Management's Discussion and Analysis
Quarterly Highlights

For the six months ended June 30, 2020

(Expressed in US dollars)

## INTRODUCTION

The following is management's discussion and analysis – quarterly highlights ("MD&A") of the results of operations and financial condition of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the six months ended June 30, 2020 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the fiscal year ended December 31, 2019 (the "Annual MD&A").

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended December 31, 2019, together with the notes thereto, and the accompanying unaudited condensed interim consolidated financial statements and related notes thereto for the six months ended June 30, 2020 (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 August 25, 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 suspended mining operations of its Mineral Ridge mine in November 2017 as the Company had mined all of its economical mineral reserves based on gold pricing and heap leach recovery parameters. 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.

Scorpio Gold is pursuing $35,000,000 financing for the construction of a new carbon-in-leach ("CIL") processing facility at Mineral Ridge to capture the value in the gold reserves contained in the heap leach pad and unmined portions of the property. Based on the 2018 updated feasibility study ("2018 FS"; January 4, 2018 news release), the 4,000 tons/day facility will provide Scorpio Gold the ability to recover ~250,000 oz of gold over an expected mine life of 7.5 years. The 2018 FS was filed on SEDAR on January 9, 2018.

As announced June 20, 2020, the Company has engaged Artemis Capital Advisors LLC ("Artemis") as the Company's financial advisor in connection with securing term financing in support of development of the Company's Mineral Ridge gold project. In its capacity as financial advisor to the Company for the Mineral Ridge project, Artemis will assist the Company in identifying and evaluating alternative sources of term financing such as capital markets, private equity firms, commodity-linked structures, including any financing proposals which the Company may already have received; advising on structuring, sourcing and reviewing financing proposals; and support of the Company in negotiating the financial aspects of a transaction.

## CASH CONSERVATION MEASURES IN RESPONSE TO COVID-19

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

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.

## EXPLORATION FOR THE SIX MONTHS ENDED JUNE 30, 2020

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 July 27, 2020, the Company announced initial gold and silver assay results from underground drilling at its Goldwedge property located in Manhattan, Nevada. The 2020 drilling program is focused on resource definition in areas where the Company's 2014 surface drilling intersected higher-grade mineralization proximal to existing underground workings (April 27, 2015 news release). The drilling program utilized the Company's Atlas Copco 262 skid-mounted drill rig which was operated by company personnel.

Known mineralization within the Goldwedge deposit is controlled by the high-angle N30W trending Reliance fault which is transected by ring faulting associated with the Manhattan caldera. The gold itself is localized within clay gouge fault zones associated with the main Reliance fault system. Historically, silver has not been the primary target in the Manhattan mining district. Based on the high-grade silver intersections encountered in these holes however, a review of core samples and logs from previous drilling will be undertaken for evidence of other significant silver mineralization.

Due to the presence of high-grade gold and silver, several of the samples were submitted for screen fire assay to determine any variability of the assay results due to coarse metals. In reviewing the results, it is evident that a coarse component for both gold and silver is present, and although the gold results are fairly repeatable when compared to the original assays, there was a significant increase in silver values in many of the results. A typical screen fire assay utilizes 2 kilograms of sample for a standard analysis; however, because the drilling was NQ core size the available material was limited, and this should be considered when evaluating these results.

## 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.

## OPERATION HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

- 1,528 ounces of gold and 790 ounces of silver were produced at the Mineral Ridge mine compared to 1,999 ounces of gold and 1,282 ounces of silver produced during 2019.
- Revenue of $2,480,000 compared to $2,471,000 during 2019.
- Total cash cost per ounce of gold sold (1) of $1,411, compared to $1,324 during 2019.
- Mine operating earnings of $347,000 compared to a loss of $151,000 during 2019.
- Net loss of $805,000 ($0.01 basic and diluted loss per share) compared to a loss of $2,533,000 ($0.04 basic and diluted earnings per share) during 2019.
- Adjusted net earnings (1) of $688,000 ($0.01 basic and diluted earnings per share) compared to earnings of $40,000 ($0.00 basic and diluted earnings per share) during 2019.
- Adjusted EBITDA (1) of $1,115,000 ($0.02 basic and diluted per share) compared to $40,000 ($0.00 basic and diluted per share) million during 2019.

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

## Production

As a result of mining being suspended since November 2017, no fresh ore has been crushed and placed on the leach pad at Mineral Ridge. During the six months ended June 30, 2020, application of cyanide leach solution to the ore on the leach pad was 663 million gallons and 563 million gallons of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.031 ppm gold and 0.035 ppm silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for the six months ended June 30, 2020 was 89% for gold and 46% 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 six months ended June 30, 2020 was 2,148 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 1,528 ounces of gold and 790 ounces of silver.

## Operations

Scorpio Gold reported net loss of $805,000 for the six months ended June 30, 2020 compared to net loss of $1,225,000 in the comparative period, after adjusting for a non-cash gain on debt settlement of $3,789,000.

## Revenue

During the six months ended June 30, 2020, the Company sold 1,501 ounces of gold and 852 ounces of silver for total revenue of $2,480,000 at an average price of $1,638 for gold and $17 for silver, whereas during the six months ended June 30, 2019, the Company sold 1,966 ounces of gold and 1,239 ounces of silver for total revenue of $2,471,000 at an average price of $1,295 for gold and $15 for silver.

As of June 30, 2020, the Company had finished goods inventories including 44 ounces of gold available for sale compared to 23 ounces of gold as at December 31, 2019.

## Mine operating earnings (loss)

Mine operating income was $347,000 for the six months ended June 30, 2020 compared to a loss of $151,000 for the comparative period of 2019.

Cost of sales, excluding inventory write-down, was $652,000 for the six months ended June 30, 2020 compared to $1,490,000 for the six months ended June 30, 2019. The variance is essentially attributed to the lower number of ounces sold and the variance in cash operating cost per ounce (1) described below.

Cash operating cost per gold ounce sold (1), after silver by-product credits, was $1,411 for the six months ended June 30, 2020 compared to $1,324 for the six months ended June 30, 2019. The increase in cash costs is due mainly to decreased production rates as compared to the prior period.

During the six months ended June 30, 2020, the Company wrote down inventory for an amount of $1,481,000 compared to $1,132,000 for the corresponding period of 2019.

Inventories increased from $973,000 as of December 31, 2019 to $1,111,000 as of June 30, 2020. As indicated above, the Company recorded a write-down of $1,481,000 on inventories during the six months ended June 30, 2020.

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at June 30, 2020, included in the metal in process inventories, are inventories on the leach pad for a total cost of $207,000 after inventory write-down ($78,000 as at December 31, 2019). The ultimate recovery of mineralization from the heap leach pad will not be known until the total leaching process is concluded.

## General and administrative

General and administrative expenses totaled $313,000 during the six months ended June 30, 2020 compared to $518,000 during 2019. The decrease is primarily due to a voluntary reduction in salaries and benefits during the quarter and well as no share-based compensation recorded in the current period.

## LIQUIDITY AND CAPITAL RESOURCES

The Company suspended mining operations of its Mineral Ridge mine in November 2017 as the Company had mined all of its economical mineral reserves based on gold pricing and heap leach recovery parameters. Management expects to generate limited revenues from Mineral Ridge until approximately Q1 of 2021 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.

As at June 30, 2020, the Company had working capital of $2,075,000. Management estimates that these funds may not provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. Additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

## NON-IFRS PERFORMANCE MEASURES

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

### Adjusted net earnings

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

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

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

| | FOR THE SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | **2020** | 2019 |
| (In thousands of US dollars, except per share numbers) | **$** | $ |
| Net earnings (loss) for the period | **(805)** | 2,564 |
| Share-based compensation | **-** | 133 |
| Gain on settlement of debt | **-** | (3,789) |
| Inventory write-down | **1,481** | 1,132 |
| Impairment of mining assets | **-** | 40 |
| Impairment of mining assets | **4** | - |
| Loss on disposal of assets | **4** | - |
| Foreign exchange loss (gain) | **4** | (5) |
| Deferred income tax recovery | **-** | (31) |
| Adjusted net earnings for the period | **688** | 44 |
| Non-controlling interest | **-** | (149) |
| Adjusted net earnings for the period attributable to the shareholders of the Company | **688** | 105 |
| Adjusted basic and diluted net earnings per share | **0.01** | 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 consolidated financial statements.

| | FOR THE SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | **2020** | 2019 |
| (In thousands of US dollars) | | |
| **Cash costs** | | |
| Cost of sales excluding depletion and amortization per consolidated financial statements | **2,133** | 2,622 |
| Inventory adjustment | **-** | (24) |
| Share-based compensation | **-** | 24 |
| By-product silver sales | **(14)** | (19) |
| Cash operating costs | **2,119** | 2,603 |
| Nevada net proceeds tax | **-** | - |
| Total cash cost | **2,119** | 2,603 |
| Divided by ounces of gold sold | **1,501** | 1,966 |
| **Cash operating cost per gold ounce sold** | **1,411** | 1,324 |
| **Total cash costs per gold ounce sold** | **1,411** | 1,324 |

**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 condensed interim consolidated financial statements:

| | **FOR THE SIX MONTHS ENDED JUNE 30,** | |
|---|---|---|
| | **2020** | 2019 |
| (In thousands of US dollars, except for per share amounts) | | |
| Net earnings (loss) for the period | **(805)** | 2,564 |
| Finance costs | **422** | 319 |
| Depletion and amortization | **5** | 9 |
| Income tax expense | **-** | (31) |
| Standardized EBITDA | **(378)** | 2,861 |
| Share-based compensation | **-** | 133 |
| Gain on debt settlement | **-** | (3,789) |
| Inventory write-down | **1,481** | 1,132 |
| Impairment of mining assets | **4** | 40 |
| Gain on disposal of assets | **4** | - |
| Foreign exchange loss (gain) | **4** | (5) |
| Adjusted EBITDA | **1,115** | 372 |
| Non-controlling interest | **-** | (156) |
| Adjusted EBITDA attributable to the shareholders of the Company | **1,115** | 216 |
| Adjusted basic and diluted EBITDA per share | **0.02** | 0.00 |

## TRANSACTIONS WITH RELATED PARTIES

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

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

Authorized: an unlimited number of common shares without par value

| | Common Shares Issued and Outstanding | Common Shares underlying the conversion of the principal amount of the convertible debentures | Stock Options |
|---|---|---|---|
| Balance as at June 30, 2020 | 69,267,291 | 89,687,500 | 4,315,000 |
| Stock options granted | - | - | 350,000 |
| Balance as at the date of this MD&A | 69,267,291 | 89,687,500 | 4,665,000 |

## FORWARD LOOKING STATEMENTS

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

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

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

## OTHER INFORMATION

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