Management's Discussion and Analysis

For the year ended December 31, 2019

(Expressed in US dollars)

INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the year ended December 31, 2019 and up to the date of this MD&A, and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2019, together with the notes thereto (the "Financial Report").

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

The effective date of this MD&A is April 28, 2020.

DESCRIPTION OF BUSINESS

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

The Company's only source of revenue is its 100% owned Mineral Ridge mine, which suspended mining operations in November 2017 as the Company had mined all of its economical mineral reserves based on gold pricing and heap leach recovery parameters. Remaining reserves are determined uneconomical to continue mining with the existing processing infrastructure due to higher associated strip ratios and current heap leach recoveries and will require higher gold prices or mill processing to be considered economical. Management expects to generate limited revenues from Mineral Ridge until approximately Q4 of 2020 from residual but diminishing gold recoveries from the leach pads and will use cash flow from the operation of the Mineral Ridge along with current cash on hand to fund the Company's operations until further financing is raised.

CASH CONSERVATION MEASURES IN RESPONSE TO COVID-19

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

As announced April 8, 2020 and effective April 1, 2020, and with full co-operation and understanding of the Company's personnel, the Company implemented voluntary reductions in wages and salaries throughout the Company during the Covid-19 pandemic and until a major financing is achieved to build the Mineral Ridge Process Facility.

- US employees voluntarily agreed to salary and wage reduction of 20%;
- CEO, CFO and Corporate Secretary voluntarily cut their salaries by 50%; and
- Chairman and Directors agreed to waive all monetary compensation to zero.

These cost reductions equate to about $1.0 million in annual saving to the Company and will remain in place until the Company is financed. The Company will exercise other cash conservation measures wherever discretionary funding can be eliminated or postponed.

OPERATION HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

- 3,863 ounces of gold and 2,324 ounces of silver were produced at the Mineral Ridge mine compared to 7,767 ounces of gold and 3,614 ounces of silver produced during 2018.
- Revenue of $5.2 million compared to $9.8 million during 2018.
- Total cash cost per ounce of gold sold [(1)] of $1,271, compared to $883 during 2018.
- Mine operating earnings of $0.3 million compared to earnings of $3.0 million during 2018.
- Net loss of $1.4 million ($0.02 basic and diluted loss per share) compared to earnings of $0.4 million ($0.00 basic and diluted earnings per share) during 2018.
- Adjusted net earnings [(1)] of $0.5 million ($0.01 basic and diluted earnings per share) compared to earnings of $1.5 million ($0.01 basic and diluted earnings per share) during 2018.
- Adjusted EBITDA [(1)] of $1.3 million ($0.02 basic and diluted per share) compared to $2.4 million ($0.02 basic and diluted per share) million during 2018.

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

FOURTH QUARTER HIGHLIGHTS

- 1,038 ounces of gold and 644 ounces of silver were produced at the Mineral Ridge mine, compared to 1,580 ounces of gold and 748 ounces of silver produced during Q4 of 2018.
- Revenue of $1.5 million compared to $2.1 million during Q4 of 2018.
- Total cash cost per ounce of gold sold [(1)] of $1,256, compared to $1,159 during Q4 of 2018.
- Mine operating earnings of $0.25 million compared to earnings of $0.1 million during Q4 of 2018.
- Net loss of $3.7 million ($0.06 basic and diluted loss per share) compared to net loss of $0.4 million ($0.01 basic and diluted loss per share) during Q4 of 2018.
- Adjusted net earnings [(1)] of $0.3 million ($0.00 basic and diluted earnings per share), compared to earnings of $0.3 million ($0.00 basic and diluted earnings per share) during Q4 of 2018.
- Adjusted EBITDA [(1)] of $0.5 million ($0.01 basic and diluted loss per share) compared to $0.5 million ($0.00 basic and diluted earnings per share) million during Q4 of 2018.

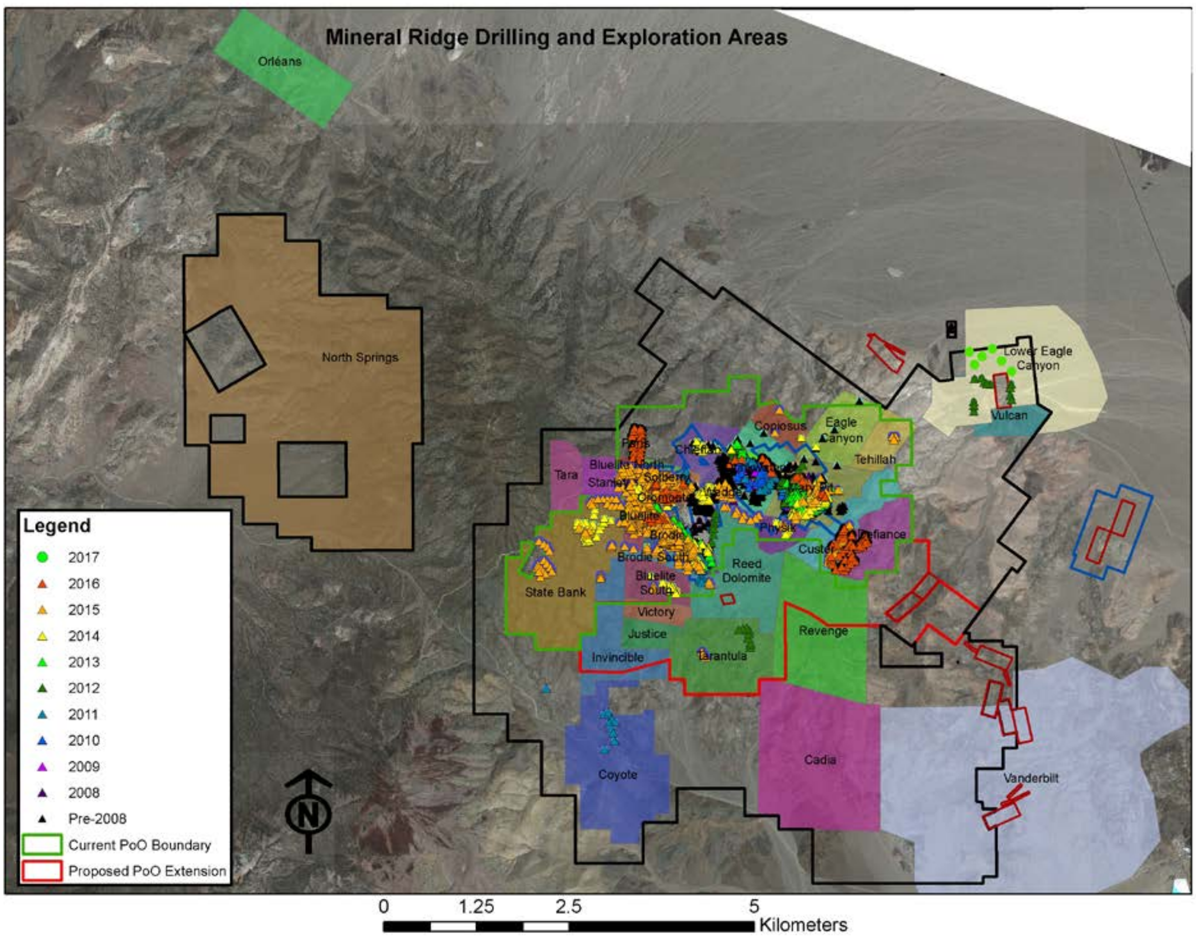
[(1)] This is a non-IFRS measure; please see Non-IFRS performance measures section.

MINERAL PROPERTIES

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge project 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. Mining was suspended in November 2017 as the Company had mined all of its then known mineral reserves, and because it was uneconomical to continue mining as a result of higher strip ratios associated with the remaining known mineral resources. On March 4, 2019, the Company acquired the remaining 30% ownership of the Mineral Ridge property and as such currently own 100% of this project.

Mineral Ridge Gold, LLC ("MRG") project's total land package consists of 677 unpatented mining lode claims, 1 unpatented mill site claim, and 60 patented mining claims covering a total of 13,756 acres. Other fee lands and town lots in Silver Peak add an additional 123 acres, for a total land package of 13,879 acres.



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 through to 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 resource evaluation 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, refueling and storage facilities and administrative buildings.

Current Mineral Ridge Exploration / Permitting

In June 2018, approval of the Plan of Operations (“PoO”) amendment for Mineral Ridge was received from the Bureau of Land Management (“BLM”). On June 24, 2019 the Company announced the receipt and approval of its Water Pollution Control Permit (WPCP), issued by the State of Nevada, that will allow Scorpio Gold to advance its exploration activities at Mineral Ridge. This amendment includes authorization for exploration drilling on an additional 1,400 acres. No exploration activities were performed during the year ended December 31, 2019. Future exploration will be planned as exploration funds are available.

Resource and Reserve Estimates

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 proven and probable reserves of gold 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.

In January 2018, the Company announced the results of an updated feasibility study for the Mineral Ridge project, which is reported in a technical report entitled “Updated Feasibility Study and National Instrument 43-101 Technical Report: Mineral Ridge Project” with an effective date of January 2, 2018 (the “Feasibility Study”) to process the heap leach material and additional open-pit mineral reserves at Mineral Ridge (the “Project”). This study added additional mineral reserves of 156,000 ounces of gold for a combined mineral reserve of 273,000 ounces of gold in the proven and probable category. These additional open-pit mineral reserves were evaluated in the context of a higher gold recovery percentage provided by the construction of a processing facility.

The economic viability of the Project has been evaluated using constant dollar after-tax discounted cash flow methodology. This valuation method requires projecting material balances estimated from operations and calculating resulting economics. Economic value is calculated from sales of metal, plus net equipment salvage value and bond collateral less cash outflows such as operating costs, management fees, capital costs, working capital changes, any applicable taxes and reclamation costs. Of the $67.5 million in total capital required for the Project, $28.9 million is assumed to be financed through a capital lease. Resulting annual cash flows are used to calculate the net present value and internal rate of return of the Project.

The economic evaluation is based on the estimated mineral reserves on the heap leach pad as of June 29, 2017, plus the mineral reserves estimated in other areas that can be mined using open pit methods. Since the Project entails use of infrastructure active up to, and including, the time of capital investment, continuity of administrative and certain operational activities is expected, which allows certain costs to be determined based on actual history. Otherwise, operating and capital costs for proposed new activities have been derived by third-party engineers.

During the Project life (1 year of initial capital investment and 7.5 years of operation), the site will undergo further evaluation to extend its operating life, and as such, no end-of-project reclamation is included in this Project analysis.

The open-pit mining equipment necessary for the Project is assumed to be acquired through a capital lease. The lease is modeled at a four-year term at 6% interest. Interest payments are reported as cash operating costs, principal payments reduce cash as a financing activity and costs are booked as assets on the balance sheet.

Economic Results

Based on the economic parameters summarized above, the Project returns a NPV5% (after-tax) of $35.1 million and an IRR of 30.0% and achieves payback in 2.9 years.

Economic Results

Area	Unit	Total/Average
Construction Period	years	1
Operating Period	years	7.5
Heap leach Pad Material Milled	kt	6,855
Average Leach Pad Gold Grade	opt	0.017
ROM Material Milled	kt	3,712
ROM Material Gold Grade	opt	0.042
Recovery After Process and Refining	%	91.6
Life of Project Gold Sold	koz	250.5
Average Annual Gold Sold	koz/a	33.4
Gold Price	$/oz	1,250
Realized Gold Price	$/oz	1,249.50
Average Silver Grade	opt	0.017
Average Annual Silver Sold	koz/a	3.7
Realized Silver Price (Average)	$/oz	19.81
Total Cash Cost	$/oz	805
Initial capital expenditures	$ million	34.9
Remnant Ore Capital Expenditures (Ops Year 6)	$ million	32.6
Total After-tax Net Cash Flow	$ million	53.5
Net Salvage Value	$ million	13.1
NPV of Net Cash Flow Discounted at 5%	$ million	35.1
IRR	%	30.0
Payback from End of Construction	years	2.9

Management anticipates that the Project returns could potentially be further enhanced through the judicious sourcing and refurbishment of certain used equipment, available for purchase in the south-western United States. However, no economic studies have been undertaken with respect to sourcing and refurbishing used equipment, including the Feasibility Study which is based on new equipment only.

Heap Leach Reserves and Resources

The Mineral Resource estimate for the material on the heap leach pad that is directly amenable to processing is provided in Table 1. No cut-off criteria have been applied since there will be no selectivity of areas to be processed and the leach pad will be processed in its entirety. The Mineral Resources are reported inclusive of Mineral Reserves and have an effective date of June 29, 2017. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Mineral Resource estimate contained in the Feasibility Study was prepared by Mr. Ian Crundwell, P.Geo, a qualified person ("QP") pursuant to NI 43-101, who is independent of the Company.

Table 1: Mineral Resource Estimate for Mineralization Contained within the Heap Leach Pad

Mineral Resource Classification	Tons ('000)	Gold (opt)	Silver (opt)	Contained Gold ('000 oz)	Contained Silver ('000 oz)
Measured	2,895	0.017	0.016	48.5	46.4
Indicated	4,220	0.017	0.018	73.2	74.1
Measured & Indicated	**7,117**	**0.017**	**0.017**	**121.7**	**120.4**
Inferred	76	0.016	0.027	1.2	2.0

Notes:

1. The effective date of the Mineral Resource estimate is June 29, 2017.
2. The QP for the estimate is Mr. Ian Crundwell, P.Geo.
3. Mineral Resources are quoted inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
4. Mineral Resources are contained within the Mineral Ridge leach pad facility with the following assumptions: a long-term gold price of $1,216/oz; assumed process costs of $11/t; and metallurgical recovery for gold of 91%. Silver was not used in the consideration of reasonable prospects for eventual economic extraction. Silver recoveries from heap leach pad material are projected to be 24%.
5. Rounding may result in apparent differences when summing tons, grade and contained metal content.
6. Tonnage and grade measurements are in Imperial units. Grades are reported in ounces per ton.

The Mineral Reserve estimate for the material on the heap leach pad is provided in Table 2. The estimate has an effective date of June 29, 2017.

Table 2: Mineral Reserve Estimate for the Heap Leach Pad

Mineral Reserve Classification	Tons ('000)	Gold (opt)	Silver (opt)	Contained Gold ('000 oz)	Contained Silver ('000 oz)
Proven	2,895	0.017	0.016	48.5	46.4
Probable	4,220	0.017	0.018	73.2	74.1
Less Material Remaining in Place due to facility designs	(260)	0.017	0.017	(4.5)	(4.6)
Total Proven & Probable	**6,855**	**0.017**	**0.017**	**117.2**	**115.9**

Notes:

1. The Mineral Reserves have an effective date of June 29, 2017.
2. The QP for the estimate is Mr. Jeffery Choquette P.E., an employee of Hard Rock Consulting.
3. Mineral Reserves are contained within the Project leach pad facility with the following assumptions: long-term gold price of $1,300/oz; assumed total ore process costs of $10.59/t; metallurgical recovery for gold of 91%, and 24% for silver, refining and smelting cost of $28.39/oz of gold. Allowance has been made for the facility location which excludes 260,000 t; this material must remain in-place, based on the heap material mining and tailings placement design.
4. Rounding as required by reporting guidelines may result in summation differences.

Open-pit (other) area

Proven and Probable Mineral Reserves for the open-pit (other) area material are reported within the final pit design used for the mine production schedule and are shown in Table 3 below. These additional open-pit mineral reserves were evaluated in the context of a higher gold recovery percentage provided by the construction of a processing facility.

Table 3: Mineral Reserve Estimate for the Other Areas

Pit Area	Mineral Reserve Classification	Tons ('000)	Gold (opt)	Contained Gold ('000 oz)
	Proven	51	0.042	2.1
Brodie	Probable	12	0.027	0.3
	Subtotal Proven and Probable	**63**	**0.039**	**2.5**
	Proven	314	0.047	14.8
Custer	Probable	144	0.032	4.6
	Subtotal Proven and Probable	**459**	**0.042**	**19.4**
	Proven	836	0.038	32.1
Drinkwater	Probable	352	0.033	11.7
	Subtotal Proven and Probable	**1,189**	**0.037**	**43.7**
	Proven	470	0.035	16.3
Mary LC	Probable	276	0.035	9.7
	Subtotal Proven and Probable	**746**	**0.035**	**26.0**
	Proven	239	0.047	11.1
Bunkhouse	Probable	4	0.021	0.1
	Subtotal Proven and Probable	**243**	**0.046**	**11.2**
Oromonte	Proven	563	0.071	39.8

	Probable	449	0.030	13.7
	Subtotal Proven and Probable	**1,012**	**0.053**	**53.5**
	Proven	2,474	0.047	116.2
Total Combined	Probable	1,239	0.032	40.1
	Total Proven and Probable	**3,713**	**0.042**	**156.3**

Notes:

1. The Mineral Reserves have an effective date of November 30, 2017.
2. The Qualified Person for the estimate is Mr. Jeffery Choquette P.E., an employee of Hard Rock Consulting LLC.
3. Mineral Reserves are reported within the pit designs at a 0.01 opt gold cut-off grade. Pit designs incorporate the following considerations: base case gold price of $1,300/oz; pit slope angles that range from 38º-47º; average life-of-mine metallurgical recovery assumption of 93%; crushing costs of $1.81/t, process cost of $5.79/t, general and administrative and tax costs of $2.90/t; and average mining costs of $1.42/t mined
4. Rounding as required by reporting guidelines may result in summation differences.

The Mineral Resource estimate for the open-pit (other) areas is provided in Table 4 (Measured and Indicated) and Table 5 (Inferred).

Table 4: Measured and Indicated Mineral Resource Tabulation for Other Areas

Area	Classification	Tons (kt)	Gold Grade (opt)	Contained Gold (koz)
	Measured	455.7	0.063	28.6
Brodie	Indicated	237.9	0.056	13.4
	Subtotal Measured and Indicated	**693.6**	**0.060**	**41.9**
	Measured	147.8	0.083	12.3
Custer	Indicated	75.4	0.088	6.6
	Subtotal Measured and Indicated	**223.2**	**0.085**	**18.9**
	Measured	527.3	0.046	24.3
Drinkwater HW	Indicated	209.2	0.049	10.3
	Subtotal Measured and Indicated	**736.6**	**0.047**	**34.6**
	Measured	721.4	0.072	51.7
Mary LC & Bunkhouse	Indicated	403.3	0.074	29.8
	Subtotal Measured and Indicated	**1,124.7**	**0.072**	**81.5**
	Measured	235.8	0.162	38.3
Oromonte	Indicated	169.0	0.074	12.6
	Subtotal Measured and Indicated	**404.8**	**0.126**	**50.9**
	Measured	2,088.0	0.074	155.2
Combined	Indicated	1,094.8	0.066	72.6
	Total Measured and Indicated	**3,182.8**	**0.072**	**227.8**

Notes:

1. The effective date of the Mineral Resource estimate is November 30, 2017.
2. The QP for the estimate is Mr. Ian Crundwell, P.Geo.
3. Mineral Resources are reported inclusive of Mineral Reserves at a gold cut-off grade of 0.01 opt Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
4. Mineral Resources are constrained to the area within the grade-shell wireframes. The areas outside of these grade shells are assumed to be at zero grade.
5. These Mineral Resource are considered to be amenable to open-pit mining. Conceptual Whittle pit shells used the following assumptions: a long-term gold price of $1,350/oz; assumed combined operating costs of $12.36/t (mining, process, general and administrative); metallurgical recovery for gold of 95%, and variable pit slope angles that ranged from 38º-47º.
6. Rounding may result in apparent differences between when summing tons, grade and contained metal content. Tonnage and grade measurements are in Imperial units. Grades are reported in ounces per ton.

Table 5: Inferred Mineral Resource Tabulation for Other Areas

Area	Classification	Tons (kt)	Gold Grade (opt)	Contained Gold (koz)
Brodie	Inferred	2.4	0.034	0.08
Custer	Inferred	--	--	--
Drinkwater HW	Inferred	180.1	0.059	10.61
Mary LC & Bunkhouse	Inferred	0.1	0.061	0.01
Oromonte	Inferred	0.4	0.092	0.03

Combined	**Total Inferred**	**182.9**	**0.059**	**10.73**

Notes:

1. The effective date of the Mineral Resource estimate is November 30, 2017.
2. The QP for the estimate is Mr. Ian Crundwell, P.Geo.
3. Mineral Resources are reported inclusive of Mineral Reserves at a gold cut-off grade of 0.01 opt. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
4. Mineral Resources are constrained to the area within the grade-shell wireframes. The areas outside of these grade shells are assumed to be at zero grade.
5. These Mineral Resource are considered to be amenable to open-pit mining. Conceptual Whittle pit shells used the following assumptions: a long-term gold price of $1,350/oz; assumed combined operating costs of $12.36/t (mining, process, general and administrative); metallurgical recovery for gold of 95%, and variable pit slope angles that ranged from 38º-47º.
6. Rounding may result in apparent differences between when summing tons, grade and contained metal content. Tonnage and grade measurements are in Imperial units. Grades are reported in ounces per ton.

Further information on the Mineral Ridge project is available at SEDAR (www.sedar.com) under the Company's profile, including the NI 43-101 Technical report titled "Updated Feasibility Study and National Instrument 43-101 Technical Report: Mineral Ridge Project" prepared by Novus Engineering Inc, with an effective date of January 2, 2018.

<u>Other properties</u>

Goldwedge

The Company holds a 100% interest in the Goldwedge property located in Manhattan Nevada. 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. Effective July 28, 2015, the Goldwedge mill facility was placed on care and maintenance and can be restarted on short notice.

On December 6, 2019, the Company announced the results of drilling at its Keystone-Jumbo claim block. Nine exploration holes totalling 2062 feet (628 meters) were drilled to test an area of previously reported surface soil sampling anomalies as well as structures relating to historic mineralization within the Keystone-Jumbo claim block (December 15, 2016 news release). Following a complete examination of the data, the Company will be planning a follow-up program.

On January 27, 2020, the Company announced the signing of a Toll Milling Agreement (the "Agreement") between the Company's Goldwedge affiliate and Lode-Star Mining Inc. ("Lode-Star"). The Agreement will allow for the processing of ore delivered from Lode-Star's mining properties to the Goldwedge 400 ton per day milling facility located in Manhattan, Nevada. Under the terms of the Agreement, Lode-Star will advance funds required for the design engineering, permitting and mill modifications required for processing of Lode-Star's ore. Based on previous metallurgical testing, Lode-Star's ore requires gravity combined with flotation for optimal recoveries of contained precious metals. The Goldwedge milling circuit is currently configured with a gravity recovery circuit. The modifications to the Goldwedge milling facility will include the addition of a flotation circuit, supporting reagent tanks/silos, secondary lining of process containment ponds, leak detection and monitoring wells associated with fluid containments. The Agreement provides for Lode-Star to recoup the advanced funds through a reduction in toll milling rates until all advanced funds have been repaid. Following repayment, the toll charges will revert to standard rates. This Agreement is mutually beneficial for both parties. Goldwedge will transition from temporary closure into production. With the addition of a flotation circuit the Goldwedge milling facility will have the capability of processing carbonaceous/sulfidic ores, expanding its availability for toll milling in addition to the Lode-Star arrangement. The new flotation circuit will also result in improved recoveries for mineralized material within the Goldwedge deposit, potentially allowing for lower mining cut-off grades. Lode-Star benefits from having a long-term processing agreement for their ores at a location operated by an experienced processing team. The mill is in close proximity to their mine, thus minimizing haulage costs, and will have a milling circuit optimized for peak metallurgical recoveries.

On March 3, 2020 the Company announced the commencement of an underground drilling campaign at the Company's Goldwedge project located in Manhattan, Nevada. Scorpio Gold plans to conduct resource definition drilling in areas where the Company's 2014 surface drilling intersected higher-grade mineralization proximal to existing underground workings (April 27, 2015 news release). If successful, this will provide a potential source of mineralized mineable material to the Goldwedge milling circuit. The drilling program will utilize the Company's Atlas

Copco 262 skid-mounted drill rig which recently underwent extensive modifications to improve its overall performance for underground operations.

Orléans

The Company staked an exploration target in 2016, named Orléans, which is located several miles to the northwest of the Mineral Ridge project. The claims are 100% owned by Scorpio Gold. The Orléans property consists of 330 acres and includes 16 lode claims The Orléans target area displays geological and structural controls identical to those seen at Mineral Ridge. Early stage in-house mapping and rock chip sampling began shortly after claim staking was conducted.

A surface sampling program was carried out in March 2017. Ninety rock chip samples of quartz outcrop and dump material were collected. These samples covered quartz outcrop across the central and southern portion of the claim block. This area is where the greatest historic work has been with shafts, adits, prospect pits and dozer trenches. These samples were sent to the ALS laboratory for gold and geochemical analysis. Seven samples came back above 0.034 ppm. The geochemical analysis is being reviewed to identify the type of quartz and the geochemical comparisons with formations from Mineral Ridge. Due to other priorities, no further work was conducted in this area during 2017 and 2018. If conducted, the next phase of work would include mapping and specific sampling to determine the source of the initial sample results.

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.

Qualified Person

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 this MD&A.

KEY OPERATING AND FINANCIAL STATISTICS

	FOR THE YEAR ENDED DECEMBER 31,	
	2019	2018
Processing		
Ounces produced		
Gold	3,863	7,767
Silver	2,324	3,614
Financials		
(In thousands of US dollars, except per ounce and per share numbers)	$	$
Total cash cost per ounce of gold sold (1)	1,271	883
Ounces sold		
Gold	3,846	7,745
Silver	2,059	3,525
Average price of gold		
London PM fix	1,393	1,268
Realized	1,356	1,261
Net earnings (loss)	(1,437)	423
Basic and diluted net (loss) earnings per share	(0.02)	0.00
Adjusted net earnings (1)	497	1,467
Basic and diluted adjusted net earnings per share (1)	0.01	0.01
Adjusted EBITDA (1)	1,252	2,403
Basic and diluted adjusted EBITDA per share (1)	0.01	0.02

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

Production

As a result of mining being suspended since November 2017, no fresh ore has been crushed and placed on the leach pad at Mineral Ridge. During the year ended December 31, 2019, application of cyanide leach solution to the ore on the leach pad was 1.083 billion gallons and 927 million gallons of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.04 ppm gold and 0.04 ppm silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for the year ended December 31, 2019 was 85% for gold and 45% for silver. The efficiency of this circuit is directly affected by the activity of the activated carbon utilized for recovery of precious metals from solution as well as the flow rate of the solution being pumped through the columns. The average flow rate for the year ended December 31, 2019 was 1,763 gallons per minute ("gpm"). This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and should eventually be recovered. The loaded carbon from this circuit is shipped off-site for custom stripping of the precious metals and upon completion of stripping, the carbon is returned to the site for re-use. The Company produced 3,863 ounces of gold and 2,324 ounces of silver.

Operations

Scorpio Gold reported net loss of $1.4 million for the year ended December 31, 2019 compared to $0.4 million in 2018.

Revenue

During the year ended December 31, 2019, the Company sold 3,846 ounces of gold and 2,059 ounces of silver for total revenue of $5.2 million at an average price of $1,393 for gold and $16 for silver, whereas during the year ended December 31, 2018, the Company sold 7,745 ounces of gold and 3,525 ounces of silver for total revenue of $9.8 million at an average price of $1,261 for gold and $16 for silver.

As of December 31, 2019, the Company had finished goods inventories including 23 ounces of gold available for sale compared to 40 ounces of gold as at December 31, 2018.

Mine operating earnings (loss)

Mine operating earnings were $0.3 million for the year ended December 31, 2019 compared to earnings of $3.0 million for the comparative period of 2018.

Cost of sales, excluding inventory write-down, was $2.5 million for the year ended December 31, 2019 compared to $6.1 million for the year ended December 31, 2018. The variance is essentially attributed to the lower number of ounces sold and the variance in cash operating cost per ounce (1) described below.

Cash operating cost per gold ounce sold (1), after silver by-product credits, was $1,271 for the year ended December 31, 2019 compared to $883 for the year ended December 31, 2018. The increase in cash costs is due mainly to decreased production rates as compared to the prior period.

During the year ended December 31, 2019, the Company wrote down inventory for an amount of $2.4 million compared to $0.7 million for the corresponding period of 2018.

Inventories decreased from $1.2 million as of December 31, 2018 to $1.0 million as of December 31, 2019. As indicated above, the Company recorded a write-down of $2.4 million on inventories during the year ended December 31, 2019.

Mining was suspended in November of 2017 and all the ore stockpile was processed and placed on the leach pad during Q4 of 2017. Since then, sales derived from continued processing reduced the inventory level. However, during the year ended December 31, 2019, the Company re-evaluated the number of recoverable ounces on the leach pad which led to a net favourable adjustment of 5,121 ounces.

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

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at December 31, 2019, included in the metal in process inventories, are inventories on the leach pad for a total cost of $0.1 million after inventory write-down ($Nil as at December 31, 2018). The ultimate recovery of mineralization from the heap leach pad will not be known until the total leaching process is concluded.

General and administrative

General and administrative expenses totaled $1.1 million during the year ended December 31, 2019 which is comparable to $0.8 million during 2018.

Impairment of mining assets

Mineral Ridge mine

The fact that the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of December 31, 2019 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 $4.3 million as at December 31, 2019 (2018 - $4.7 million). During the year ended December 31, 2019, the Company recorded non-cash impairment charges for Mineral Ridge of $0.5 million (2018 - $0.4 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.

Goldwedge property and mill

The fact that the Goldwedge property and mill have been on care and maintenance since 2015 and the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of December 31, 2019 are indicators of impairment. In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. The Company also includes in its estimate an estimated amount for costs to sell the CGU. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $1.8 million as at December 31, 2019 (2018 - $3.3 million). During the year ended December 31, 2019, the Company recorded non-cash impairment charges for Goldwedge of $2.9 million (2018 - $Nil).

Gain on debt settlement

On March 4, 2019, the Company completed the Waterton Buyout, under which:

(i) the $6 million loan advanced from Waterton Precious Metals Fund II Cayman LP ("Waterton Fund") to the Company was fully extinguished;
(ii) the gold and silver supply agreement dated May 18, 2011 among the Company, its subsidiaries and an affiliate of Waterton Fund was terminated; and
(iii) the Company acquired the 30% non-controlling membership interest of Elevon LLC ("Elevon") in Mineral Ridge Gold (which holds the Mineral Ridge Project) and the related operating agreement dated March 10, 2010 between the Company and Elevon was terminated (collectively, the "Waterton Buyout").

In consideration for the Waterton Buyout:

(i) the Company paid Waterton Fund $3 million (the "Upfront Payment");
(ii) the Company assigned to Waterton Fund the Company's right to receive a contingent payment of up to CAD$1 million from Gold Standard Ventures Corp. ("Gold Standard") upon a change of control of Gold Standard, pursuant to the sale of the Pinon property in 2014; and
(iii) a contingent payment will be payable by the Company to Waterton Global Resource Management if the Company completes certain asset sale or change of control transactions before 2022, with the amount of such payment being equal to a certain percentage of the value of such transactions.

The Company received funding to complete the Upfront Payment pursuant to a 7% interest bearing $3 million debt bridge financing (the "Bridge Financing") from arm's length parties to the Company in the form of promissory notes. The Bridge Financing was repaid, with accrued interest of $0.03 million, at the closing of the convertible debenture financing.

As part of the Waterton Buyout, the Company recorded a $3.9 million gain on debt settlement during the year ended December 31, 2019.

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ending	Revenues $	Net earnings (loss) $	Basic and diluted earnings (loss) per share $
December 31, 2019	1,535	(3,722)	(0.06)
September 30, 2019	1,241	(281)	(0.00)
June 30, 2019	985	(861)	(0.01)
March 31, 2019	1,486	3,425	0.05
December 31, 2018	2,095	(383)	(0.01)
September 30, 2018	2,211	415	0.01
June 30, 2018	2,492	246	0.00
March 31, 2018	3,026	144	(0.00)

Due to the effect of rounding, the sum of individual quarterly per share amounts may not be equal to the earnings (loss) per share shown in the consolidated statements of comprehensive income.

Mining at Mineral Ridge was suspended in November of 2017 and all the ore stockpile was processed and placed on the leach pad during Q4 of 2017. Since then, sales derived from continued processing reduced the inventory level.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $2.2 million in cash as of December 31, 2019 compared to $1.1 million as of December 31, 2018.

Working capital was $3.5 million as of December 31, 2019, compared to a working capital deficiency of $4.2 million as of December 31, 2018.

Total current liabilities decreased from $6.9 million as at December 31, 2018 to $0.5 million as at December 31, 2019. This reduction relates mainly to the Waterton Buyout where the Company extinguished its $6 million debt.

Total equity increased from $4.9 million as at December 31, 2018 to $9.7 million as at December 31, 2019 primarily due to the $7.0 million convertible debenture and the Waterton Buyout.

Cash outflows used by operating activities were $1.2 million for the year ended December 31, 2019 compared to inflows of $2.5 million during the comparative period of 2018. This reduction is essentially caused by the reduced level of production at the Company's Mineral Ridge mine and ongoing care and maintenance of the Goldwedge property.

Cash flows used in investing activities were $1.1 million during the year ended December 31, 2019. During 2019, invested $0.7 million to acquire the 30% non-controlling interest in Mineral Ridge Gold, LLC and $0.4 million in non-producing properties. During the year ended December 31, 2018, the Company invested $0.4 million in non-producing properties as well $0.3 million to increase the reclamation bonds.

Cash flows from financing activities during the year ended December 31, 2019 consisted of $4.6 million provided compared to $1.7 million used in financing activities in 2018.

Debenture financing

On April 26, 2019, the Company closed a non-brokered private placement offering of secured subordinated convertible debentures (each a "Debenture") for gross proceeds of $7 million.

Each Debenture has an issue price of US$1,000, bears interest at a rate of 10% per annum, payable semi-annually, and matures April 26, 2022. Interest may be paid in common shares of the Company at the option of the Company or the holder of the Debenture. Each Debenture is convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of $0.08 per share (the "Conversion Price"), which is equivalent to 12,500 common shares for each $1,000 principal amount of Debentures, subject to adjustment in certain circumstances. The Company will have the option on maturity, subject to regulatory approval and there being no default to the terms of the Debentures, to repay any portion of the principal amount of the Debentures in cash or by issuing and delivering to the holders of the Debentures such number of common shares equal to the principal amount of the Debenture divided by the Conversion Price.

The Debentures are secured by a security interest subordinate to all existing and future senior indebtedness of the Company as approved by the Company's board of directors, subject to certain board composition requirements.

As indicated above, management expects the Company to generate limited revenues until approximately Q4 of 2020 from residual but diminishing gold recoveries from the leach pads. As such, the Company will use the proceeds from the convertible debenture financing to support its operations until further financing is raised. The Company is currently evaluating various financing alternatives to support its operations and for the construction of a new processing facility at the Mineral Ridge mine.

The primary factors that will affect the future financial condition of the Company include the ability to raise debt, equity or other types of financing to finance exploration, development and capital expenditures including the construction of the processing facility and to meet its commitments and the ability to generate positive cash flows. Moreover, the availability of mineralization, the timeliness of the receipt of permits for expanded operations as well as the price of gold will affect the future financial condition of the Company.

NON-IFRS PERFORMANCE MEASURES

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

Adjusted net earnings

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

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

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE YEAR ENDED DECEMBER 31,	
	2019	2018	**2019**	2018
(In thousands of US dollars, except per share numbers)	**$**	$	**$**	$
Net earnings (loss) for the period	**(3,722)**	(382)	**(1,437)**	423
Share-based compensation	**-**	-	**133**	-
Gain on settlement of debt	**-**	-	**(3,892)**	-
Inventory write-down	**751**	690	**2,368**	690
Gain on adjustment of provision for environmental rehabilitation	**-**	-	**-**	(43)
Impairment of mining assets	**3,318**	13	**3,359**	426
Gain on disposal of assets	**-**	-	**-**	(4)
Foreign exchange loss (gain)	**39**	(1)	**(3)**	(3)
Deferred income tax expense (recovery)	**-**	1	**(31)**	(22)
Adjusted net earnings (loss) for the period	**386**	321	**497**	1,467
Non-controlling interest	**-**	224	**(149)**	1,006
Adjusted net earnings (loss) for the period attributable to the shareholders of the Company	**386**	97	**348**	461
Adjusted basic and diluted net earnings (loss) per share	**0.01**	0.00	**0.01**	0.01

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

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

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE YEAR ENDED DECEMBER 31,	
	2019	2018	**2019**	, 2018
(In thousands of US dollars)				
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	**1,288**	1,290	**4,907**	6,096
Inventory adjustment	**-**	690	**10**	665
Share-based compensation	**-**	-	**(24)**	-
By-product silver sales	**(7)**	(12)	**(33)**	(55)
Royalties	**-**	-	**-**	(17)
Cash operating costs	**1,281**	1,968	**4,860**	6,689
Nevada net proceeds tax	**3**	26	**5**	148
Total cash cost	**1,284**	1,994	**4,865**	6,837
Divided by ounces of gold sold	**1,020**	1,720	**3,846**	864
Cash operating cost per gold ounce sold	**1,254**	1,144	**1,269**	864
Total cash costs per gold ounce sold	**1,256**	1,159	**1,271**	883

Adjusted EBITDA

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

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

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

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

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE YEAR ENDED DECEMBER 31,	
	2019	2018	**2019**	2018
(In thousands of US dollars, except per share numbers)	**$**	$	**$**	$
Net earnings (loss) for the period	**(3,722)**	(382)	**(1,437)**	423
Finance costs	**214**	177	**742**	766
Depletion and amortization	**3**	9	**16**	22
Income tax expense	**3**	26	**(34)**	126
Standardized EBITDA	**(3,502)**	(170)	**1,623**	1,337
Share-based compensation	**-**	-	**133**	-
Gain on debt settlement	**-**	-	**(3,892)**	-
Inventory write-down	**751**	690	**2,368**	690
Impairment of mining assets	**3,318**	13	**3,359**	426
Gain on adjustment of provision for environmental rehabilitation	**-**	-	**-**	(43)
Gain on disposal of assets	**-**	-	**-**	(4)
Foreign exchange loss (gain)	**39**	(1)	**(3)**	(3)
Adjusted EBITDA	**606**	532	**1,252**	2,403
Non-controlling interest	**-**	240	**156**	1,081
Adjusted EBITDA attributable to the shareholders of the Company	**606**	292	**1,096**	1,322
Adjusted basic and diluted EBITDA per share	**0.01**	0.00	**0.02**	0.02

CONTINGENCIES

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at December 31, 2019.

TRANSACTIONS WITH RELATED PARTIES

a) Compensation of key management personnel and directors

Key management includes members of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the year ended December 31, 2019 and 2018 were as follows:

	Year ended December 31,			
		2019		2018
Salaries* and director fees	$	693	$	732
Share-based compensation		133		-
	$	826	$	732

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

As at December 31, 2019, an aggregate of $2,619 (2018 - $190,351) resulting from transactions with key management is included in trade and other payables.

b) Waterton Fund

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

Related party transactions entered into with Waterton Fund during the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,			
		2019		2018
Interest on secured debt	$	104	$	600
	$	104	$	600

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2019 and have not been applied in preparing these consolidated financial statements. In addition, none of these standards are applicable to the Company.

MANAGEMENT JUDGMENTS AND ESTIMATES

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

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

a) Critical judgments

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

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

Determination of functional currency

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

Commencement of commercial production of an open pit

Prior to reaching commercial production for an open pit, costs incurred are capitalized as part of the costs of related non-producing mining assets. Depletion of capitalized costs for mining properties begins when commercial production has been reached.

In order to determine when commercial production of an open pit is deemed to have commenced, management considers various operating results compared to expectations, sustainability of those operating results and other qualitative factors.

b) Estimates

Asset carrying values and impairment

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

Mineral Ridge mine

The fact that the carrying amount of the net assets of the Company was higher than the Company’s market capitalization as of December 31, 2019 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 $4.3 million as at December 31, 2019 (2018 - $4.7 million). During the year ended December 31, 2019, the Company recorded non-cash impairment charges for Mineral Ridge of $0.5 million (2018 - $0.4 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.

The recoverability analysis over the Company's inventory as at December 31, 2019, using a gold price assumption of $1,475, indicated that their net realizable value was lower than the costs of production. As a result, a write-down on inventory was recognized in cost of sales for an amount of $2.4 million during the year ended December 31, 2019 (2018 - $0.7 million).

Goldwedge property and mill

The fact that the Goldwedge property and mill have been on care and maintenance since 2015 and the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of December 31, 2019 are indicators of impairment. In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs of disposal using Level 3 valuation inputs. The Company also includes in its estimate an estimated amount for costs to sell the CGU. Based on its assessment the Company determined that the recoverable value using fair value less costs of disposal was $0.8 million as at December 31, 2019 (2018 - $3.3 million). During the year ended December 31, 2019, the Company recorded non-cash impairment charges for Goldwedge of $2.9 million (2018 - $Nil).

Estimation of asset lives and residual values

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

Mineral reserve estimates

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

Convertible debentures

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

Recognition of deferred taxes

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

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

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

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

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

Stripping activity asset

In the determination of its stripping activity asset and depreciation charge, management uses mineral reserve estimates which are subject to numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's estimates in mineral reserves and resources could have a material effect in the future on the Company's financial position and results of operation. Changes in estimated strip ratios can also result in a change to the future capitalization of stripping activity asset.

Inventories

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	December 31, 2019	December 31, 2018
Cash	FVTPL	$ 2,243	$ 1,100
Receivables	Amortized cost	389	1
Reclamation bonds	Amortized cost	6,186	6,078
Trade and other payables	Amortized cost	(524)	(740)
Secured debt and financing lease	Amortized cost	-	(6,050)

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

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

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

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

The carrying values of receivables, reclamation bonds, and trade and other payables approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy.

Risk management

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash, receivables and reclamation bonds. The credit risk on cash, as well as reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. Receivables on regular precious metal sales are generally received within a week after delivery. The Company has no past due accounts and has not recorded a provision for doubtful accounts.

Liquidity risk

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

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

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Trade and other payables	$ 524	$ -	$ -	$ -	$ 524
Provision for environmental rehabilitation	-	254	5,157	274	5,685

Market risk

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

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's Debentures are fixed at an interest rate of 10% per annum and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to manage its exposure to interest rate risk.

ii) Currency risk

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

	December 31, 2019	December 31, 2018
Cash	$ 80	$ 260
Receivables	4	1
Trade and other payables	(60)	(189)

A reasonably possible change in the USD/CAD exchange rate of 10%, would not have a significant impact on net earnings or comprehensive income.

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

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. The Company is not exposed to any significant price risk as at December 31, 2019. The Company does not use derivatives to manage its exposure to price risk.

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

Outstanding common shares	68,842,718
Convertible debentures	89,687,500
Stock options	4,315,000
Fully diluted	162,845,218

FORWARD LOOKING STATEMENTS

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

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

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OTHER INFORMATION

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