



**GOLD CORPORATION**

Condensed Interim Consolidated Financial Statements of

**Scorpio Gold Corporation**

For the three and nine months ended  
September 30, 2017 and September 30, 2016  
(unaudited)

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

**NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

## Scorpio Gold Corporation

Condensed interim consolidated statements of comprehensive income

Three and nine months ended September 30, 2017 and September 30, 2016

(In thousands of US dollars except for shares and per share amounts )

(unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	\$	\$	\$	\$
<b>Revenue</b>	<b>6,042</b>	13,328	<b>22,216</b>	35,190
Cost of sales excluding depletion and amortization (Note 5)	<b>(6,400)</b>	(9,518)	<b>(18,495)</b>	(26,098)
Depletion and amortization	<b>(730)</b>	(633)	<b>(1,289)</b>	(983)
Mine operating (loss) earnings	<b>(1,088)</b>	3,177	<b>2,432</b>	8,109
<b>Expenses</b>				
General and administrative (Note 6)	<b>(273)</b>	(329)	<b>(963)</b>	(859)
Care and maintenance	<b>(175)</b>	(150)	<b>(536)</b>	(527)
(Loss) gain on disposal of assets	<b>(6)</b>	16	<b>(4)</b>	55
Impairment of mining assets (Note 3b))	<b>(1,123)</b>	-	<b>(3,375)</b>	-
Write-off of mining assets	-	(3)	-	(1,051)
Operating (loss) earnings	<b>(2,665)</b>	2,711	<b>(2,446)</b>	5,727
<b>Other (expenses) income</b>				
Finance costs (Note 7)	<b>(196)</b>	(199)	<b>(582)</b>	(587)
Foreign exchange (loss) gain	-	-	<b>(1)</b>	3
Finance income	-	5	-	6
	<b>(196)</b>	(194)	<b>(583)</b>	(578)
<b>(Loss) earnings before income taxes</b>	<b>(2,861)</b>	2,517	<b>(3,029)</b>	5,149
<b>Income tax (expense) recovery</b>				
Current	<b>(26)</b>	(291)	<b>(184)</b>	(630)
Deferred	<b>113</b>	105	<b>194</b>	90
	<b>87</b>	(186)	<b>10</b>	(540)
<b>Net (loss) earnings and comprehensive income</b>	<b>(2,774)</b>	2,331	<b>(3,019)</b>	4,609
Net (loss) earnings and comprehensive income attributable to (Note 3c):				
Shareholders of the Company	<b>(2,075)</b>	1,516	<b>(2,534)</b>	2,879
Non-controlling interest	<b>(699)</b>	815	<b>(485)</b>	1,730
	<b>(2,774)</b>	2,331	<b>(3,019)</b>	4,609
<b>Basic and diluted (loss) earnings per share</b>	<b>(0.02)</b>	0.01	<b>(0.02)</b>	0.02
<b>Basic and diluted weighted average number of shares outstanding (Note 8)</b>	<b>124,948,235</b>	124,948,235	<b>124,948,235</b>	124,948,235

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

### Condensed interim consolidated statements of financial position

As at

(In thousands of US dollars)

(unaudited)

	September 30, 2017	December 31, 2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash	1,856	3,816
Restricted cash	-	2,307
Trade and other receivables	110	162
Prepaid expenses and other	724	817
Inventories (Note 9)	4,278	7,111
<b>Total current assets</b>	<b>6,968</b>	<b>14,213</b>
Producing mining assets (Note 10)	5,210	4,929
Non-producing mining assets and other (Note 11)	3,064	2,630
Reclamation bonds	5,742	5,742
<b>Total assets</b>	<b>20,984</b>	<b>27,514</b>
<b>Equity and liabilities</b>		
Current liabilities		
Trade and other payables	2,952	4,118
Provision for litigation (Note 17)	-	1,015
Income taxes payable	174	574
Current portion of long-term debt and financing lease (Note 12)	6,029	121
<b>Total current liabilities</b>	<b>9,155</b>	<b>5,828</b>
Long-term debt and financing lease (Note 12)	80	6,009
Provision for environmental rehabilitation	4,740	4,684
Deferred income tax liability	154	348
<b>Total liabilities</b>	<b>14,129</b>	<b>16,869</b>
<b>Equity</b>		
Share capital (Note 13)	51,449	51,449
Equity reserve	6,555	6,555
Investment valuation reserve	(2)	(2)
Foreign currency translation reserve	(194)	(194)
Deficit	(47,387)	(44,853)
Equity attributable to shareholders of the Company	10,421	12,955
Non-controlling interest	(3,566)	(2,310)
<b>Total equity</b>	<b>6,855</b>	<b>10,645</b>
<b>Total liabilities and equity</b>	<b>20,984</b>	<b>27,514</b>

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

APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

Condensed interim consolidated statements of changes in equity

Three and nine months ended September 30, 2017 and September 30, 2016

(In thousands of US dollars, shares in thousands)

(unaudited)

	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	124,948	51,449	6,555	(2)	(194)	(44,853)	(2,310)	10,645
Net loss and comprehensive income	-	-	-	-	-	(2,534)	(485)	(3,019)
Distributions to non-controlling interest	-	-	-	-	-	-	(771)	(771)
<b>Balance, September 30, 2017</b>	<b>124,948</b>	<b>51,449</b>	<b>6,555</b>	<b>(2)</b>	<b>(194)</b>	<b>(47,387)</b>	<b>(3,566)</b>	<b>6,855</b>

	Share capital		Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015	124,948	51,449	6,388	(2)	(194)	(44,463)	(3,030)	10,148
Net earnings and comprehensive income (Note 3c)	-	-	-	-	-	2,879	1,730	4,609
Distributions to non-controlling interest	-	-	-	-	-	-	(193)	(193)
Contribution by non-controlling interest	-	-	-	-	-	-	343	343
Share-based compensation	-	-	166	-	-	-	-	166
Balance, September 30, 2016	124,948	51,449	6,554	(2)	(194)	(41,584)	(1,150)	15,073

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

### Condensed interim consolidated statements of cash flows

Three and nine months ended September 30, 2017 and September 30, 2016

(In thousands of US dollars)

(unaudited)

	Three months ended September 30 2017 \$	Three months ended September 30 2016 \$	Nine months ended September 30, 2017 \$	Nine months ended September 30, 2016 \$
<b>Operating activities</b>				
(Loss) earnings before taxes for the period	(2,861)	2,517	(3,029)	5,149
Adjustment for:				
Income tax paid	-	-	(583)	(132)
Environmental rehabilitation expenditures	-	(7)	-	(7)
Items not involving cash:				
Finance costs	196	199	582	587
Finance income	-	(5)	-	(6)
Loss (gain) on disposal of assets	6	(16)	4	(55)
Inventory write-down (Note 3b))	830	-	830	-
Impairment of mining assets (Note3b))	1,123	-	3,375	-
Depletion and amortization	732	639	1,295	998
Write-off of mining assets (Note 11)	-	3	-	1,051
Share-based compensation	-	166	-	166
Cash flows from operating activities before movement:				
in working capital:	26	3,496	2,474	7,751
Change in working capital items (Note 14)	1,011	2,410	1,127	2,667
	<b>1,037</b>	<b>5,906</b>	<b>3,601</b>	<b>10,418</b>
<b>Investing activities</b>				
Decrease in restricted cash	-	-	1,307	-
Additions to non-producing mining assets	(603)	(446)	(2,536)	(2,701)
Proceeds from disposal of assets	-	25	2	219
Additions to producing mining assets	(1,395)	(987)	(3,017)	(2,164)
	<b>(1,998)</b>	<b>(1,408)</b>	<b>(4,244)</b>	<b>(4,646)</b>
<b>Financing activities</b>				
Repayment of long-term debt and financing lease	(30)	(50)	(97)	(99)
Interest paid	(151)	(151)	(449)	(451)
Distributions to non-controlling interest	(210)	(122)	(771)	(193)
Contribution by non-controlling interest	-	-	-	343
	<b>(391)</b>	<b>(323)</b>	<b>(1,317)</b>	<b>(400)</b>
(Decrease) increase in cash	(1,352)	4,175	(1,960)	5,372
Cash, beginning of period	3,208	3,470	3,816	2,273
<b>Cash, end of period</b>	<b>1,856</b>	<b>7,645</b>	<b>1,856</b>	<b>7,645</b>

Supplemental cash flow information (Note 14)

See accompanying notes to the condensed interim consolidated financial statements

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

*(unaudited)*

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### 1. Continuation of operations

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

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

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

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

The Company’s only source of revenue, the Mineral Ridge mine, suspended mining in the beginning of November 2017 after which management expects to generate limited revenues from residual but diminishing gold recoveries from the leach pads. As a result, the Company’s revenues from operations will be adversely affected, and the Company will be increasingly required to fund operations from its available cash. In addition, the principal of \$6.0 million of the Company’s long-term debt matures in August 2018 (Note 12). In light of this situation, the Company does not expect that it will be able to generate sufficient cash flows to continue as a going concern in the foreseeable future and to settle its long-term debt without it being refinanced. The Company is currently evaluating various business alternatives, which involve refinancing its long-term debt.

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 122,000 ounces of gold resources contained on the heap leach pad. This project, when completed, will provide Mineral Ridge with five years of additional of mine life. Additionally, due to higher expected recovery rates provided by the new milling circuit, the Company is proceeding with a third-party analysis of its other known mineralization resources. When complete, and if determined economically viable, this study should add additional mineralization and further extend the Mineral Ridge life of mine. Further exploration at Mineral Ridge may also add additional resources.

On November 15, the Company announced the engagement of Bordeaux Capital Inc. to act as a financial advisor to Scorpio Gold in connection to a proposed financing for the construction of a new processing facility at Mineral Ridge, re-finance the Company’s current debt and for general working capital purposes.

The successful completion of a refinancing of the Company’s debt and raising capital to finance construction of a new processing facility, obtaining operating permits to extend mining beyond its current mine plan, provided it is economically viable to do so, and the ability to identify future profitable business operations is not entirely within the control of the Company. These factors create significant doubt and material uncertainty over the Company’s ability to continue as a going concern in the foreseeable future.

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

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

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

These condensed interim consolidated financial statements of the Company, including comparatives, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements do not include all disclosures required by IFRS for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2016 prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 29, 2017.

### 3. Significant accounting policies and estimates

The preparation of financial data is based on accounting principles and estimates consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2016, except for the following policy being applied in the current quarter which was not applicable in the 2016 consolidated financial statements:

a) Amendments to Statement of Cash Flows ("IAS 7")

On January 1, 2017, the Company adopted the amendments to *Statement of Cash Flows* ("IAS 7"). The amendments improve information provided to users of financial statements about the Company's financing activities. The adoption of these amendments did not have any significant impact on the presentation of the Company's financial statements.

b) Mineral Ridge mine estimates

The fact the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of September 30, 2017 is an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit, the Company determined the recoverable value using fair value less costs of disposal. Impairment testing is performed using discounted cash flow projections derived from expected future production, which incorporate reasonable estimates of precious metal production, future metal prices, operating costs, capital expenditures and residual values of the assets. The determination of the recoverable value used Level 3 valuation inputs.

Based on its assessment, the Company calculated that a non-cash impairment charge for Mineral Ridge of \$4.8 million would be required, using a discount rate of 9% along with an average gold price assumption of \$1,275 for the rest of 2017. However, since the depreciable amount of the assets, being defined as the net of the carrying amounts and the residual value, amounted to \$1.1 million, the Company recorded a \$1.1 million non-cash impairment charge during the third quarter of 2017 and a total of \$3.4 million for the nine months ended September 30, 2017.

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

The recoverability analysis over the Company's inventory as at September 30, 2017, using a gold price assumption of \$1,275, 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 \$0.8 million during the period ended September 30, 2017.



## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

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

#### c) Non-controlling interest-correction

As part of the operating agreement of the Company's 70% owned subsidiary Mineral Ridge Gold, LLC ("MRG"), Scorpio earns management fees from MRG which are eliminated upon consolidation. The non-controlling interest's share of MRG's net income (loss) had been previously calculated by excluding the management fee expense incurred by MRG; during the year ended December 31, 2016, the Company determined that the management fees should have been considered. This correction had no impact on the Company's total net earnings for the period ended September 30, 2016. However, this correction decreased the net earnings attributable to the non-controlling interest in the three-month period ended September 30, 2016 by \$0.1 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction had no effect on the basic and diluted net earnings per share for the three-month period ended September 30, 2016. This correction decreased the net earnings attributable to the non-controlling interest in the nine-month period ended September 30, 2016 by \$0.3 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction had no effect on the basic and diluted net earnings per share for the nine-month period ended September 30, 2016.

#### d) Accounting standard issued but not effective

Uncertainty over Income Tax Treatments ("IFRIC 23")

*Uncertainty over Income Tax Treatments* ("IFRIC 23") was issued by IASB on June 7, 2017 to clarify the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. IFRIC 23 is effective January 1, 2019. The Company is currently assessing the impact of this new standard on its financial statements.

### 4. Financial instruments

#### a) Financial risk factors

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

##### Liquidity risk

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

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

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	2,952	2,952	-	-	-
Principal and interest on long-term debt and financing lease	6,725	6,644	81	-	-
Provision for environmental rehabilitation	4,990	163	2,889	1,441	497

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 4. Financial instruments (Continued)

#### b) Fair Value

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

### 5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
	\$	\$	\$	\$
Contractor charges	<b>1,336</b>	3,064	<b>6,221</b>	9,958
Labour	<b>1,471</b>	1,836	<b>4,628</b>	5,629
Fuel and reagents	<b>453</b>	617	<b>1,529</b>	1,859
Mechanical parts	<b>388</b>	597	<b>1,402</b>	2,196
Change in ore stockpile, metals in process and finished goods inventories	<b>1,269</b>	2,588	<b>1,992</b>	4,066
Inventory write-down	<b>830</b>	-	<b>830</b>	-
Royalties	-	40	<b>10</b>	160
Utilities, permits and other	<b>653</b>	776	<b>1,883</b>	2,230
	<b>6,400</b>	9,518	<b>18,495</b>	26,098

### 6. General and administrative

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
	\$	\$	\$	\$
Salaries and benefits	<b>147</b>	147	<b>456</b>	462
Investor relations	<b>36</b>	9	<b>142</b>	18
Directors fees	<b>39</b>	34	<b>115</b>	102
Professional fees	<b>14</b>	11	<b>89</b>	72
Insurance, travel and office related	<b>26</b>	30	<b>79</b>	78
Project evaluation	-	6	<b>50</b>	14
Consultants	<b>7</b>	7	<b>23</b>	22
Transfer agent and listing fees	<b>4</b>	14	<b>9</b>	19
Share-based compensation	-	71	-	71
Amortization	-	-	-	1
	<b>273</b>	329	<b>963</b>	859

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 7. Finance costs

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	\$	\$	\$	\$
Interest on long-term debt	151	151	449	451
Amortization of debt issue cost	25	23	72	66
Unwinding of discount of provision for environmental rehabilitation	18	22	55	66
Interest on financing lease	2	3	6	4
	<b>196</b>	<b>199</b>	<b>582</b>	<b>587</b>

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Basic weighted average number of shares	<b>124,948,235</b>	124,948,235	<b>124,948,235</b>	124,948,235

All of the potentially dilutive securities were excluded from the dilutive number of shares outstanding for the three and nine months periods ended September 30, 2017 and for the three and nine months periods ended September 30, 2016 as they are anti-dilutive.

### 9. Inventories

	September 30, 2017	December 31, 2016
	\$	\$
Supplies	853	865
Ore stockpile	-	244
Metals in process	3,176	3,328
Finished goods	249	2,674
	<b>4,278</b>	<b>7,111</b>

During the nine-month period ended September 30, 2017, inventory included as cost of sales is \$19.8 million (2016, \$26.9 million). During the nine-month periods ended September 30, 2017 and September 30, 2016, write-down of inventory recognized in cost of sales amounts to \$830,045 and \$51,331, respectively, as a result of a recoverability analysis performed at the reporting date.

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 10. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
<b>Cost</b>	\$	\$	\$	\$	\$
Balance, December 31, 2015	67,806	23,330	1,520	779	93,435
Transfer from non-producing mining assets	594	111	12	-	717
Additions	2,554	172	500	19	3,245
Disposal	-	(431)	(59)	-	(490)
Change in provision for environmental rehabilitation	(794)	-	-	-	(794)
Balance, December 31, 2016	70,160	23,182	1,973	798	96,113
Transfer from non-producing mining assets	1,284 <sup>(1)</sup>	131	-	11	1,426
Additions	2,728	78	213	3	3,022
Disposal	-	(66)	-	-	(66)
<b>Balance, September 30, 2017</b>	<b>74,172</b>	<b>23,325</b>	<b>2,186</b>	<b>812</b>	<b>100,495</b>

### Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2015	67,768	18,913	954	776	88,411
Transfer from non-producing mining assets	238	81	-	-	319
Depletion and amortization	1,472	22	71	3	1,568
Impairments	682	300	222	11	1,215
Disposal	-	(280)	(49)	-	(329)
Balance, December 31, 2016	70,160	19,036	1,198	790	91,184
Transfer from non-producing mining assets	856 <sup>(1)</sup>	-	-	8	864
Depletion and amortization	1,288	6	1	-	1,295
Impairment	1,868	61	63	6	1,998
Disposal	-	(56)	-	-	(56)
<b>Balance, September 30, 2017</b>	<b>74,172</b>	<b>19,047</b>	<b>1,262</b>	<b>804</b>	<b>95,285</b>

### Net book value

December 31, 2016	-	3,991	930	8	4,929
<b>September 30, 2017</b>	<b>-</b>	<b>4,278</b>	<b>924</b>	<b>8</b>	<b>5,210</b>

<sup>(1)</sup> The Brodie SE and Bluelite South pits at the Mineral Ridge project entered into the production phase during 2017, and therefore the related asset and impairment balances have been transferred from non-producing mining assets to producing mining assets.

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 10. Producing mining assets (Continued)

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
<b>Cost</b>	\$	\$	\$
Balance, December 31, 2015	90,807	2,628	93,435
Transfer from non-producing mining assets	698	19	717
Additions	3,238	7	3,245
Disposal	(485)	(5)	(490)
Change in provision for environmental rehabilitation	(794)	-	(794)
Balance, December 31, 2016	93,464	2,649	96,113
Transfer from non-producing mining assets	1,295	131	1,426
Additions	3,017	5	3,022
Disposal	(66)	-	(66)
<b>Balance, September 30, 2017</b>	<b>97,710</b>	<b>2,785</b>	<b>100,495</b>
<b>Accumulated depreciation and impairment</b>			
	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2015	86,445	1,966	88,411
Transfer from non-producing mining assets	319	-	319
Depletion and amortization	1,555	13	1,568
Impairments	1,124	91	1,215
Disposal	(325)	(4)	(329)
Balance, December 31, 2016	89,118	2,066	91,184
Transfer from non-producing mining assets	864	-	864
Depletion and amortization	1,289	6	1,295
Impairment	1,998	-	1,998
Disposal	(56)	-	(56)
<b>Balance, September 30, 2017</b>	<b>93,213</b>	<b>2,072</b>	<b>95,285</b>
<b>Net book value</b>			
December 31, 2016	4,346	583	4,929
<b>September 30, 2017</b>	<b>4,497</b>	<b>713</b>	<b>5,210</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

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

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015	15,177	685	604	43	744	17,253
Transfer to producing mining assets	(594)	-	-	-	(123)	(717)
Additions	3,850	-	-	-	123	3,973
Write-off	(2,782)	-	-	-	(3)	(2,785)
Disposal	-	-	-	(6)	-	(6)
Change in provision for environmental rehabilitation	(11)	-	-	-	-	(11)
Balance, December 31, 2016	15,640	685	604	37	741	17,707
Transfer to producing mining assets	(1,284)	-	-	-	(142)	(1,426)
Additions	1,656	-	-	-	717	2,373
Disposal	-	-	-	(4)	-	(4)
<b>Balance, September 30, 2017</b>	<b>16,012</b>	<b>685</b>	<b>604</b>	<b>33</b>	<b>1,316</b>	<b>18,650</b>

#### Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2015	12,549	515	455	34	721	14,274
Transfer to producing mining assets	(238)	-	-	-	(81)	(319)
Write-off	(1,296)	-	-	-	-	(1,296)
Amortization	-	5	1	6	-	12
Impairments	2,280	-	44	-	85	2,409
Disposal	-	-	-	(3)	-	(3)
Balance, December 31, 2016	13,295	520	500	37	725	15,077
Transfer to producing mining assets	(856)	-	-	-	(8)	(864)
Impairment	785	-	-	-	592	1,377
Disposal	-	-	-	(4)	-	(4)
<b>Balance, September 30, 2017</b>	<b>13,224</b>	<b>520</b>	<b>500</b>	<b>33</b>	<b>1,309</b>	<b>15,586</b>

#### Net book value

December 31, 2016	2,345	165	104	-	16	2,630
<b>September 30, 2017</b>	<b>2,788</b>	<b>165</b>	<b>104</b>	<b>-</b>	<b>7</b>	<b>3,064</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

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

(unaudited)

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

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

	Mineral Ridge	Goldwedge	Other	Total
<b>Cost</b>	\$	\$	\$	\$
Balance, December 31, 2015	6,106	11,107	40	17,253
Transfer to producing mining assets	(698)	(19)	-	(717)
Additions	3,749	214	10	3,973
Write-off	(2,686)	(99)	-	(2,785)
Disposal	-	-	(6)	(6)
Change in provision for environmental rehabilitation	-	(11)	-	(11)
Balance, December 31, 2016	6,471	11,192	44	17,707
Transfer to producing mining assets	(1,295)	(131)	-	(1,426)
Additions	1,808	554	11	2,373
Disposals	-	-	(4)	(4)
<b>Balance, September 30, 2017</b>	<b>6,984</b>	<b>11,615</b>	<b>51</b>	<b>18,650</b>

#### Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2015	6,086	8,156	32	14,274
Transfer to producing mining assets	(319)	-	-	(319)
Write-off	(1,296)	-	-	(1,296)
Amortization	-	6	6	12
Impairments	2,000	409	-	2,409
Disposal	-	-	(3)	(3)
Balance, December 31, 2016	6,471	8,571	35	15,077
Transfer to producing mining assets	(864)	-	-	(864)
Impairment	1,377	-	-	1,377
Disposal	-	-	(4)	(4)
<b>Balance, September 30, 2017</b>	<b>6,984</b>	<b>8,571</b>	<b>31</b>	<b>15,586</b>

#### Net book value

December 31, 2016	-	2,621	9	2,630
<b>September 30, 2017</b>	<b>-</b>	<b>3,044</b>	<b>20</b>	<b>3,064</b>

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 12. Long-term debt

	September 30, 2017	December 31, 2016
	\$	\$
Senior secured credit facility, repayable in August 2018, bearing interest at a rate of 10% per annum payable quarterly, secured by a first priority security interest over all of the Company's assets, net of debt issue cost of \$87,000 <sup>a)</sup>	5,913	5,841
Financing lease on mobile equipment having a net book value of \$150,000, payable by monthly installments of \$10,115 including interest at a rate of 3.2% per annum until May 2019 <sup>b)</sup>	196	282
Loan, repaid during the period	-	7
Current portion	(6,029)	(121)
<b>Long-term portion</b>	<b>80</b>	<b>6,009</b>

Future long-term debt principal repayments are as follows:

2018: \$6,000

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

There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company's trade payables not exceed \$8.0 million. The Company has complied with all restrictions pursuant to the Loan as at September 30, 2017.

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

	September 30, 2017
	\$
2018	121
2019	81
Total minimum lease payments	202
Less: amount representing interest	(6)
	<b>196</b>



## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 13. Share capital

(a) Authorized

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

(b) Stock option plan

A summary of changes in the Company's outstanding stock options for the nine months ended September 30, 2017 and the year ended December 31, 2016, are as follows:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Number (in thousands)	Weighted average exercise price CAD\$	Number (in thousands)	Weighted average exercise price CAD\$
Outstanding, beginning of period	10,890	0.27	10,545	0.49
Granted	-	-	4,140	0.085
Expired	(3,635)	(0.51)	(3,795)	(0.69)
Outstanding, end of period	7,255	0.15	10,890	0.27

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2017:

Exercise price CAD\$	Weighted average remaining contractual life (in years)	Outstanding and exercisable (in thousands)
0.085	3.92	3,128
0.145	2.29	2,212
0.205	0.77	100
0.275	5.68	1,815
		7,255

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 14. Supplemental cash flow information

(a) Information regarding change in working capital items is as follows:

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
	\$	\$	\$	\$
(Increase) decrease in trade and other receivables	<b>(92)</b>	115	<b>52</b>	8
(Increase) decrease in prepaid expenses and other	<b>(241)</b>	(150)	<b>93</b>	288
Decrease in inventories	<b>1,267</b>	2,458	<b>2,003</b>	4,031
Increase (decrease) in trade and other payables	<b>77</b>	(13)	<b>(1,021)</b>	(1,660)
	<b>1,011</b>	2,410	<b>1,127</b>	2,667

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

	<b>September 30, 2017</b>
	\$
Long-term debt and financing, beginning of period	<b>6,130</b>
Cash flows: Principal repayment	<b>(93)</b>
Non-cash: Amortization of debt issue cost	<b>72</b>
<b>Long-term debt and financing lease, end of period</b>	<b>6,109</b>

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

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
	\$	\$	\$	\$
Acquisition of mobile equipment financed by financing lease	-	-	-	347

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 15. Segmented information

#### (a) Industry information

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

Operating segment details are as follows:

	Three months ended September 30, 2017			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	6,042	-	-	6,042
Inter-segment (expense) - management fees	(185)	-	185	-
Cost of sales excluding depletion and amortization	(6,400)	-	-	(6,400)
Depletion and amortization	(730)	-	-	(730)
Mine operating (loss) earnings	(1,273)	-	185	(1,088)
Expenses				
General and administrative	-	-	(273)	(273)
Care and maintenance	-	(173)	-	(173)
Care and maintenance- amortization	-	(2)	-	(2)
Loss on disposal of assets	(6)	-	-	(6)
Impairment of mining assets	(1,123)	-	-	(1,123)
Operating loss	(2,402)	(175)	(88)	(2,665)
Other expenses				
Finance costs	(19)	(2)	(175)	(196)
Loss before income taxes	(2,421)	(177)	(263)	(2,861)
Income tax recovery	87	-	-	87
Net loss and comprehensive income	(2,334)	(177)	(263)	(2,774)

**Scorpio Gold Corporation**

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

	<b>Three months ended September 30, 2016</b>			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	13,328	-	-	13,328
Inter-segment (expense) - management fees	(269)	-	269	-
Cost of sales excluding depletion and amortization	(9,518)	-	-	(9,518)
Depletion and amortization	(633)	-	-	(633)
Mine operating earnings	2,908	-	269	3,177
Expenses				
General and administrative	-	(5)	(324)	(329)
Care and maintenance	-	(145)	-	(145)
Care and maintenance amortization	-	(5)	-	(5)
Gain on disposal of mining assets	16	-	-	16
Write-off of mining assets	-	(3)	-	(3)
Operating earnings (loss)	2,924	(158)	(55)	2,711
Other (expenses) income				
Finance costs	(24)	(4)	(171)	(199)
Finance income	5	-	-	5
	(19)	(4)	(171)	(194)
Earnings (loss) before income taxes	2,905	(162)	(226)	2,517
Income tax expense	(186)	-	-	(186)
Net earnings (loss) for the period	2,719	(162)	(226)	2,331

**Scorpio Gold Corporation**

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

	<b>Nine months ended September 30, 2017</b>			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	22,212	-	-	22,212
Revenue from toll milling	-	4	-	4
Inter-segment (expense) - management fees	(621)	-	621	-
Cost of sales excluding depletion and amortization	(18,492)	(3)	-	(18,495)
Depletion and amortization	(1,289)	-	-	(1,289)
Mine operating earnings	1,810	1	621	2,432
Expenses				
General and administrative	-	(5)	(958)	(963)
Care and maintenance	-	(530)	-	(530)
Care and maintenance – amortization	-	(6)	-	(6)
(Loss) gain on disposal of assets	(6)	-	2	(4)
Impairment of mining assets	(3,375)	-	-	(3,375)
Operating loss	(1,571)	(540)	(335)	(2,446)
Other expenses				
Finance costs	(56)	(6)	(520)	(582)
Foreign exchange loss	-	-	(1)	(1)
Loss before income taxes	(1,627)	(546)	(856)	(3,029)
Income tax recovery	10	-	-	10
Net loss and comprehensive income	(1,617)	(546)	(856)	(3,019)

**Scorpio Gold Corporation**

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

	<b>Nine months ended September 30, 2016</b>			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	35,190	-	-	35,190
Inter-segment (expense) - management fees	(843)	-	843	-
Cost of sales excluding depletion and amortization	(26,098)	-	-	(26,098)
Depletion and amortization	(983)	-	-	(983)
Mine operating earnings	7,266	-	843	8,109
Expenses				
General and administrative	-	(13)	(845)	(858)
Care and maintenance	-	(514)	-	(514)
Care and maintenance amortization	-	(13)	-	(13)
Gain (loss) on disposal of mining assets	56	(1)	-	55
Amortization	-	-	(1)	(1)
Write-off of mining assets	(952)	(99)	-	(1,051)
Operating earnings (loss)	6,370	(640)	(3)	5,727
Other (expenses) income				
Finance costs	(67)	(5)	(515)	(587)
Foreign exchange gain	-	-	3	3
Finance income	5	-	1	6
	(62)	(5)	(511)	(578)
Earnings (loss) before income taxes	6,308	(645)	(514)	5,149
Income tax expense	(540)	-	-	(540)
Net earnings (loss) for the period	5,768	(645)	(514)	4,609

**As at September 30, 2017**

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	16,485	4,038	461	20,984
Total liabilities	7,397	391	6,341	14,129

**As at December 31, 2016**

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	23,619	3,485	410	27,514
Total liabilities	10,282	395	6,192	16,869

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three and nine months ended September 30, 2017 and September 30, 2016

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

(unaudited)

### 15. Segmented information (Continued)

#### (b) Geographic information

All revenue from the sale of precious metals for the periods ended September 30, 2017 and September 30, 2016 were earned in the United States of America. Substantially all of the Company's revenues are with one customer.

All of the Company's non-current assets are located in the United States of America as at September 30, 2017 and December 31, 2016.

### 16. Related party transactions

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

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

The remuneration of directors and key management personnel during the three and nine months periods ended September 30, 2017 and September 30, 2016 is as follows:

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
	\$	\$	\$	\$
Salaries and directors fees	193	205	593	611
Consulting fee paid to a director	-	-	6	-
Share-based compensation	-	68	-	68
	<b>193</b>	<b>273</b>	<b>599</b>	<b>679</b>

As at September 30, 2017, an aggregate of \$88,090 resulting from transactions with key management is included in trade and other payables.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three-month and nine-month periods ended September 30, 2017 and September 30, 2016.

## Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

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### 16. Related party transactions (Continued)

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

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

Related party transactions entered into with Waterton Fund during the three and nine months periods ended September 30, 2017 and September 30, 2016 are as follows:

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
Interest on long-term debt	\$ <b>151</b>	\$ 151	\$ <b>449</b>	\$ 449

### 17. Provision

Reconciliation of provision for litigation is as follows:

	<b>September 30, 2017</b>	December 31, 2016
Balance, opening of period	\$ <b>1,015</b>	\$ -
Additions	-	1,015
Settlement	<b>(1,015)</b>	-
<b>Balance, end of period</b>	-	1,015