCH 31, 2016	MARCH 31, 2015
Mining operations		
Mary LC pit		
Ore tonnes mined	146,872	-
Waste tonnes mined	703,030	-
Total mined	849,902	-
Strip ratio	4.8	-
Mary pit		
Ore tonnes mined	-	117,964
Waste tonnes mined	-	744,977
Total mined	-	862,941
Strip ratio	-	6.3

Satellite pits		
Ore tonnes mined	103,252	58,073
Waste tonnes mined	227,056	172,352
Total mined	330,308	230,425
Strip ratio	2.2	3.0
Total producing pits		
Ore tonnes mined	250,124	176,037
Waste tonnes mined	930,086	917,329
Total mined	1,180,210	1,093,366
Strip ratio	3.7	5.2
Pits under development		
Ore Tonnes mined	-	38,882
Waste tonnes mined	55,622	804,549
	55,622	843,431
Total mining operation		
Ore tonnes mined	250,124	214,919
Waste tonnes mined	985,708	1,721,878
	1,235,832	1,936,797

Processing

Tonnes processed	251,587	218,372
Gold head grade (grams per tonne)	1.65	1.41
Recoverable gold ounces placed on the pad [1]	9,032	6,490
Availability[2]	59.1%	52.0%
Ounces produced		
Gold	8,508	11,952
Silver	3,921	6,319

[1] A weighted average metallurgical recovery factor has been applied to the estimated contained ounces crushed and placed on the leach pad, based on the pits from which the ore was mined.

[2] Processing Availability is based on hours of crusher operations versus permitted run time.

Financials		
(In thousands of US dollars, except per ounce numbers)	$	$
Total cash cost per ounce of gold sold[1]	801	797
Ounces sold		
Gold	8,300	10,408
Silver	4,000	4,232
Average price of gold		
London PM fix	1,183	1,218
Realized	1,129	1,179
Net earnings (‘000)	1,079	755
Basic and diluted net loss per share	0.00	0.00
Adjusted net earnings [1] (‘000)	1,041	979
Basic and diluted adjusted net earnings per share[1]	0.00	0.00
Adjusted EBITDA[1] (‘000)	1,569	1,871
Basic and diluted adjusted EBITDA per share [1]	0.01	0.01
Cash flow (used by) from operating activities (‘000)	(366)	4,344

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

MINERAL PROPERTIES

The Company's President and Chief Executive Officer, 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 following technical disclosure.

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge Property and related assets, which was a former producing gold mine in Nevada. Mining by the Company commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company has been receiving 80% of cash flows generated at the Mineral Ridge mine in accordance with the project agreements, but effective August 14, 2015, the Company will owe and accrue to its partner an amount equal to 10% of amounts actually distributed to the partners in Mineral Ridge Gold, LLC. For more information see "Long-term debt-Change to the Mineral Ridge operating agreement".

General

The Mineral Ridge Property is located about 56 km southwest of Tonopah, Nevada. The property consists of several consolidated claim blocks and historic mining operations dating from the 1860's up through the 1940's. Open pit mining began again in the area in 1989, primarily in the Drinkwater open pit. Gold mineralization is hosted in the lowest unit of the Wyman Limestone formation, typically referred to as the "Mary Limestone". Historic mining properties consolidated by the Mineral Ridge Property include the Drinkwater, Mary and Brodie underground mines. The areas surrounding these properties and the smaller satellite deposits nearby are the focus of current production plans by both open pit and possibly underground mining. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, refuelling and storage facilities and administrative buildings.

Resource and reserve estimates

In July of 2014, the Company announced results of an updated Life of Mine Plan ("LOM") completed for the Drinkwater, Mary, Mary LC, Brodie, Bluelite, Solberry, Wedge and Oromonte deposits at the 70% owned Mineral Ridge Property, located in Nevada.

The updated mine plan, which includes an updated mineral reserve estimate, projects mine life for the Mineral Ridge project extending into the 3rd quarter of 2016, or approximately 29 months as of the end of March 2014, the date of the LOM update. Average ore production over this time frame is estimated at 73,700 tons per month ("t/m") based on total estimated Probable Mineral Reserves of 2.1 million tons ("Mt") at a grade of 0.061 ounces per ton ("oz/ton") gold (131,190 oz contained gold) within estimated Indicated Mineral Resources of 2.7 Mt at a grade of 0.059 oz/ton (160,300 oz contained gold). Expansion and infill drilling of the satellite deposits has continued since the March 31, 2014 cut-off date for the LOM and is expected to add to the resource base and potentially support further conversion of current mineral resources to mineral reserves.

This LOM is inclusive of the Drinkwater, Mary and Mary LC deposits and the five satellite deposits, Brodie, Wedge, Bluelite, Solberry and Oromonte. An Inferred Mineral Resource estimate for the Brodie, Wedge, Bluelite, and Solberry deposits, dated June 1, 2013, was reported in the Company's August 16, 2013 news release. Subsequent development drilling resulted in an upgrade of the previous resource estimate to include Indicated Mineral Resources containing Probable Mineral Reserves. The updated Indicated Mineral Resource estimate dated March 31, 2014 for the five satellite deposits is 625,100 tons at a grade of 0.061 oz/ton gold (38,360 oz contained gold), which includes Probable Mineral Reserves for four of the deposits of 463,880 tons at a grade of 0.065 oz/ton gold (30,050 oz contained gold) and was reported in the Company's new release dated July 21, 2014.

The Mineral Resource and Mineral Reserve estimates in the LOM were prepared by Jim Ashton, P.E., an employee of the Company and a qualified person pursuant to NI 43-101 and audited by independent qualified person, Mr. Randy Martin, RM-SME of Welsh Hagen Associates. The LOM is an independent technical report supporting the disclosure of the Mineral Resource and Mineral Reserve estimate, and was prepared by Welsh Hagen Associates and filed on SEDAR on September 3, 2014.

See the Company's news release dated July 21, 2014 for further details of the LOM and the resource and reserve estimates contained therein.

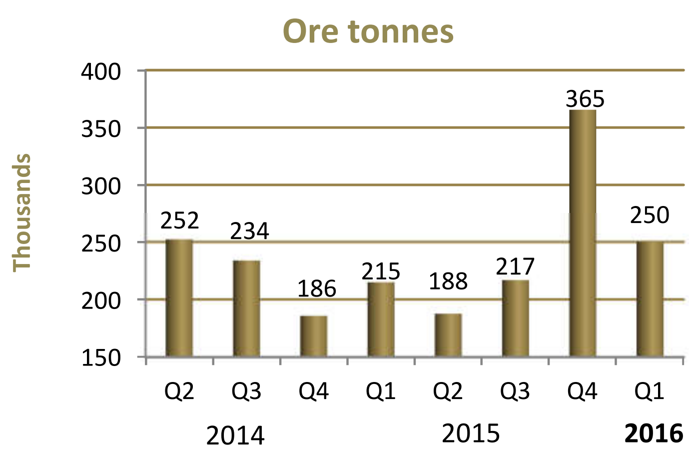
The Company has recently completed an internal detailed review of the previously announced July 2014 mineral resource and reserve estimates against actual results from material mined at Mineral Ridge compared to the predicted reserve model. As a result, the Company has developed an updated mine plan, which includes the Mary LC, Bluelite, Solberry, Missouri and the Brodie phase B pits. This is expected to extend mining until June 2017. This 9 month extension to the mine plan is a direct result of the areas being mined consistently containing more gold ounces and tons than what was predicted by the July 2014 reserve model. The new mine plan does not include the Custer, Oromonte and Paris mineralized zones, which had been undergoing definition drilling until early Q2 of 2016. Permitting is anticipated to be completed in 2017, which should further extend the LOM.

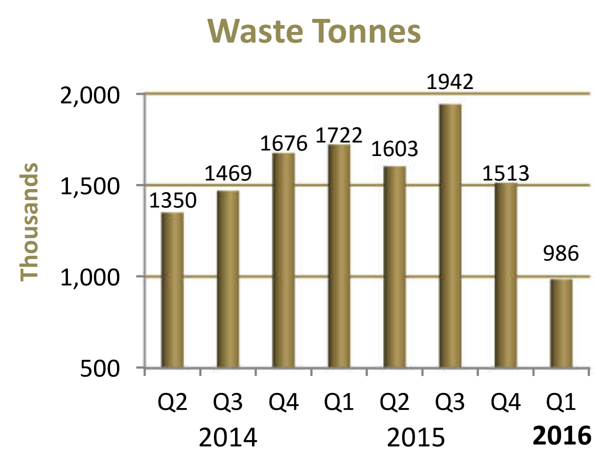
Mining activities

Total mine production during the first quarter of 2016 was 1,235,832 tonnes compared to 1,936,797 tonnes mined in Q1 2015. During Q1 of 2016, mine production was composed of 250,124 tonnes of ore and 985,708 tonnes of waste. The ore was mined from the 6560 through 6540 and 6420 through 6400 benches in the Mary LC Pit, from the 7220 through 7190, and 7160 through 7140 benches in the Bluelite Pit, and from the 7300 through 7270 benches in the Solberry pit. Pre-stripping of waste material from the Missouri pit began in preparation for commercial production and amounted to 55,622 tonnes. Mining in the Solberry and Bluelite satellite pits is expected to be completed in Q2 of 2016.

The average production in tonnes per day ("TPD") for the first quarter of 2016 was 19,310 TPD which is substantially lower than Q1 of 2015, which was 35,867 TPD. Mine production during Q1 of 2016 was reduced by 36% compared to Q1 of 2015 as a result of smaller pits and a much lower strip ratio.

Average monthly ore deliveries to the crusher in 2016 are estimated at 63,525 tonnes as compared to the average monthly ore deliveries in 2015 of 82,331 tonnes. Mining operations occur on a one-shift per day, five days a week schedule with drilling operations working on a seven days per week schedule.





Mine reconciliation:

	Through Bench	Ore mined variance compared to Model	Gold grade variance compared to Model	Contained ounces variance compared to Model	Dilution
Drinkwater	6460	17%	9%	24%	11.0%
Mary	6390	35%	-12%	18%	14.9%
Mary LC	6410	61%	-21%	28%	16.4%
Bluelite	7140	24%	-12%	9%	14.9%
Solberry	7270	57%	-36%	1%	17.7%
Wedge	7100	21%	-9%	11%	9.0%
Brodie	7000	81%	-28%	31%	16.0%

Due mainly to higher dilution occurring during the mining process, an overall higher tonnage of ore was delivered to be crushed and placed on the heap leach pad, at a lower average grade than was predicted.

Operations activities

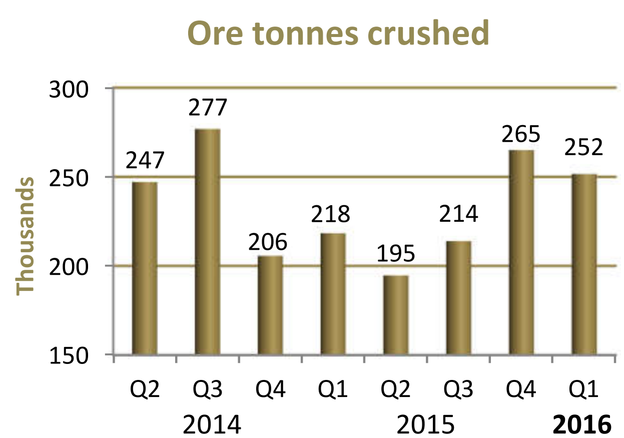
Total operations production for Q1 of 2016 was 251,587 tonnes at a head grade of 0.048 opt (1.65 g/t) gold compared to 218,372 tonnes at a head grade of 0.057 opt (1.41 g/t) gold processed in Q1 of 2015. Estimated contained recoverable gold ounces crushed and placed on the heap leach pad for Q1 of 2016 were 9,032 compared to 6,490 ounces in Q1 of 2015.

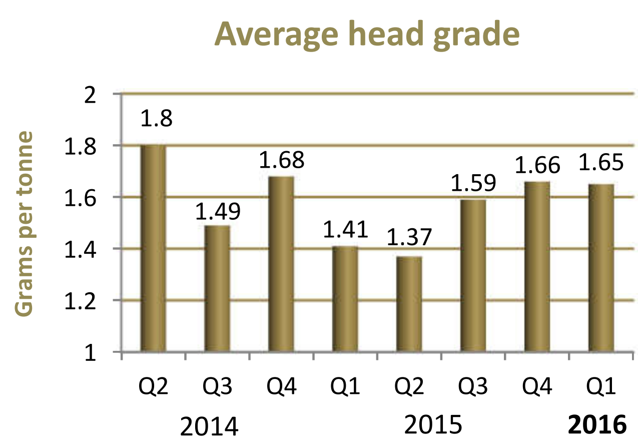
The availability of the crushing facility for the first quarter of 2016 was 59.1% (Q1 of 2015, 52.0%). Processing availability is based on hours of crusher operations versus permitted run time. The applicable Air Quality permit allows for a crusher throughput rate of 363 tonnes per hour and 24 hours of operations per day.

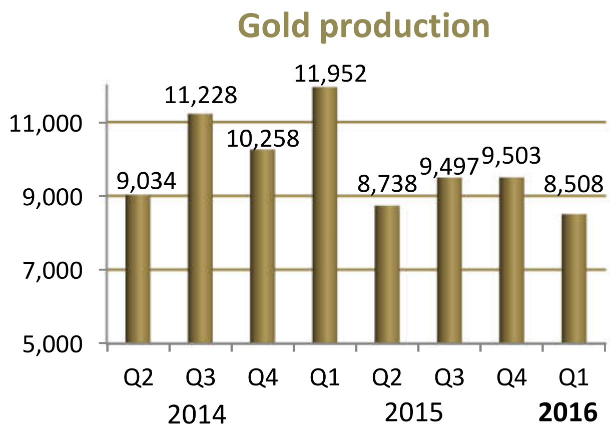
Application of cyanide leach solution to the freshly stacked mineralized material on the leach pad continues with 365 million gallons applied in Q1 of 2016 compared with 319 million gallons of leach solution applied during Q1 of 2015. There were 310 million gallons of pregnant, gold-bearing solution processed through the ADR's carbon column circuit at an average grade of 0.26 ppm gold and 0.17 ppm silver compared with 283 million gallons at an average head grade of 0.32 ppm gold and 0.24 ppm silver in Q1 of 2015. Calculated efficiency for recovery of precious metals from solution processed through the ADR for Q1 of 2016 was 90.8% for gold and 61.6% for silver compared with 89.6% for gold and 60.0% for silver in Q1 of 2015. 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 Q1 of 2016 was 2,390 gallons per minute ("gpm") compared to 2,185 gpm in Q1 of 2015. This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and eventually be recovered. The loaded carbon from this circuit is shipped off site for stripping of the precious metals and upon completion of stripping is returned to the site for reuse.

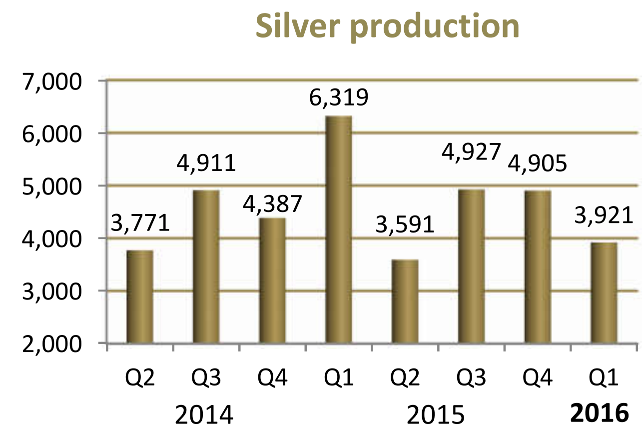
For Q1 of 2016, the Company produced 8,508 ounces of gold and 3,921 ounces of silver compared to 11,952 ounces of gold and 6,319 ounces of silver produced in Q1 of 2015.

For Q1 of 2016, the Company produced 8,508 ounces of gold, a 29% decrease over the 11,952 ounces produced during Q1 of 2015 and 3,921 ounces of silver, a 39% decrease over the 6,319 ounces produced during Q1 of 2015. The decreased metal production in Q1 2016 is attributed to slower leach pad recoveries while equipment was being relocated in order to utilize new areas of the pad for leaching. Both gold and silver recoveries from the leach pad are expected to improve in Q2 2016.





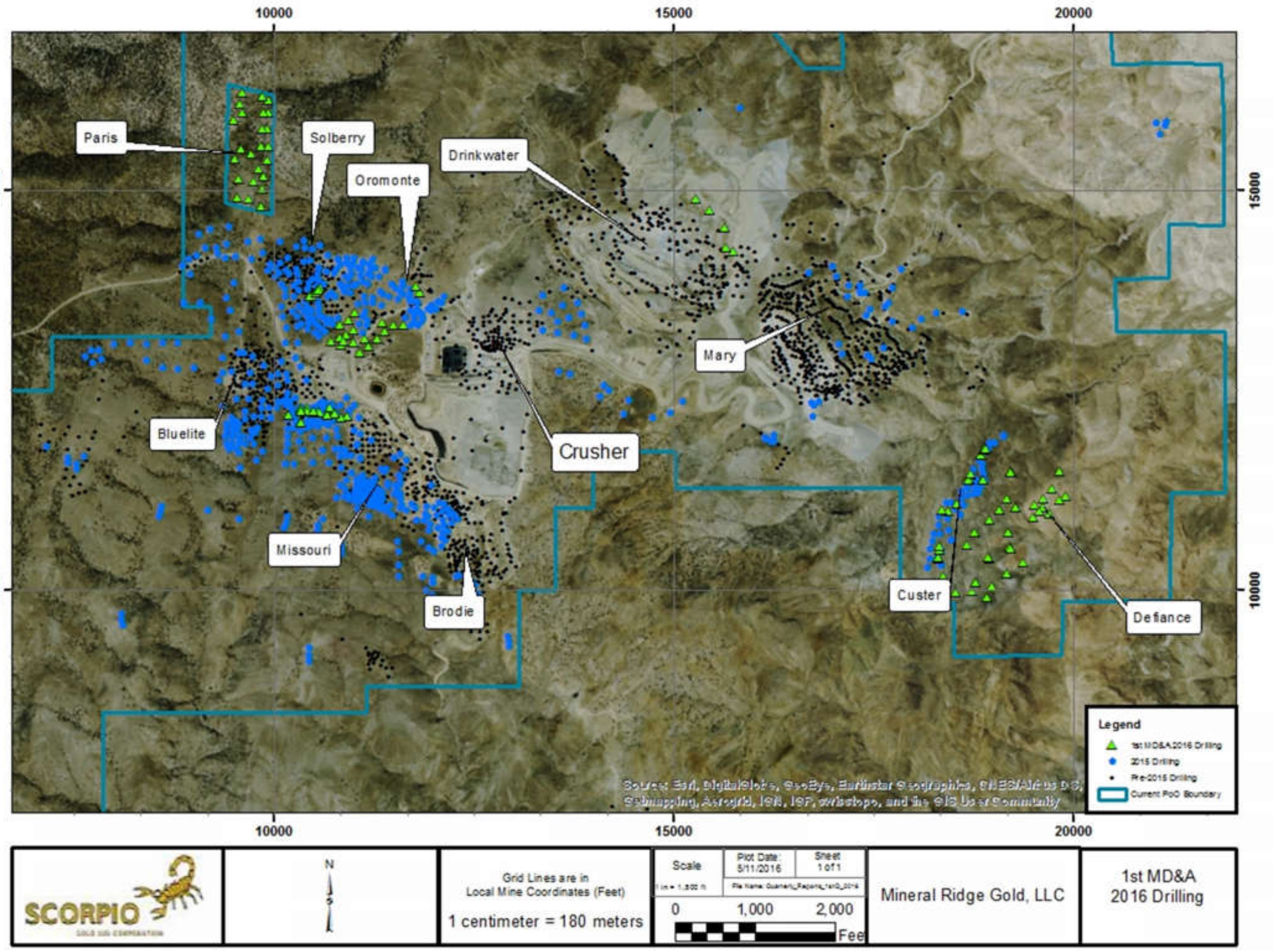




Further information on the Mineral Ridge project is available at SEDAR (www.sedar.com), including the LOM, which is a NI 43-101 technical report entitled "Mineral Ridge Project, Esmeralda County, Nevada, USA, NI 43-101 Technical Report on Life of Mine Plan." by AMEC E&C Services Inc., dated July 15, 2012 and the "Amended and Restated NI 43-101 Technical Report on The Mineral Ridge Satellite Deposits, Esmeralda County, Nevada USA" by Telesto Nevada, Inc., a Welsh Hagen Company dated April 4, 2014.

Current Exploration / Permitting

2016 Drilling



The 2015 program targeted infill and resource expansion drilling around the Mary LC pit area and the satellite deposits with the focus on replacing ounces produced and extending mine life as well as a step out drill program designed to add projects to the exploration pipeline. The program did not entirely replace depletion within the current mining permit but did identify several new target areas.

Prior to the commencement of the 2016 drilling campaign, drill sites and exploration roads were built and updates were made to the 3D geological model with information obtained during the 2015 drill program and the data from oriented core drilling and interpretation of prior geophysical field surveys. Drilling commenced in mid-January 2016, with the use of two reverse circulation ("RC") drill rigs. During Q1 of 2016, the drill rigs completed 16,465 meters of drilling, compared with 8,862 meters in Q1 of 2015.

In early Q2 of 2016, the Company completed its 2016 drill program for a total of approximately 19,000 meters of RC drilling completed in 148 holes. The first phase of 2016 exploration focused on completing infill, development and extensional drilling of the Oromonte deposit. The second phase focused on the same goal for the Custer area and exploration drilling at Defiance. The third phase focused on exploration drilling at the Paris area. An emphasis has been placed on targeting shallower, higher grade targets to decrease the cost per ounce discovered and improve the economics of new discoveries.

The Oromonte target occurs over a 300 x 500 meter area situated between the Solberry and Wedge deposits. A small mineral resource estimate containing almost entirely Indicated resources was reported for Oromonte based on 53 RC drill holes (July 21, 2014 news release). Follow-up drilling in 2014-2016 intersected significant mineralization at vertical depths ranging from near surface to 150 meters depth across the target area. Although not accessible by open pit mining, the deeper mineralization at Oromonte may be amenable to underground extraction should further results support underground development. No further drilling is currently planned in the Oromonte target area. The mineralization at Oromonte is interpreted to be a continuation of the mineralized horizon(s) between the Solberry and Wedge deposits that have been offset by normal faulting. The occurrence of a higher-grade zone of mineralization at depth is thought to be related to a rheological contrast between the basement granite and a later intrusion of alaskite (leucogranite). The difference in deformational behaviour of the two rock types under stress may have caused greater structural damage and fluid flow within the mineralizing structures in this area, resulting in a higher-grade zone of mineralization. The Oromonte deposit was subsequently down-dropped by late-stage normal faulting.

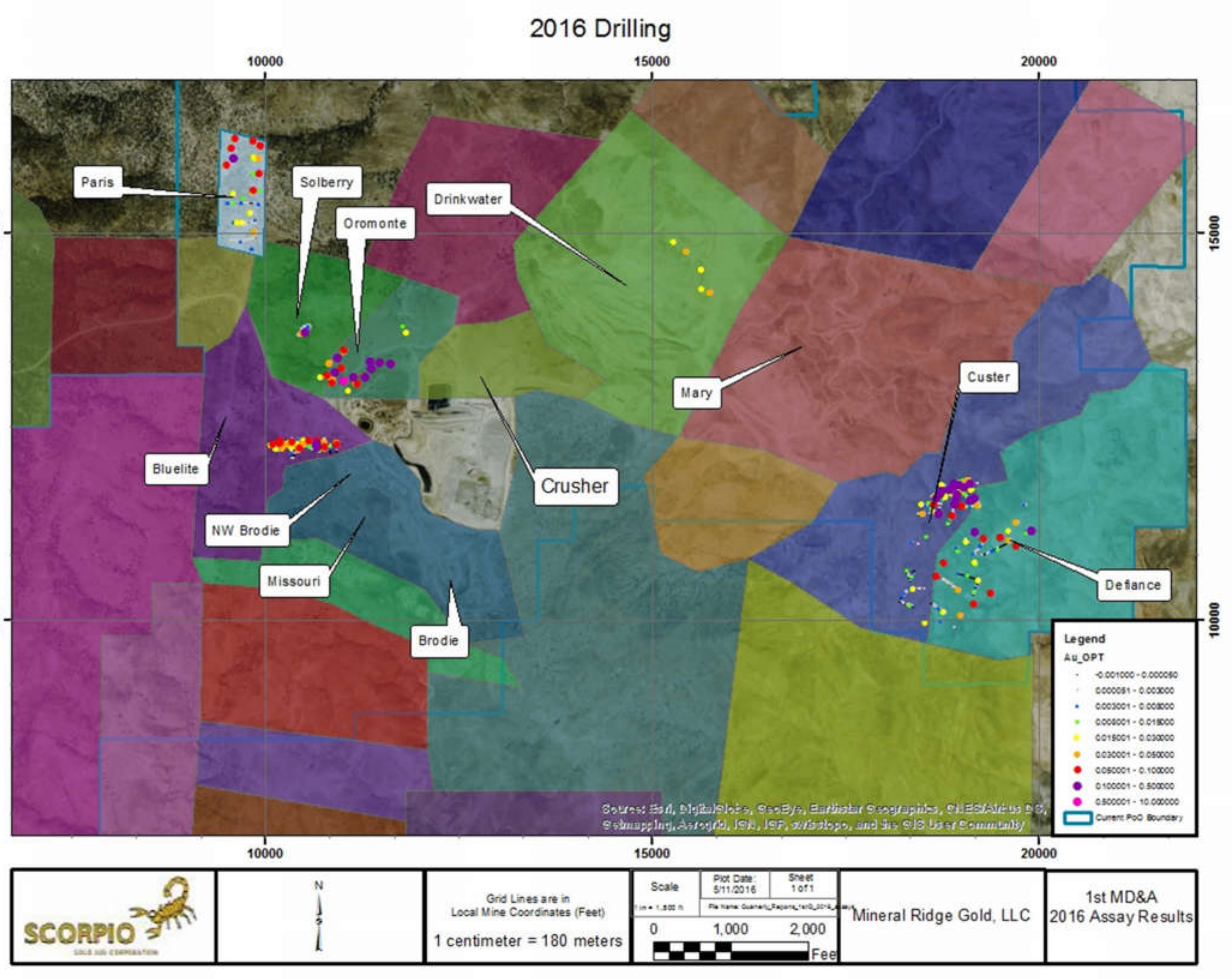
The Custer deposit lies along trend of and ~500 meters southeast of the Mary LC deposit. Structurally, Custer is very similar to the Drinkwater deposit, having far less of the post-mineral faulting and folding that was predominant in the Mary and Mary LC deposits. As a result, the mineralization at Custer is quite continuous and predictable. Definition drilling in 2016 followed up on a highly successful first-pass drilling program in 2015. A total of 81 holes have now outlined the Custer mineralized zone over a 150 x 200 meter area at depth. Planning and permitting for open pit mining of the Custer deposit is in progress, with targeted extraction in 2017.

The Defiance target area lies along trend of and ~200 meters southeast of the Custer deposit. Extensive road construction efforts at the beginning of the year allowed to cross a sizeable canyon between Custer and Defiance and drill the Defiance target for the first time in 2016. 36 holes were drilled on roughly 50 meter centers to define the initial footprint of the Defiance target. Defiance has continued to show mineralization along trend of the Custer deposit, but mineralization encountered thus far has been deeper and narrower due to geological differences between the two deposits. The mineralized zone measures ~200 meters X 300 meters. Surface mapping is ongoing to enhance understanding of the geology of Defiance.

A small infill drill program was executed between the Bluelite and NW Brodie deposits looking to further define mineralized structures identified in the end of year 2015 diamond drill program. 24 shallow holes were drilled and mineralization was intercepted, however at this time it is not economic for extraction. The mineralized zones have been broken up by post mineral faulting and folding which has negatively impacted the continuity of the zones.

The Paris target area was drilled for the first time in 2016. 24 RC holes were drilled in the Paris area as a first pass to identify mineralization. Assay results indicate a deep southerly dipping mineralized zone of similar orientation to Oromonte as well as a shallower, lower grade trend dipping gently to the north similar to what was seen at Chieftan in 2014. A geological model is being created for the Paris area.

The Drinkwater Down Dip target was drilled with 5 RC holes to identify possible down dip mineralization from the Drinkwater pit. These holes did not intersect significant mineralization and did not change our understanding of the Drinkwater deposit.



As of March 31, 2016, there are approximately 1.0 million tons of remaining capacity on the heap leach pad at the Mineral Ridge mine. The Company is currently evaluating the possible expansion of the heap leach pad to the western side of the existing facility, as well as permitting for potential pit expansions. A preliminary design has identified two options for the leach pad expansion involving a 1.3 million tons expansion and a 3.1 million tons expansion respectively, for a total of 4.4 million tons in increased capacity. Initial discussions regarding permitting of the leach pad expansion have been held with the BLM and the Nevada Division of Environmental Protection.

During Q1 of 2016, the Company started the process to permit additional areas including the Custer, Oromonte, and Paris areas where the Company's management believes there is potential to increase the life of the Mineral Ridge mine. Initial presentations were made to both the BLM and the NDEP Bureau of Mining Regulation and Reclamation ("NDEP-BMRR") which proposed plans for development of these pit expansions through an amendment to the Mineral Ridge Plan of Operations/Reclamation Permit ("PoO"). Baseline studies, including biological and cultural surveys, along with geochemical evaluations to support the amended PoO, are presently underway.

Other properties

Goldwedge

In December 2012, the Company acquired a 100% interest in the Goldwedge property from Royal Standard Minerals Inc. ("Royal Standard").

The Goldwedge property, including the Goldwedge mine and a processing plant, is located approximately 55 kilometers northeast of the town of Tonopah, in west-central Nevada, in a region of numerous historic and active gold mines.

The Goldwedge mill facilities have been placed on care and maintenance effective July 28, 2015 as the Company does not have the financial ability to fund any further exploration on this property at this time. The facility can be restarted immediately when needed.

Environmental Regulation

Exploration and development activities are subject to various federal, state and provincial laws and regulations which govern the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive.

Scorpio Gold conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to incur expenditures in the future to comply with such laws and regulations.

RESULTS OF OPERATIONS

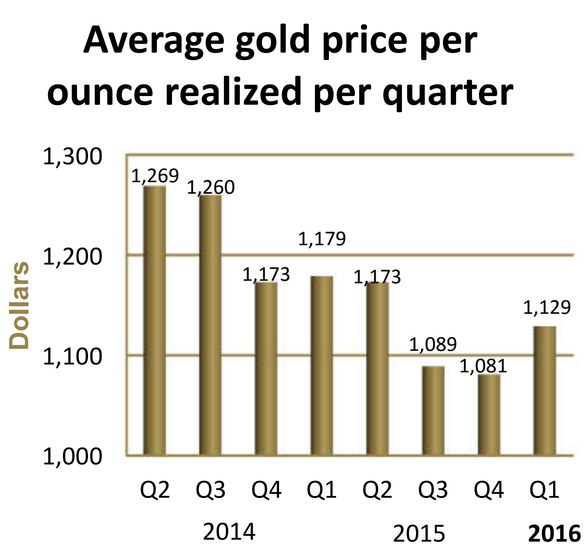
The financial information disclosed below, including comparative period information has been prepared in accordance with IFRS and is reported in US dollars. Tabular dollar amounts except per share amounts are reported in thousands of US dollars.

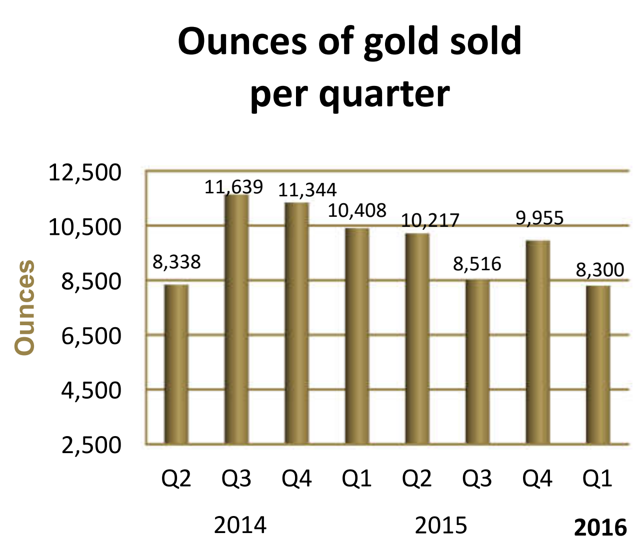
Scorpio Gold reported net earnings of $1.1 million for the three months ended March 31, 2016, compared to $0.8 million for the three months ended March 31, 2015. Net earnings attributable to the shareholders of the Company were $0.6 million ($0.00 per share) for the three months ended March 31, 2016, compared to $0.01 million ($0.00 per share) for the three months ended March 31, 2015. Net earnings attributable to non-controlling interest was $0.5 million for the three months ended March 31, 2016, compared to $0.6 million for the three months ended March 31, 2015. The major differences between the 2016 and 2015 results are explained below.

Revenue

During Q1 of 2016, the Company sold 8,300 ounces of gold and 4,000 ounces of silver for total revenue of $9.4 million. During Q1 of 2015, the Company sold 10,408 ounces of gold and 4,232 ounces of silver for total revenue of $12.3 million. During Q1 of 2016, gold ounces were sold at an average realized price of $1,129 ($1,179 in Q1 of 2015) and silver ounces at an average price of $14 ($16 in Q1 of 2015).

The Company's realized average gold price is lower than the average London PM fix mainly because of timing of sales as well as the terms of the Company's gold and silver supply agreement. As of March 31, 2016, the Company had finished goods inventories including 832 ounces of gold available for sale compared to 627 ounces of gold as at December 31, 2015.





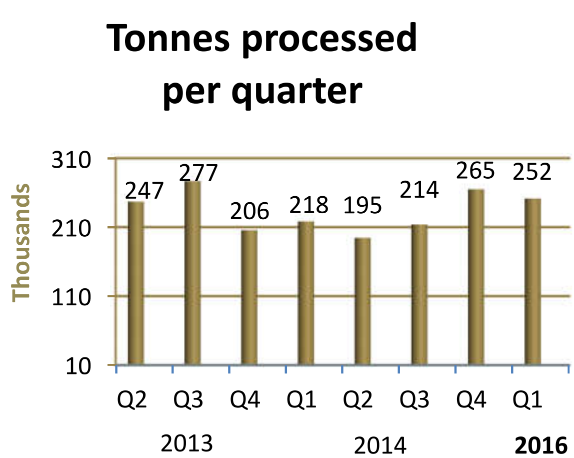
Mine operating earnings

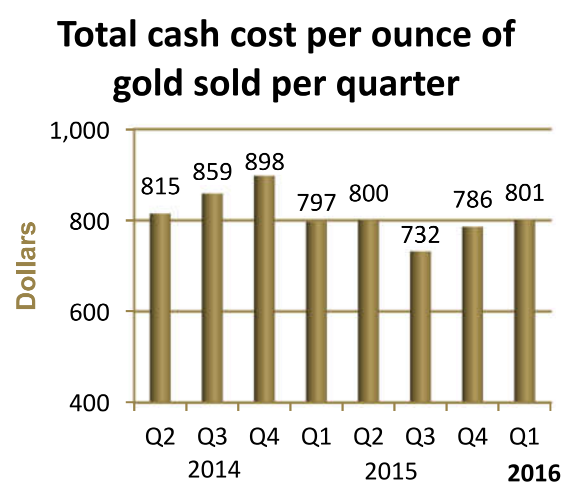
Cost of sales, excluding depletion and amortization, decreased from $9.6 million for Q1 of 2015 to $7.4 million for Q1 of 2016. This decrease is mostly explained by the lower number of ounces sold.

Cash operating cost per gold ounce sold [1], after silver by-product credits, was $788 for Q1 of 2016, compared to $789 in the Q1 of 2015. Total cash cost per ounce sold [1], after silver by-product credit, was $801 for Q1 of 2016, compared to $797 in Q1 of 2015.

Depletion and amortization was $0.1 million during Q1 of 2016, compared to $0.7 million during Q1 of 2015. Following the 2015 impairment on assets at the Mineral Ridge mine which significantly decreased the carrying value of the assets being depleted, the depletion and amortization recorded in Q1 of 2016 is essentially related to 2016 capitalized stripping activities on producing mining interest.

Mine operating earnings were therefore $1.9 million for the first quarter of 2016, compared to $2.1 million for the comparative period of 2015.





(1) This is a non-IFRS financial performance measure. For further information and a detailed reconciliation, refer to section "Non-IFRS performance measures" of this MD&A.

General and administrative

General and administrative expenses totalled $0.3 million for Q1 of 2016, compared to $1.1 million for the same period of 2015. The main variance between those periods relates to the fact that on March 6, 2015, the Company announced a strategic financing to raise $15 million from the issuance of equity to an affiliate of Coral Reef Capital LLC. This financing was thereafter terminated and as such the Company was obligated to pay a break fee along with related due diligence and legal costs for a total of $0.6 million during Q1 of 2015.

Salaries and benefits for Q1 of 2016 have reduced compared to the same period of 2015 as a result of the termination of a senior member of management during Q2 of 2015, as well as a more favorable USD/CAD exchange rate compared to the comparative period of 2015. Most of the Company's general and administrative expenses are incurred in CAD.

During the period ended March 31, 2015, an aggregate of 2,925,000 stock options were granted to directors, officers, employees and consultants of the Company, while none were granted in the same period of 2016.

Care and maintenance

Starting on July 28, 2015, the Goldwedge property and mill facility was placed on temporary care and maintenance. The Company incurred $0.2 million care and maintenance costs including amortization during Q1 of 2016.

Other (expenses) income

Finance costs totalled $0.2 million during Q1 of 2016, compared to $0.08 million for the comparative period of 2015. On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton Global Value L.P. ("Waterton Global"). In August 2015, the Company entered into a new senior secured non-revolving credit facility with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"). During Q1 of 2016, the Company incurred $0.2 million interest related to this loan. See "Long-Term Debt".

As of December 31, 2014, the Company held 6,750,000 shares of Gold Standard having a book value of $3.1 million. In Q1 of 2015, all of these shares were sold for net proceeds of $3.3 million and as a result a gain on disposal of investments of $0.2 million was recorded.

Income tax expense

For Q1 of 2016, current income tax expense which relates to the Nevada net proceeds tax amounted to $0.1 million, compared to $0.08 million for the same period of 2015.

Due to the different reversal periods of the accounting value and tax value of assets, mainly inventories, there is a future taxable temporary difference in respect of the Nevada net proceeds tax for which the Company recognized a deferred income tax liability and expense of $0.08 million during Q1 of 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2016, the Company had $0.9 million in cash, compared to $2.3 million as of December 31, 2015.

Working capital was $8.0 million both as at March 31, 2016 and December 31, 2015.

The Company will use its currently available cash balance and cash flow from operations at Mineral Ridge to fund its planned exploration, development, capital expenditures and debt repayment obligations. The primary factors that will affect the future financial condition of the Company include the ability to generate positive cash flows, the ability to raise equity financing, or other types of financing as and when required and the level of exploration, development and capital expenditures required to meet its commitments. Moreover, given the short remaining life of the Mineral Ridge mine, the availability of ore reserves as well as the price of gold will affect the future financial condition of the Company, including its capacity to repay its debt when due.

INVENTORIES

Inventories increased from $10.5 million as of December 31, 2015 to $11.2 million as of March 31, 2016 mostly as a result of the Company having more ounces in inventory as at March 31, 2015 compared to December 31, 2015.

Metal in process increased by $0.8 million to $7.5 million during Q1 of 2016. This increase is mostly explained by the fact that more ounces were in process at a higher unit cost as at March 31, 2016 compared to December 31, 2015.

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 March 31, 2016, included in the metal in process inventories, are inventories on the leach pad for a total cost of $5.2 million ($4.4 million as at December 31, 2015). The ultimate recovery of gold from the heap leach pad will not be known until the total leaching process is concluded.

NON-PRODUCING MINING ASSETS AND OTHER

Non-producing mining assets and other stood at $4.6 million as of March 31, 2016, compared to $3.0 million as at December 31, 2015.

During Q1 of 2016, the Company added $1.6 million of non-producing mining assets of which $1.5 million is mainly constituted of exploration and development related to targets surrounding the areas currently in development and production at the Mineral Ridge mine.

CURRENT LIABILITIES

Total current liabilities were $4.8 million as at March 31, 2016, compared to $5.7 million at December 31, 2015.

Trade and other payables decreased from $5.6 million as at December 31, 2015 to $4.6 million as at March 31, 2016. The decrease is mainly related to the reduction in mining levels at the Mineral Ridge mine.

LONG-TERM DEBT

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 Loan provides non-dilutive financing to the Company, and has a term of 36 months. The Loan bears interest at a rate of 10% per annum, payable quarterly, and is secured by a first priority security interest over all of the Company’s assets. The Company incurred a $0.12 million structuring fee upon the advancement of the Loan, together with $0.16 million of associated legal costs. The Loan 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. 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 at March 31, 2016.

Change to the Mineral Ridge operating agreement

In connection with the Loan with Waterton Fund completed in 2015 described above, the Company has modified the Mineral Ridge operating agreement so that the Company’s wholly owned subsidiary that holds the interest in Mineral Ridge will owe and accrue to Elevon, LLC an amount equal to 10% of aggregate amounts actually distributed to the partners in the Mineral Ridge mine (the “Accrued Distribution Amount”). The Accrued Distribution Amount shall become due and payable upon a change of control of the Company, or if the settlement price of gold on the LBMA PM fix is equal to or exceeds US$1,350 per ounce (the “Accrual Payment Date”). The Company holds a 70% interest in the Mineral Ridge mine, but was previously entitled to 80% of cash distributions from the mine. As a result of the foregoing amendment, the Company has effectively reverted to being entitled to 70% of cash flows distributed from the Mineral Ridge mine, but this change does not affect its cash position until the Accrual Payment Date, at which time the Accrued Distribution Amount must be paid in full. The accrual of the Accrued Distribution Amount will terminate in certain circumstances, including in the event of a sale by Scorpio or by Elevon, LLC its Mineral Ridge partner of their respective ownership interests in Mineral Ridge, however those events will not change the ongoing 70%/30% distribution of mine cash flows. Following this change to the operating agreement, no amounts were actually distributed to the partners.

EQUITY

Total equity increased by $1.4 million during Q1 of 2016, from $10.1 million at December 31, 2015 to $11.5 million at March 31, 2016. Most of this increase is attributable to the $1.1 million net earnings for Q1 of 2016 as well as a $0.3 million net cash contribution by the non-controlling interest, being Elevon, LLC, the Company’s partner in the Mineral Ridge mine.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information for each of the last eight quarters:

Quarter Ending	Revenues	Net earnings (loss)	Basic earnings (loss) per share[(1)]	Diluted earnings (loss) per share[(1)]
	$	$	$	$
March 31, 2016	9,428	1,079	0.00	0.00
December 31, 2015	10,828	(4,665)	(0.03)	(0.03)
September 30, 2015	9,333	(15,823)	(0.11)	(0.11)
June 30, 2015	12,083	1,747	0.01	0.01
March 31, 2015	12,343	755	0.00	0.00
December 31, 2014	13,377	(28,675)	(0.16)	(0.16)
September 30, 2014	14,754	275	(0.00)	(0.00)
June 30, 2014	10,646	608	0.00	0.00

(1) Due to the effect of share issuances during the year, the sum of individual quarterly per share amounts may not be equal to the earnings (loss) per share shown in the consolidated statements of operations.

CASH FLOWS

Cash flows used for operating activities was $0.4 million for Q1 of 2016, compared to cash flows generated from operating activities of $4.3 million for the same period of 2015. An increase in inventories and decrease in operating trade and other payables compared to the prior year explain most of the variance.

Cash flows used for investing activities were $1.2 million for the three months ended March 31, 2016. Payments related to non-producing mining asset additions in Q1 of 2016 totalled $1.1 million and mainly relate to exploration related to targets surrounding the areas currently in production and development at the Mineral Ridge mine as well as development related to a satellite pit. During Q1 of 2016, investing activities related to producing mining assets were mainly related to stripping activities.

Cash flows from investing activities were $0.8 million for the three months ended March 31, 2015. Payments related to non-producing mining asset additions in Q1 of 2015 totalled $3.5 million and mainly relate to Mary LC pit development, exploration related to targets surrounding the areas in development and production at the Mineral Ridge mine, development related to the satellite pits and various construction in process projects. During Q1 of 2015, the Company also disposed of its 6,750,000 shares in Gold Standard and received payment of the debt represented by a promissory note, for total proceeds of $5.3 million. During Q1 of 2015, investing activities related to producing mining assets were mainly related to stripping activities.

Cash flows from financing activities were $0.2 million for the three months ended March 31, 2016. These cash flows are mainly related to $0.3 million of cash contributions received from the non-controlling interest in Mineral Ridge Gold, LLC, which was partially offset by interest payment related to the Loan with Waterton Fund and the repayments on the loan on mobile equipment.

Cash outflows used for financing activities were $3.0 million for Q1 of 2015. During Q1 of 2015, the Company fully repaid the long-term debt with Waterton for an amount of $3.4 million. Also during Q1 of 2015, the Company paid $0.1 million of distributions and received $0.6 million of cash contributions from the non-controlling interest in Mineral Ridge Gold, LLC.

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.

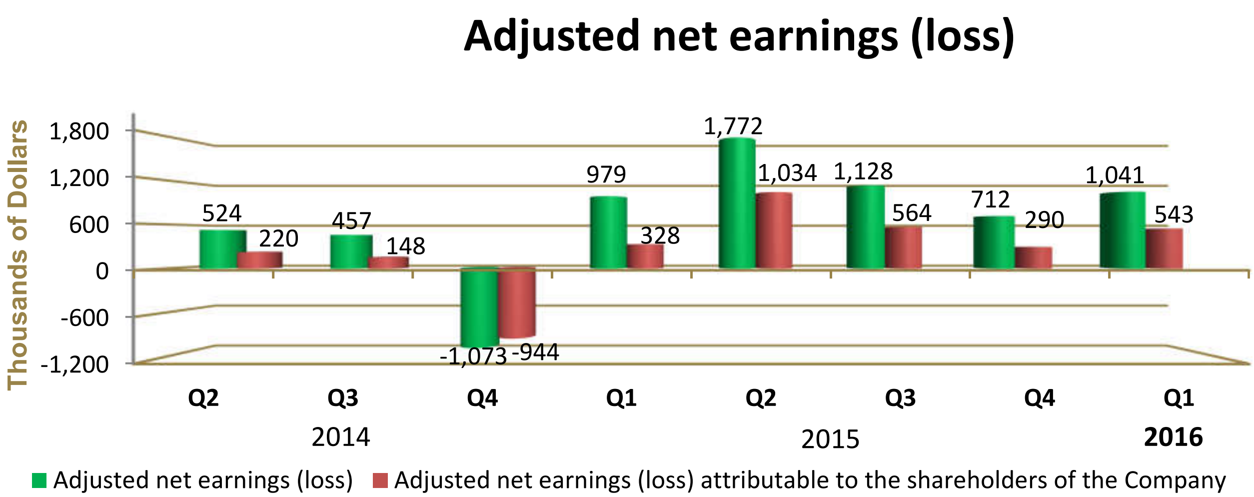
Adjusted earnings

The Company uses the financial measure "Adjusted Earnings" to supplement information in its condensed interim 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 are 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 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 Earnings provides useful information to investors because it excludes non-cash and other charges and is a better indication of the Company's profitability from core operations. The items excluded from the computation of Adjusted 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 earnings to the condensed interim consolidated financial statements:

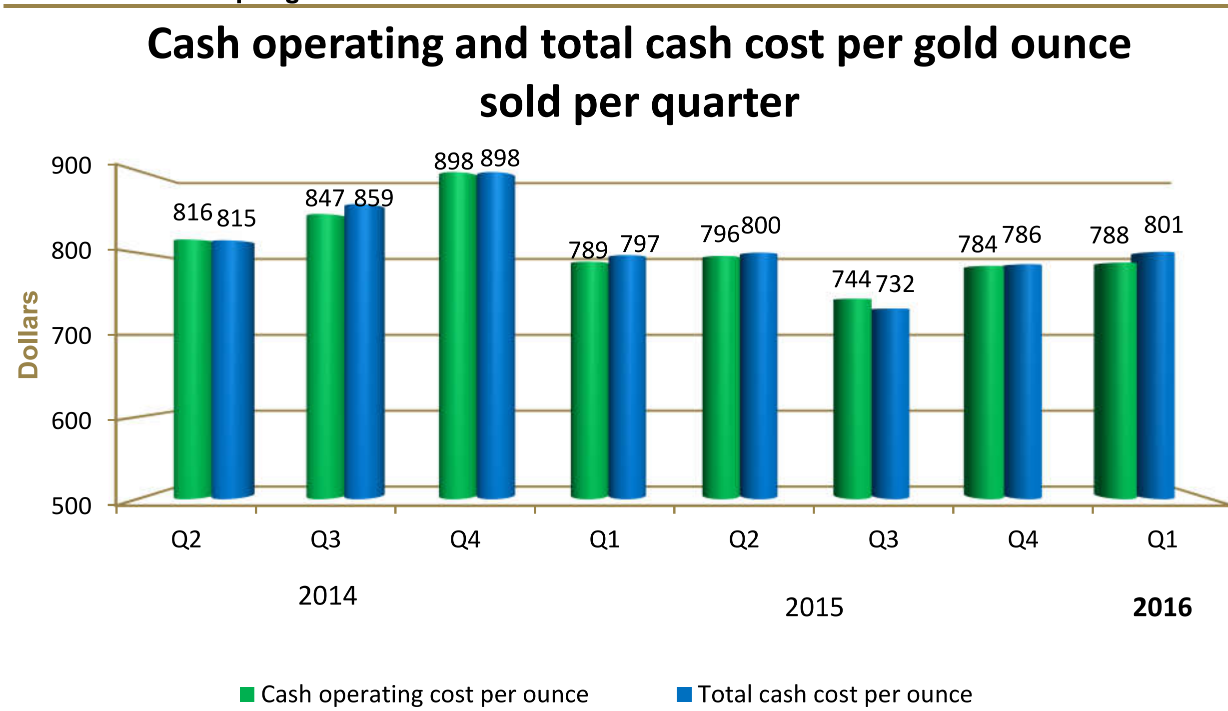
	Three months ended March 31, 2016	Three months ended March 31, 2015
	$	$
Net earnings for the period	**1,079**	755
Share-based compensation	**-**	177
Gain on disposal of mining assets	**(39)**	-
Gain on disposal of investments	**-**	(172)
Foreign exchange loss	**1**	219
Adjusted net earnings for the period	**1,041**	979
Non-controlling interest	**(498)**	(651)
Adjusted net earnings for the period attributable to the shareholders of the Company	**543**	328
Adjusted basic and diluted net earnings per share	**0.00**	0.00



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 condensed interim consolidated financial statements.

	Three months ended March 31, 2016	Three months ended March 31, 2015
	$	$
Cash costs		
Cost of sales excluding depletion and amortization per consolidated financial statements	**7,416**	9,555
Share-based compensation	**-**	(98)
Inventory adjustment	**(764)**	(1,178)
By-product silver sales	**(57)**	(67)
Royalties	**(60)**	-
Cash operating costs	**6,535**	8,212
Nevada net proceeds tax- current	**109**	80
Total cash cost	**6,644**	8,292
Divided by ounces of gold sold	**8,300**	10,408
Cash operating cost per gold ounce sold	**788**	789
Total cash costs per gold ounce sold	**801**	797



Adjusted EBITDA

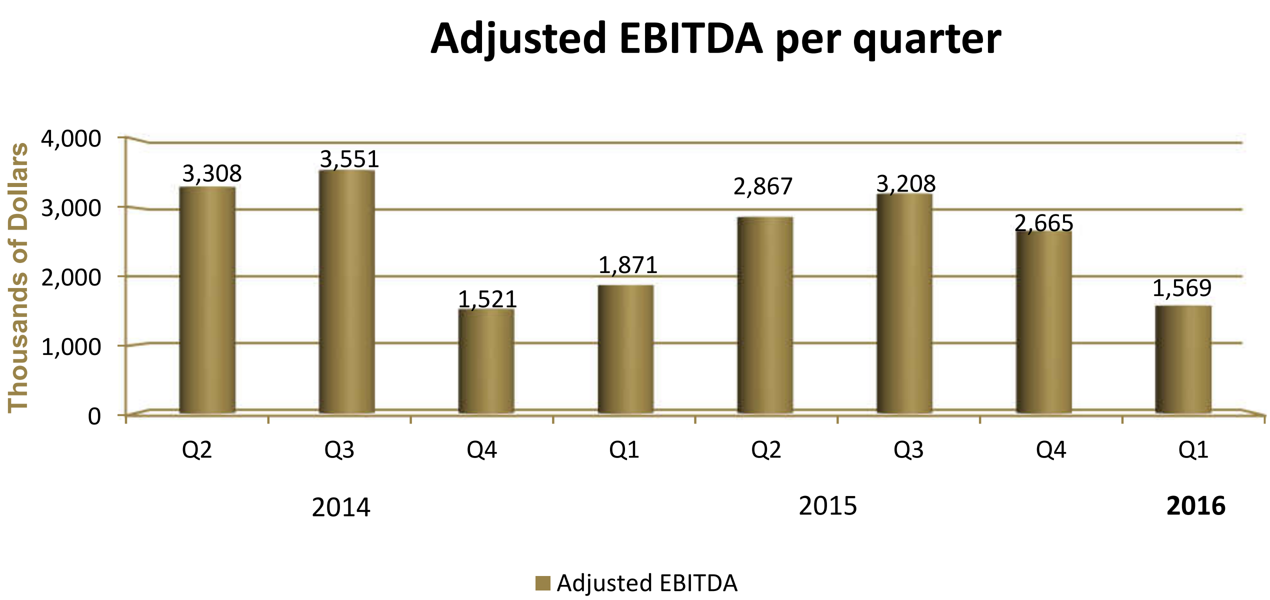
EBITDA is a non-IRFS financial measure, which excludes the following from net earnings:

- 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 an observed values to determine the approximate total enterprise value of a company. Adjusted EBITDA removes the effects of "share-based compensation", "gain on disposal of investments" as well as "foreign exchange loss". 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 condensed interim consolidated financial statements:

	Three months ended March 31, 2016	Three months ended March 31, 2015
	$	$
Net earnings for the period	**1,079**	755
Finance costs	**193**	77
Depletion and amortization	**151**	735
Income tax expense	**184**	80
EBITDA	**1,607**	1,647
Share-based compensation	**-**	177
Gain on disposal of investments	**-**	(172)
Gain on disposal of mining assets	**(39)**	-
Foreign exchange loss	**1**	219
Adjusted EBITDA	**1,569**	1,871
Non-controlling interest	**(604)**	(897)
Adjusted EBITDA attributable to the shareholders of the Company	**965**	974
Adjusted basic and diluted EBITDA per share	**0.01**	0.01



SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY

	DECEMBER 2014	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016
Mining operations						
Producing pits						
Mary LC pit						
Ore tonnes mined	-	-	-	83,577	119,891	146,872
Waste tonnes mined	-	-	-	941,334	743,394	703,030
Total mined	-	-	-	1,024,911	863,285	849,902
Strip ratio	-	-	-	11.3	6.2	4.8
Satellite pits						
Ore tonnes mined	-	58,073	56,046	127,546	245,569	103,252
Waste tonnes mined	-	172,352	113,521	990,728	769,186	227,056
Total mined	-	230,425	169,567	1,118,274	1,014,755	330,308
Strip ratio	-	3.0	2.0	7.8	3.1	2.2
Mary pit						
Ore tonnes mined	141,056	117,964	78,343	5,695	-	-
Waste tonnes mined	674,026	744,977	298,704	10,311	-	-
Total mined	815,082	862,941	377,047	16,006	-	-
Strip ratio	4.8	6.3	3.8	1.8	-	-
Total producing pits						
Ore tonnes mined	141,056	176,037	134,389	216,818	365,460	250,124
Waste tonnes mined	674,026	917,329	412,225	1,942,373	1,512,580	930,086
Total mined	815,082	1,093,366	546,614	2,159,191	1,878,040	1,180,210
Strip ratio	4.8	5.2	3.1	9.0	4.1	3.7
Pits under development:						
Ore tonnes mined	44,756	38,882	53,264	-	-	-
Waste tonnes mined	1,001,959	804,549	1,190,883	-	-	55,622
Total mined	1,046,715	843,431	1,244,147	-	-	55,622

	DECEMBER 2014	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016
Total mining operations						
Ore tonnes mined	185,812	214,919	187,653	216,818	365,460	250,124
Waste tonnes mined	1,675,985	1,721,878	1,603,108	1,942,373	1,512,580	985,708
Total mined	1,861,797	1,936,797	1,790,761	2,159,191	1,878,040	1,235,832
Processing						
Tonnes processed	205,643	218,372	194,651	213,957	265,017	251,587
Gold head grade (grams per tonne)	1.68	1.41	1.37	1.59	1.66	1.65
Availability	42.8%	52.0%	43.3%	45.0%	59.3%	59.1%
Throughput (tonnes per day)						
Ounces produced						
Gold	10,258	11,952	8,738	9,497	9,503	8,508
Silver	4,387	6,319	3,591	4,927	4,905	3,921
Precious Metal Sales (ounces)						
Gold	11,344	10,408	10,217	8,516	9,955	8,300
Silver	4,452	4,232	6,090	4,168	4,755	4,000
Exploration Drilling						
Holes	61	112	253	204	111	116
Meters	7,734	8,908	27,796	18,163	9,612	16,465

	DECEMBER 2014	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016
Financial results						
	$	$	$	$	$	$
Cash operating cost per ounce of gold sold [(1)]	898	789	796	744	784	788
Total cash cost per ounce of gold sold[(1)]	898	797	800	732	786	801
Average price of gold						
London PM fix	1,201	1,218	1,193	1,124	1,107	1,183
Realized	1,173	1,179	1,173	1,089	1,081	1,129
Net earnings (loss)	(28,675)	755	1,747	(15,823)	(4,665)	1,079
Earnings (loss) per share	(0.16)	0.00	0.01	(0.11)	(0.03)	0.00
Adjusted net earnings (loss)[(1)]	(1,073)	979	1,772	1,128	712	1,041
Adjusted basic and diluted net earnings (loss) per share[(1)]	(0.01)	0.00	0.01	0.01	0.00	0.00
Adjusted EBITDA[(1)]	1,521	1,871	2,867	3,208	2,665	1,569
Adjusted basic and diluted EBITDA per share [(1)]	0.01	0.01	0.01	0.02	0.01	0.01

[(1)] This is a non-IFRS financial performance measure. For further information and a detailed reconciliation, refer to section "Non-IFRS performance measures" of this MD&A.

CONTINGENCIES

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at March 31, 2016.

TRANSACTIONS WITH RELATED PARTIES

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, 2016 and March 31, 2015 is as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
	$	$
Salaries and directors' fees	**204**	265
Consulting fee with a director	**-**	32
Share-based compensation	**-**	80
	204	377

As at March 31, 2016, $107,462 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, 2016 and March 31, 2015.

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 is a related party.

Related party transactions entered into with Waterton Fund during the periods ended March 31, 2016 and March 31, 2015 are as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
	$	$
Interest on long-term debt	**149**	-

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	4,629	4,629	-	-	-
Long-term debt	6,066	66	6,000	-	-
Provision for environmental rehabilitation	5,848	-	4,005	1,371	472

b) *Fair Value*

The fair value of cash, reclamation bonds, 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 amount since interest rates in the market have not materially changed since the Company entered into the debt facility in August 2015.

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mineral exploration and development company, Scorpio Gold's performance is affected by a number of industry and economic factors and exposure to certain environmental risks, and other regulatory requirements. These have been detailed in the Company's annual MD&A available for the year ended December 31, 2015 under the Company's profile on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual audited consolidated financial statements as at December 31, 2015. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

Management judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3(d) of the Company's annual audited consolidated financial statements for the year ended December 31, 2015.

CONTROLS AND PROCEDURES CERTIFICATION

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the design of the Company's internal controls over financial reporting during the three-month period ended March 31, 2016, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

DISCLOSURE OF OUTSTANDING SECURITIES AS AT MAY 12, 2016

Outstanding common shares	124,948,235
Stock options	9,870,000
Fully diluted	134,818,235

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion other than statements of historical facts, including statements that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under "Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2015 and available at www.sedar.com under the Company's name.