



MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management Discussion and Analysis (“MD&A”) of Scorpio Gold Corporation (the “Company” or “Scorpio Gold”) is for the six-month period ended June 30, 2017 and is provided as of August 28, 2017. This MD&A is to be read in conjunction with the most recently issued annual consolidated financial statements for the year ended December 31, 2016 and the condensed interim consolidated financial statements of the Company for the three and six-month periods ended June 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These documents are available on the Company’s website (www.scorpiogold.com) and filed on SEDAR (www.sedar.com). All dollar amounts are in US dollars unless otherwise indicated.

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

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.

Based on the Company’s current mine plan, the Company anticipates mining at Mineral Ridge through to October 2017, after which there will be 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, \$6.0 million principal of the Company’s long-term debt matures in August 2018. In light of the current mine plan, 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. Also, the Company could continue mining beyond its current mine plan at Mineral Ridge after receiving approval of its amendment to the revised Plan of Operations which is expected to be received in Q1 of 2018 provided that, in the Company’s opinion, it is economically viable to do so.

The successful completion of a refinancing of the Company’s debt, 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 beyond the current mine plan 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.

HIGHLIGHTS FOR THE SECOND QUARTER (“Q2”) ENDED JUNE 30, 2017 AND SUBSEQUENT EVENTS

- 4,660 ounces of gold were produced at the Mineral Ridge mine during Q2 of 2017, compared to 10,089 ounces during Q2 of 2016.
- Revenue of \$6.3 million, compared to \$12.4 million during Q2 of 2016.
- Total cash cost per ounce of gold sold⁽¹⁾ of \$968 compared to \$879 during Q2 of 2016.
- Mine operating earnings of \$1.1 million compared to \$3.1 million during Q2 of 2016.
- Net loss of \$0.3 million (\$0.00 basic and diluted per share), compared to net earnings of \$1.2 million (\$0.01⁽²⁾ basic and diluted per share) during Q2 of 2016.
- Adjusted net earnings⁽¹⁾ of \$0.5 million (\$0.00 basic and diluted per share) compared to \$2.2 million (\$0.01 basic and diluted per share) for Q2 of 2016.
- Adjusted EBITDA⁽¹⁾ of \$1.0 million (\$0.00 basic and diluted per share) compared to \$2.8 million (\$0.02 basic and diluted per share) during Q2 of 2016.
- On July 12, the Company reported a measured and indicated mineral resource estimation of 121,700 ounces of gold contained on the heap leach pads at the Mineral Ridge Mine.
- In August, the Company announced the initiation of a bankable feasibility study with the objective to support the proposed financing and construction of a mill facility at Mineral Ridge to process the heap leach material and potentially mineralized material mined in the future.

HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

- 10,401 ounces of gold were produced at the Mineral Ridge mine, compared to 18,597 ounces produced during the six months ended June 30, 2016.
- Revenue of \$16.2 million, compared to \$21.9 million during the six months ended June 30, 2016.
- Total cash cost per ounce of gold sold⁽¹⁾ of \$911, compared to \$844 during the six months ended June 30, 2016.
- Mine operating earnings of \$3.5 million, compared to \$4.9 million during the six months ended June 30, 2016.
- Net loss of \$0.2 million (\$0.00 basic and diluted per share), compared to net earnings of \$2.3 million (\$0.01 basic and diluted per share) during the six months ended June 30, 2016.
- Adjusted net earnings⁽¹⁾ of \$1.9 million (\$0.01 basic and diluted per share), compared to \$3.3 million (\$0.02 basic and diluted per share) during the six months ended June 30, 2016.
- Adjusted EBITDA⁽¹⁾ of \$3.0 million (\$0.02 basic and diluted per share), compared to \$4.4 million (\$0.02 basic and diluted per share) million during the six months ended June 30, 2016.

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

⁽²⁾ Please see Equity section.

OUTLOOK

Based on the Company's updated mine plan, the Company currently anticipates mining of gold at Mineral Ridge through October 2017. Given the Company's short remaining life of mine, it has taken initiatives to extend the life of mine at Mineral Ridge beyond this date through additional drilling to expand its resources, applying for permits to expand and extend current operations of new and existing pits, expanding the heap leach pad, and conducting a feasibility study, based on positive results of the leach pad drilling program to determine if the leach pad material is amenable for further gold recovery using milling processes, as set out below.

Part of the initiatives being taken by the Company include the submission of the revised Plan of Operations in late September 2016. This amendment, when approved by the applicable regulatory authorities will provide authorization for the development and mining of the new Custer and Oromonte surface pits, the Oromonte underground area, expansion of the high wall area of the Drinkwater pit, expansion of the Mary LC pit (Bunkhouse Hill area), the Bunkhouse Hill underground area, expansion of the heap leach pad from 7.6 to 10.3 million tons, provide for an additional 1,000 ton toll milling containment and 1,400 additional acres for exploration drilling. Approval of the amendment to the Plan of Operations is expected in Q1 of 2018.

Due to permitting timelines, the Company's annual production forecast for 2017 is now currently expected to be at the low end of the previous production guidance provided of 20,000 to 25,000 ounces of gold from the Mary LC and Brodie pits. The Custer pit and other areas for which permitting is outstanding, are not included in this production estimate and will be evaluated for economics of associated mining timelines when permits are received. There can be no assurances that, when the permits are received, production on the Custer Pit and other areas will commence if, in the Company's opinion, it is not economically viable to do so. Total cash costs are still expected to be \$1,050 - \$1,100 per ounce of gold sold.

In light of the current mine plan which anticipates mining at Mineral Ridge through to October 2017, 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, in the amount of \$6.0 million principal, when due in August 2018. The Company is currently evaluating various business alternatives, which involve refinancing its long-term debt and/or raising financing through an equity financing or through other types of financing.

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

KEY OPERATING AND FINANCIAL STATISTICS

	FOR THE THREE MONTHS ENDED JUNE 30, 2017		FOR THE SIX MONTHS ENDED JUNE 30, 2016	
Mining operations				
Mary LC pit				
Ore tonnes mined	123,241	138,795	253,687	285,667
Waste tonnes mined	568,225	919,453	1,496,011	1,622,483
Total mined	691,466	1,058,248	1,749,698	1,908,150
Strip ratio	4.6	6.6	5.9	5.7
Satellite pits				
Ore tonnes mined	28,235	39,493	35,490	142,745
Waste tonnes mined	123,643	139,664	190,851	366,720
Total mined	151,878	179,157	226,341	509,465
Strip ratio	4.4	3.5	5.4	2.6
Total producing pits				
Ore tonnes mined	151,476	178,288	289,177	428,412
Waste tonnes mined	691,868	1,059,117	1,686,862	1,989,203
Total mined	843,344	1,237,405	1,976,039	2,417,615
Strip ratio	4.6	5.9	5.8	4.6
Pits under development				
Ore tonnes mined	594	-	772	-
Waste tonnes mined	36,490	67,732	249,085	123,354
Total mined	37,084	67,732	249,857	123,354
Total mining operations				
Ore tonnes mined	152,070	178,288	289,949	428,412
Waste tonnes mined	728,358	1,126,849	1,935,947	2,112,557
Total mined	880,428	1,305,137	2,225,896	2,540,969

	FOR THE THREE MONTHS ENDED JUNE 30, 2017		FOR THE SIX MONTHS ENDED JUNE 30, 2017	
	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2017	JUNE 30, 2016
Processing				
Tonnes processed	151,485	275,551	289,877	527,138
Gold head grade (grams per tonne)	1.50	1.33	1.60	1.48
Recoverable gold ounces placed on the leach pad ⁽¹⁾	4,982	8,002	10,157	17,034
Availability ⁽²⁾	34%	59%	32%	59%
Ounces produced				
Gold	4,660	10,089	10,401	18,597
Silver	2,505	4,325	5,359	8,246

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

⁽²⁾ Processing Availability is based on hours of crusher operations versus permitted run time.

Financials				
(In thousands of US dollars, except per ounce and per share numbers)	\$	\$	\$	\$
Total cash cost per ounce of gold sold ⁽¹⁾	968	879	911	844
Ounces sold				
Gold	5,025	10,015	13,127	18,315
Silver	3,125	4,425	6,121	8,425
Average price of gold				
London PM fix	1,257	1,260	1,238	1,221
Realized	1,242	1,234	1,224	1,187
Net (loss) earnings	(285)	1,199	(245)	2,278
Basic and diluted net (loss) earnings per share	(0.00)	0.01 ⁽²⁾	(0.00)	0.01
Adjusted net earnings ⁽¹⁾	464	2,183	1,925	3,299
Basic and diluted adjusted net earnings per share ⁽¹⁾	0.00	0.01	0.01	0.02
Adjusted EBITDA ⁽¹⁾	957	2,816	3,032	4,385
Basic and diluted adjusted EBITDA per share ⁽¹⁾	0.00	0.02	0.02	0.02
Cash flow (used in) from operating activities	(885)	4,878	2,574	4,512

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

⁽²⁾ Please see Equity section.

MINERAL PROPERTIES

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 following technical disclosure.

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. The Company is currently receiving 70% of cash flows generated at the Mineral Ridge project in accordance with the project agreements.

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 production plans by both open pit and possibly underground mining. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, refueling and storage facilities and administrative buildings.

Resource and reserve estimates

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

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

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

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

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

Since the July 2014 mineral resource and reserve estimates the Company has developed an updated mine plan which includes the Mary LC, Bluelite, Solberry, Missouri, Brodie (phase A, phase B and Southeast) and Bluelite South pits. To date, the Drinkwater, Bluelite, Missouri, Solberry, Brodie phase A and Wedge pit resources have been depleted. Scheduled mining continues in the Mary LC and Brodie pits which currently extend mine life through October of 2017.

Permitting is ongoing for mining in the Custer expansion and the Oromonte pit as well as the Drinkwater High Wall area and further expansion of the Mary LC pit Bunkhouse Extension and such permitting is expected in Q1 of 2018. Once the permit is received for these areas, the Company will evaluate the economics of mining these areas. There can be no assurance that, when the permits are received, that production on these areas will commence if it is not economically viable to do so.

In July 2017, the Company announced the Mineral Ridge Heap Leach mineral resource estimate prepared by Mine Technical Services ("MTS") of Reno, Nevada. The confirmed resource estimate of 7.1 million tons ("MT") at an average grade of 0.017 oz./ton or 121,700 contained ounces of gold in the Measured and Indicated category provides the basis for conducting a feasibility study for milling the material and additionally confirms reconciliation of tonnage, grade and contained ounces placed by the Company and its predecessors on the leach pads since operations commenced.

The MTS estimates are reasonably similar to expectations based on historic production and metal accounting data (130K oz. from 1st principal accounting versus 123K oz. from resource estimates). Total tons estimated (7.1 MT) is in line with the 7.2 MT placed on the pad by the Company and its predecessors. The average grade reported in the resource estimate (0.017 oz./ton Au) is slightly lower than expectations based on the historic production and metal accounting data although metallic screen assays completed on the bulk leach pad sample averaged 0.0185 oz./ton Au. This 8.2% difference between the fire assay grade and the metallic screen grade indicates a coarse gold component and provides an upside potential to the average grade that, if realized, will increase the potential project economics. Metallurgical test work completed by Kappes, Cassidy & Associates also indicates that coarse gold should be recovered in a gravity circuit prior to fine grinding. The Company's plan is to also process future mine production (not currently in Mineral Reserves) through the mill, thus improving its overall economics through increased recovery of contained gold.

Based on positive results from the resource estimate and metallurgical testing, the Company announced in August that Novus Engineering Inc. ("NEI") based in Vancouver, B.C, Mine Technical Services ("MTS") and NewFields both based in Reno, Nevada have been engaged to conduct a feasibility study for milling of the heap leach material that will provide the basis for determining the economics of the overall recovery project.

Mineral Ridge Leach Pad Mineral Resource Statement - June 29, 2017

Resource Category	Tons (kt)	Au (oz/ton)	Ag (oz/ton)	Contained Au (koz)	Contained Ag (koz)
Measured	2,895	0.017	0.016	48.5	46.4
Indicated	4,220	0.017	0.018	73.2	74.1
Measured & Indicated	7,115	0.017	0.017	121.7	120.4
Inferred	76	0.016	0.027	1.2	2.0

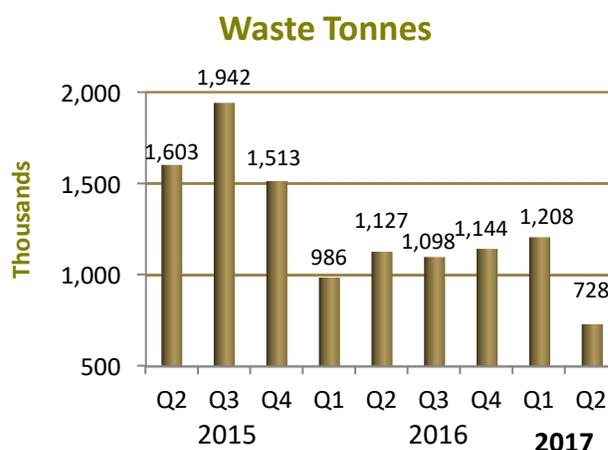
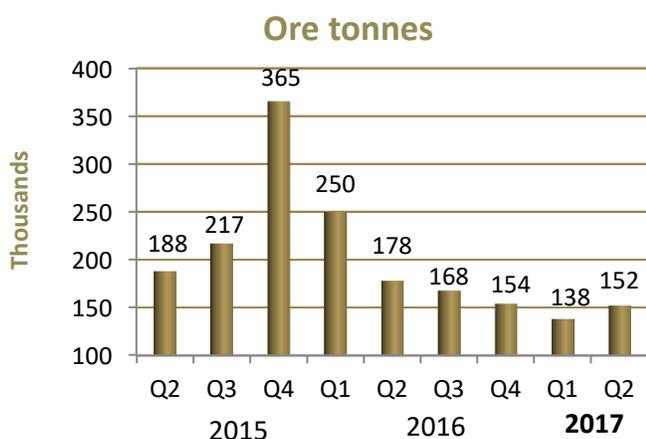
Notes:

1. The effective date of the mineral resource estimates is Jun 29, 2017.
2. Mineral resources are reported at or above a 0.0002 oz/ton Au cut-off grade.
3. Mineral resources are contained within the Mineral Ridge leach pad facility with the following assumptions: A long-term gold price of US\$1,216/oz; assumed process costs are US\$11.0/ton; metallurgical recovery for gold is 93%.
4. Rounding may result in apparent differences between when summing tons, grade and contained metal content.
5. Tonnage and grade measurements are in imperial units; grades are reported in oz/ton.
6. The resource estimate was prepared with reference to CIM Definition Standards for Mineral Resources and Mineral Reserves (2014) and CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (2003).
7. The resource estimate was prepared by qualified persons, Todd Wakefield, MSc, SME, Ian Crundwell, BSc, PGeo and Mike Drozd, PhD, SME of Mine Technical Services Ltd.
8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mining activities

Total mine production during the second quarter of 2017 was 880,428 tonnes compared to 1,305,137 tonnes mined in Q2 2016. For the first six months of 2017, total mine production was 2,225,896 tonnes, compared to 2,540,969 tonnes mined in the first six months of 2016. During Q2 of 2017, mine production was composed of 152,070 tonnes of ore and 728,358 tonnes of waste compared to 178,288 tonnes of ore and 1,126,849 tonnes of waste during the same period in 2016. The ore was mined from the Mary LC pit, Brodie SE pit and the Bluelite South pit. Compared to 2016, the 2017 mine production of ore tonnes and waste produced decreased due to the decreasing size of the Mary LC pit and slower mining rates.

The average tonnes per day (“TPD”) produced in the second quarter of 2017 was 14,411, compared to 20,079 TPD during Q2 of 2016. Total mine production during Q2 of 2017 was 38% lower than Q2 of 2016 because of smaller pits and slower mining rates. Mining operations occur on a one-shift per day, five days a week schedule with drilling operations working on a seven day per week schedule.



Mine reconciliation:

	Through Bench	Ore mined variance compare to Model	Gold grade variance compare to Model	Contained ounces variance compare to Model	Dilution
Mary LC	6350	31.85%	-22.2%	5.4%	13.28%
Bluelite South	7150	-53.58%	15.9%	-41.1%	0.07%
Brodie SE	7040	18.33%	-16.5%	0.3%	12.68%

Due mainly to higher dilution occurring during the mining process, an overall higher tonnage of ore was delivered to be crushed and placed on the heap leach pad, at a lower average grade than was predicted. Approximately 81% of the ore delivered to the crusher during Q2 of 2017 was mined from the Mary LC pit. The negative variances indicated for the Mary LC deposit are attributable to the higher than anticipated dilution, the impact of historic underground mining, and the spacing of the development drill holes. This was somewhat offset by the favorable impact of lower dilution and higher grades for ore mined overall in the Bluelite South and Brodie SE pits.

Operations activities

Total estimated ore crushed and placed on the leach pad at Mineral Ridge during Q2 of 2017 was 151,485 tonnes compared to 275,551 tonnes for Q2 of 2016. Total operations production in the first six months of 2017 was 289,877 tonnes processed, compared to 527,138 tonnes processed in the first six months of 2016. This reduction is a function of the lower volume of ore mined in both Q2 and year to date 2017, compared to corresponding periods of 2016. Ore crushed and placed during corresponding periods of 2016 also benefitted from a larger volume of ore in the stockpile at the beginning of the periods of 2016. The average crusher throughput per day was 1,665 tonnes during Q2 of 2017 compared to 3,028 tonnes during Q2 of 2016. The average head grade was 1.50 g/t (0.044 oz/ton) gold during Q2 of 2017 compared to 1.33 g/t (0.039 oz/ton) gold during Q2 of 2016. For the year to date in 2017, the average crusher throughput per day was 1,602 tonnes at an average head grade of 1.60 g/t (0.047 opt), compared to the first six months of 2016 which had an average throughput rate of 2,896 tonnes per day at an average head grade of 1.48 g/t (0.043 opt) gold.

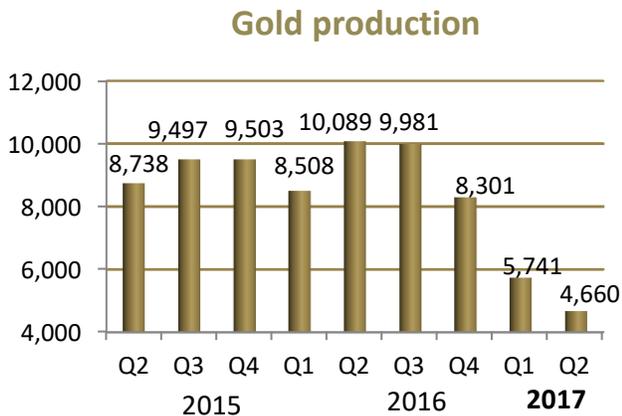
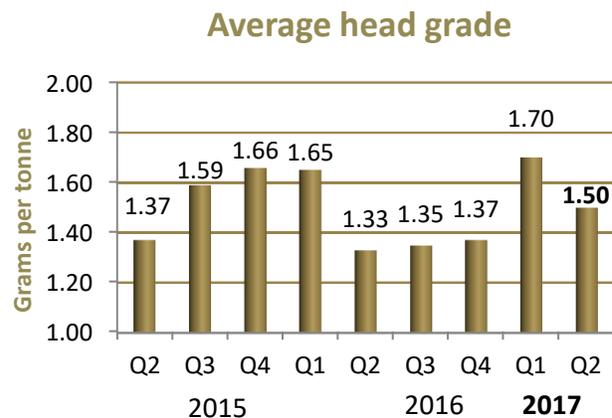
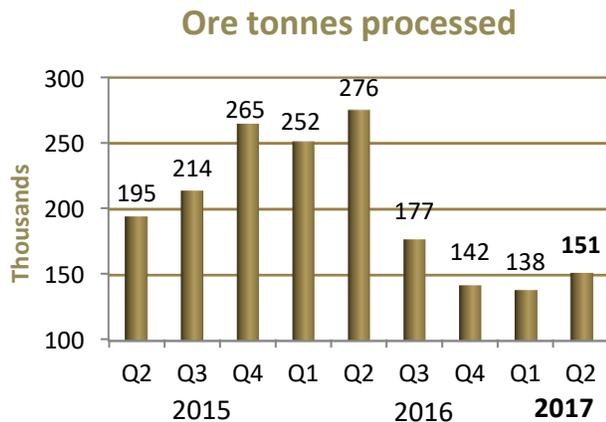
The availability of the crushing facility for the second quarter of 2017 was 34 % (Q2 of 2016, 59%). Processing availability is based on hours of crusher operations versus permitted run time. The applicable air quality permit allows for a crusher throughput rate of 363 tonnes per hour and 24 hours of operation per day. Availability of ore to be processed is one of the important factors impacting calculation of availability.

During Q2 of 2017, application of cyanide leach solution to the freshly stacked ore on the leach pad was 284 million gallons (Q2 of 2016 – 363 million gallons). Also during Q2 of 2017, 272 million gallons (Q2 of 2016 – 315 million gallons) of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.18 ppm (Q2 of 2016 - 0.30 ppm) gold and 0.15 ppm (Q2 of 2016 - 0.22 ppm) silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for Q2 of 2017 was 89.1% (Q2 of 2016 – 90.8%) for gold and 54% (Q2 of 2016 – 56.1%) 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 Q2 of 2017 was 2,105 gallons per minute ("gpm"), compared to 2,400 gpm in Q2 of 2016. 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.

For Q2 of 2017, the Company produced 4,660 ounces of gold, a 54% decrease over the 10,089 ounces produced during Q2 of 2016 and 2,505 ounces of silver, a 42% decrease over the 4,325 ounces produced during Q2 of 2016. For the first half of 2017, the Company produced 10,401 ounces of gold and 5,359 ounces of silver, compared to 18,597 ounces of gold and 8,246 ounces of silver produced in the same period of 2016.

The decrease in Q2 of 2017 gold production was influenced by the following:

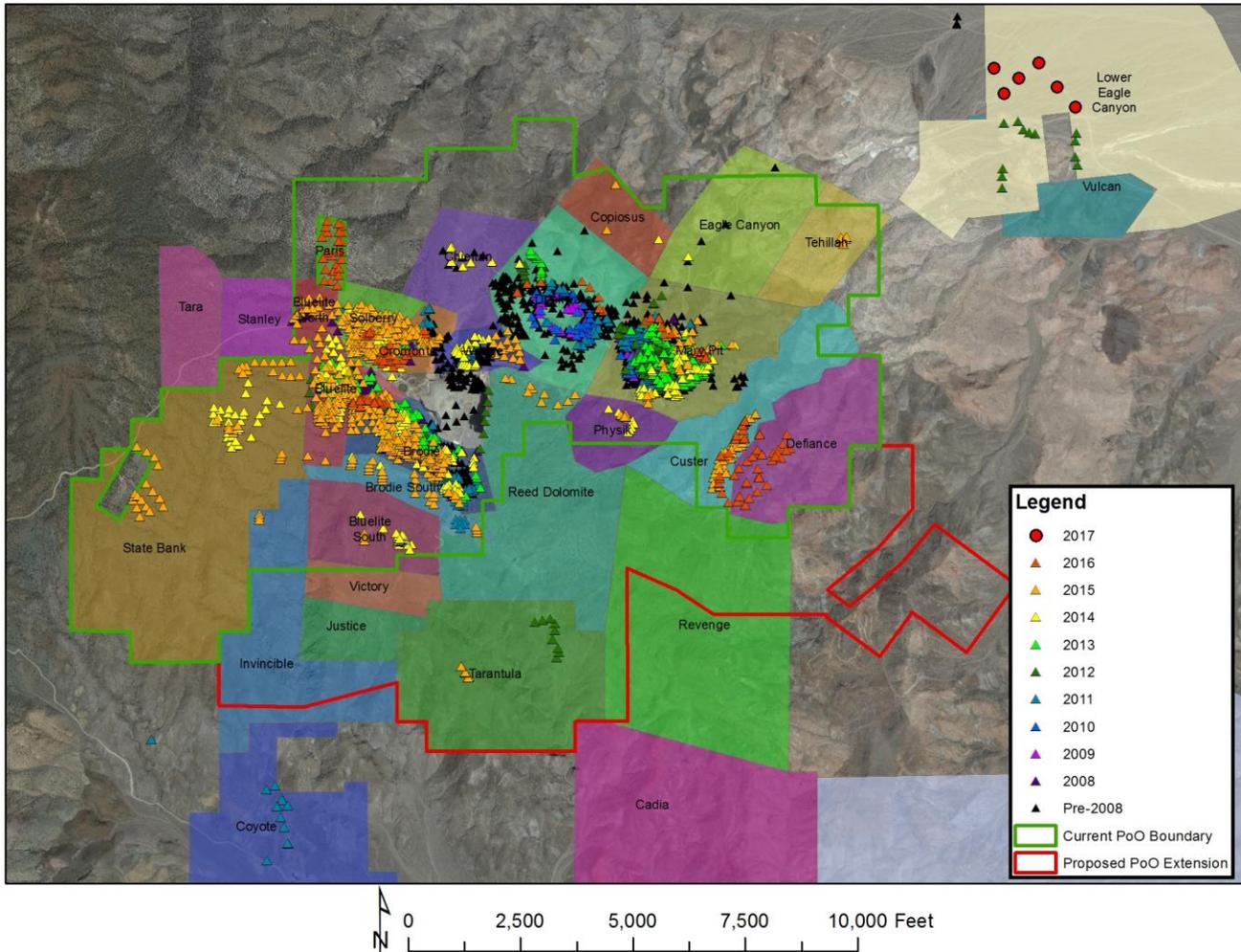
- Estimated recoverable ounces placed decreased by 38%, from 8,002 in Q2 of 2016 to 4,982 in Q2 of 2017.
- Due to an excessive amount of rain, the average grade of solution on the pad was reduced because of dilution, which negatively affected recovered ounces.
- Offset by the increased grades of 13% from 1.33 g/t in Q2 of 2016 to 1.50 g/t in Q2 of 2017.



Further information on the Mineral Ridge project is available at SEDAR (www.sedar.com) under the Company's profile, including the LOM, which is a NI 43-101 technical report entitled "Mineral Ridge Project, Esmeralda County, Nevada, USA, NI 43-101 Technical Report on Life of Mine Plan." by AMEC E&C Services Inc., dated July 15, 2012 and the "Amended and Restated NI 43-101 Technical Report on The Mineral Ridge Satellite Deposits, Esmeralda County, Nevada USA" by Telesto Nevada, Inc., a Welsh Hagen Company, dated April 4, 2014, and on the updated life of mine plan for the Drinkwater, Mary/LC, Brodie, Bluelite, Solberry, Wedge and Oromonte deposits, entitled "NI 43-101 Technical Report on the Mineral Ridge Project Life of Mine Plan, Esmeralda County, Nevada, USA", by Welsh Hagen Associates with an effective date of August 29, 2014.

Current Exploration / Permitting

Mineral Ridge Drilling



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 12,897 acres. Other fee lands and town lots in Silver Peak add an additional 123 acres, for a total land package of 13,879 acres.

Exploration activities for Mineral Ridge in the first half of 2017 included:

Heap Leach Pad – As discussed above, drilling was conducted on the leach pad to confirm the mineral resource.

Drinkwater Pit – Reverse Circulation (“RC”) infill drilling in the existing Drinkwater pit was conducted in May and June. Fourteen RC holes totaling 1,966 meters were drilled. Samples were analyzed at the MRG laboratory on site. Although the Phase B of the Drinkwater pit is estimated to be economic, the high cost of required upfront stripping caused the Company to delay mining in that area..

Eagle Canyon – The Eagle Canyon target is down dip and east of the Drinkwater and Mary pits. The Eagle Canyon exploration budget consisted of geologic mapping and trenching. A limited six hole, sonic drill program totaling 93 meters was completed in April. Samples were delivered to Kappes, Cassiday & Associates in June and results are pending. Three excavator trench samples have been collected and have recently been delivered to Goldwedge for bulk sample evaluation.

As of June 30, 2017, the remaining capacity on the leach pad was approximately 261,500 dry tons. The Company has developed a two-phased expansion plan for the heap leach pad, including a 1.8 million ton (“MT”) Phase I expansion to the western side of the existing facility, as well as a 0.9 MT Phase II expansion to the east, for a total increased capacity of approximately 2.7 MT. The current permitted capacity of the pad is 7.6 MT, which could be increased to a total of 10.3 MT with the construction of both phases. This expansion plan is included in the recent amendment to the Mineral Ridge Plan of Operations submitted to the BLM and NDEP-BMRR on September 29, 2016. This amendment will also provide authorization for the development and mining of the Custer and Oromonte surface pits, the Oromonte underground area, expansion of the high wall area of the Drinkwater pit, expansion of the Mary LC pit (Bunkhouse Hill area), the Bunkhouse Hill underground area, an additional 1,000 ton toll milling containment and 1,400 additional acres for exploration drilling. Approval of the amendment to the Plan of Operations is expected in Q1 of 2018.

Other properties

Goldwedge

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

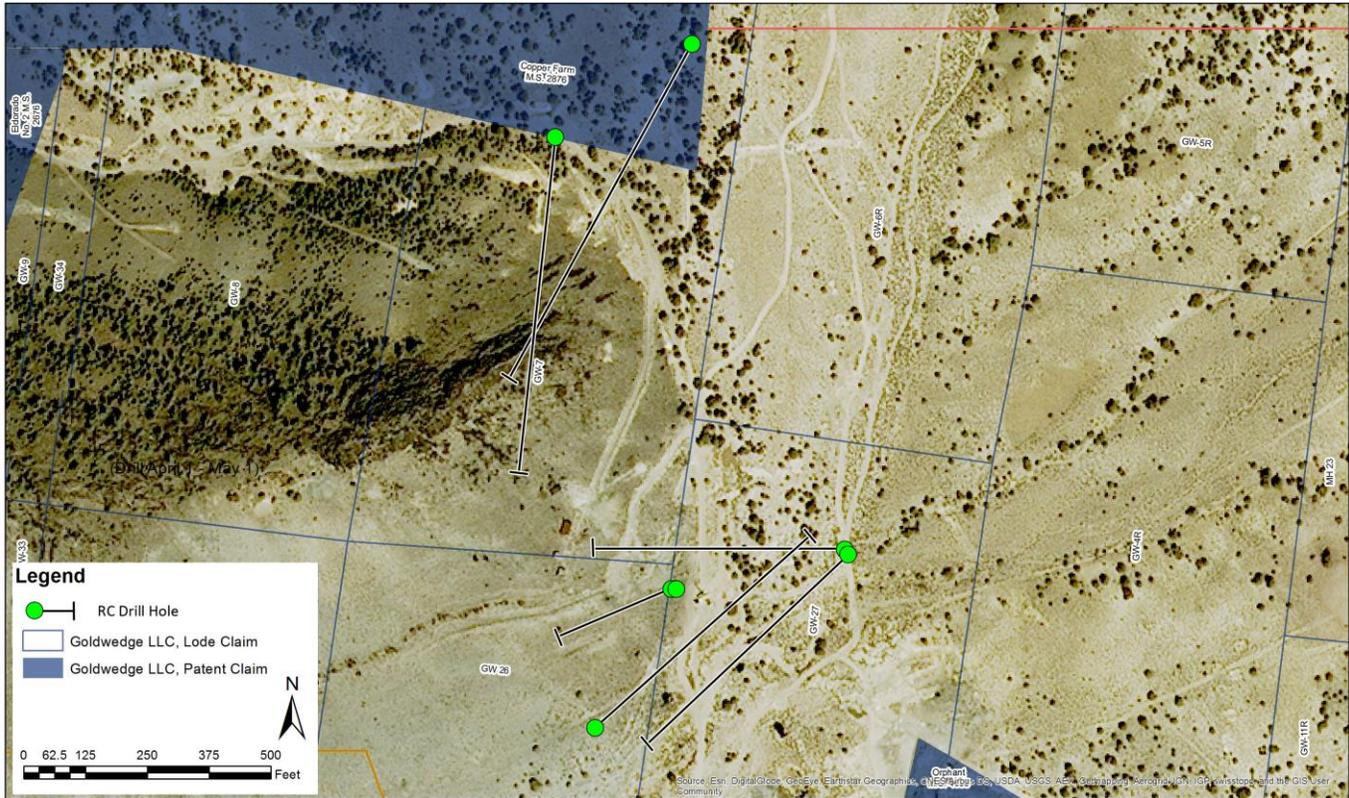
The Goldwedge property, including the Goldwedge mine and a processing plant, is located approximately 55 kilometers northeast of the town of Tonopah, in west-central Nevada, in a region of numerous historic and active gold mines.

In February 2017, the Company signed a letter of intent with Lode-Star Mining Inc. (“Lode-Star”) for a custom toll milling agreement. The companies completed permitting requirements to proceed with a test related to the potential toll milling arrangement. Prior to processing the test lot of Lode-Star’s mineralized material through the Goldwedge mill, it was necessary to rehabilitate the mill crushing system. The modifications began in Q1 of 2017 and were completed in April of 2017 and Lode-Star’s test material was milled in early May of 2017. The coarse gold component of Lode-Star’s material was recovered by the gravity circuit. Further testing will be conducted on the tailings to confirm recovery rates and evaluate the potential economics of shipping tailings to the Mineral Ridge heap leach operation for final recovery of cyanide-leachable precious metals. When completed, this analysis will also provide the baselines for metallurgical recoveries and mill throughput data to support Lode Star’s mine permitting with the NDEP. A definitive toll milling agreement will require completion of a cost analysis and other operational details which are expected to be concluded upon completion of the testing. Effective July 28, 2015, the Goldwedge mill facility was placed on care and maintenance and can be restarted on short notice.

On June 1, 2016, a Surface Exploration Plan of Operations for a 50-hole drilling program at Goldwedge was approved by the U.S. Forest Service. Exploration activities for the Goldwedge property included:

- Phase I drilling of the Goldwedge property was completed in May 2017. The drilling consisted of 7 RC holes (2,295 meters) near existing underground workings designed to test down trend potential. The purpose of this drilling program was to test the down dip continuation of mineralization in favorable host lithology within the Reliance fault zone. Assays from this drilling program have been received. Three holes encountered significant mineralization. Three holes deviated and missed the targets. A Phase II underground diamond drill program is being prepared to follow up on the mineralization located from this drill program with the intention of adding additional mineralized material that can provide feed to the properties permitted milling circuit.

Goldwedge 2017 Phase I Drilling



- A 9 hole RC drill program for the Keystone Pit has been prepared and permitting has begun with the U.S. Forest Service.
- A 12 hole (460 meters) scout drilling program for the Keystone/Jumbo area is intended to follow-up on soil sampling work completed in 2016. The Keystone/Jumbo is located three miles south-east of the main Goldwedge claim block. It consists of 851 acres and includes 42 lode claims. This spring the district U.S. Forest Service has required an archeologic study of this area and should allow future exploration drilling.

Orléans

The Company staked a new 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. The 2017 proposed exploration activities include a phased geologic evaluation including rock and soil sampling, mapping, and in-house geophysics. All work is planned to build on successful fieldwork ultimately to direct future drill programs to evaluate down dip continuity and potential.

An aggressive 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 are being reviewed to identify the type of quartz

and the geochemical comparisons with formations from Mineral Ridge. The next phase of work to be conducted will include mapping and specific sampling to determine the source of the initial sample results.

Due to other exploration priorities, no further work will be conducted in this area during 2017.

Environmental Regulation

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

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

RESULTS OF OPERATIONS

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

Scorpio Gold reported net loss of \$0.3 million for the three months ended June 30, 2017, compared to net earnings of \$1.2 million for the three months ended June 30, 2016. Net loss attributable to the shareholders of the Company were \$0.3 million (\$0.00 per share) for the three months ended June 30, 2017, compared to \$0.7 million⁽¹⁾ (\$0.01 per share⁽¹⁾) for the three months ended June 30, 2016. Net earnings attributable to the non-controlling interest were close to nil for the three months ended June 30, 2017, compared to \$0.5 million⁽¹⁾ for the three months ended June 30, 2016.

Scorpio Gold reported net loss of \$0.2 million for the six months ended June 30, 2017, compared to net earnings of \$2.3 million for the six months ended June 30, 2016. Net loss attributable to the shareholders of the Company were \$0.5 million (\$0.00 per share) for the six months ended June 30, 2017, compared to net earnings of \$1.4 million⁽¹⁾ (\$0.01 per share⁽¹⁾) for the six months ended June 30, 2016. Net earnings attributable to the non-controlling interest were \$0.2 million for the six months ended June 30, 2017, compared to \$0.9 million⁽¹⁾ for the six months ended June 30, 2016.

The major differences between the three and six-month periods ended June 30, 2017 and June 30, 2016 results are explained below.

⁽¹⁾ Please see Equity section.

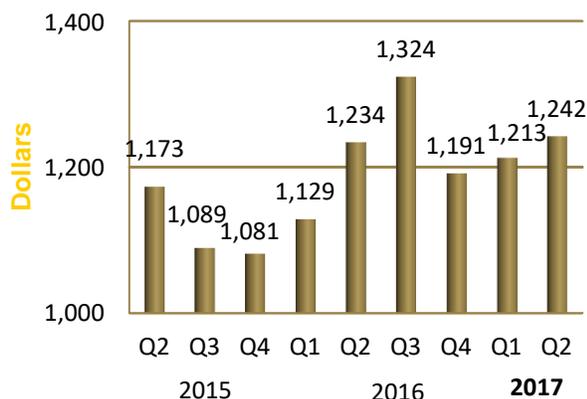
Revenue

During Q2 of 2017, the Company sold 5,025 ounces of gold and 3,125 ounces of silver for total revenue of \$6.3 million. During Q2 of 2016, the Company sold 10,015 ounces of gold and 4,425 ounces of silver for total revenue of \$12.4 million. During Q2 of 2017, gold ounces were sold at an average price of \$1,242 (\$1,234 in Q2 of 2016) and silver ounces at an average price of \$17 (\$16 in Q2 of 2016).

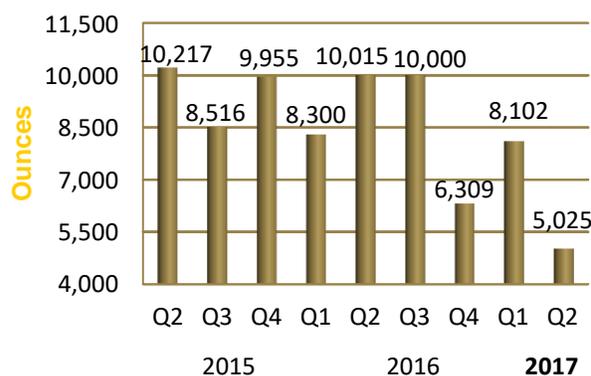
During the six-month period ended June 30, 2017, the Company sold 13,127 ounces of gold and 6,121 ounces of silver for total revenue of \$16.2 million at an average price of \$1,224 for gold and \$17 for silver, whereas during the six-month period ended June 30, 2016, the Company sold 18,315 ounces of gold and 8,425 ounces of silver for total revenue of \$21.9 million at an average price of \$1,187 for gold and \$15 for silver.

The Company's realized average gold price is lower than the average London PM fix mainly because of timing of sales as well as the terms of the Company's gold and silver supply agreement. As of June 30, 2017, the Company had finished goods inventories including 115 ounces of gold available for sale compared to 2,851 ounces of gold as at December 31, 2016.

Average gold price per ounce realized per quarter



Ounces of gold sold per quarter



Mine operating earnings

Cost of sales, excluding depletion and amortization, was \$4.9 million for the three-month period ended June 30, 2017 compared to \$9.2 million for three-month period ended June 30, 2016. 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 \$966 for the three-month period ended June 30, 2017, compared to \$856 for the three-month period ended June 30, 2016. Total cash cost per ounce sold⁽¹⁾, after silver by-product credits, was \$968 for the three-month period ended June 30, 2017 compared to \$879 the three-month period ended June 30, 2016. The most significant variances impacting cash cost per ounce sold are:

- Negative impact of the lower volume of ore tons mined and processed.
- Favorable impact of the lower strip ratio and higher head grades. These variances were partially offset by unfavorable change in inventories.

Depletion and amortization was \$0.3 million for the three-month period ended June 30, 2017, compared to \$0.2 million for the three-month period ended June 30, 2016. Following the impairment recorded on assets at the Mineral Ridge mine since 2015, depletion and amortization recorded in the three-month period ended June 30, 2017 and in the three-month period ended June 30, 2016 is essentially related to capitalized development and stripping activities on producing mining interests during these periods.

Mine operating earnings were therefore \$1.1 million for the three-month period ended June 30, 2017 compared to \$3.1 million for the three-month period ended June 30, 2016.

Cost of sales excluding depletion and amortization decreased from \$16.6 million for the six-month period ended June 30, 2016 to \$12.1 million for the six-month period ended June 30, 2017. The variance is essentially attributed to the lower number of ounces sold and the variance in cash operating cost per ounce⁽¹⁾ described below.

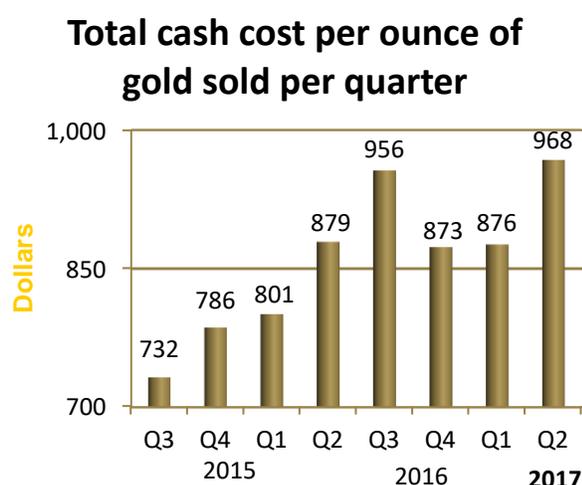
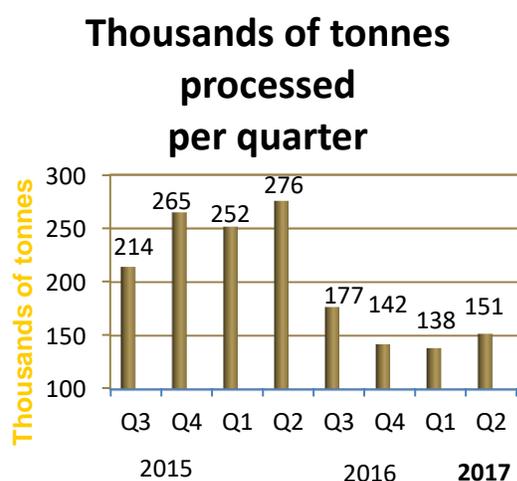
Cash operating cost per gold ounce sold⁽²⁾, after silver by-product credits, was \$899 for the six-month period ended June 30, 2017, compared to \$825 for the six-month period ended June 30, 2016. Total cash cost per ounce sold⁽¹⁾, after silver by-product credits, was \$911 for the six-month period ended June 30, 2017 compared to \$844 the six-month period ended June 30, 2016. The most significant variances impacting cash cost per ounce sold are:

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

- Negative impact of the higher strip ratio and lower volume of ore tons mined and processed.
- Favorable impact of higher head grades and a favorable change in inventories.

Depletion and amortization was \$0.6 million during the first half of 2017, compared to \$0.4 million during the first half of 2016. As discussed above, following the impairment on assets at the Mineral Ridge mine which significantly decreased the carrying value of the assets being depleted, the depletion and amortization recorded in the first half of 2017 is essentially related to 2017 capitalized development and stripping activities on the producing mining assets.

Mine operating earnings were \$3.5 million for the six-month period ended June 30, 2017, compared to \$4.9 million for the comparative period of 2016.



Impairment

Mineral Ridge

The fact the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of June 30, 2017 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 life of mine discounted cash flow projections derived from expected future production, which incorporate reasonable estimates of life of mine, 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 \$1,250 for the rest of 2017. However, since the depreciable amount of the assets, being defined as the net of the carrying amounts and the residual value, amounted to \$0.7 million, the Company recorded a \$0.7 million non-cash impairment charge for Mineral Ridge as at June 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.

General and administrative

General and administrative expenses totaled \$0.3 million for both Q2 of 2017 and 2016.

General and administrative expenses totaled \$0.7 million for the first half of 2017, compared to \$0.5 million for the same period of 2016. The main variance between those periods relates to increased level of investor relations and project evaluation activities.

Write-off of mining assets

Based on results of drilling activity performed on the Paris and Defiance targets as well as the area between Brodie Northwest and Bluelite deposits and based on results from the Goldfield Basin project, the Company concluded that no further exploration activity was planned for those areas. Consequently, \$1.0 million of previously capitalized costs were written off during Q2 of 2016.

Income tax expense

Current income tax expense relates to the Nevada net proceeds tax.

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

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2017, the Company had \$3.2 million in cash compared to \$3.8 million as of December 31, 2016.

Working capital was \$6.9 million as of June 30, 2017, compared to \$8.4 million as of December 31, 2016.

As discussed in more detail below, under the heading “Restricted Cash and Provision for Litigation”, during 2016, MRG was required to provide a cash security deposit to a Court in the amount of \$2.3 million. In February 2017, the Company determined that it was in its best interest to settle the case for an amount of US\$1.0 million and end the costly litigation. This settlement was funded during Q1 of 2017 by the above mentioned \$2.3 million cash security deposit and the \$1.3 million balance was returned to the Company.

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

Based on the Company’s current mine plan, the Company anticipates mining at Mineral Ridge through to October 2017, after which there will be 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, \$6.0 million principal of the Company’s long-term debt matures in August 2018. In light of the current mine plan, 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. Also, the Company could continue mining beyond its current mine plan at Mineral Ridge after receiving approval of its amendment to the revised Plan of Operations, which is expected to be received in Q1 of 2018, provided that, in the Company’s opinion, it is economically viable to do so.

INVENTORIES

Inventories decreased from \$7.1 million as of December 31, 2016 to \$6.4 million as of June 30, 2017.

Metals in process increased by \$2.0 million to \$5.3 million during the six-month period ended June 30, 2017 mainly resulting from an increase in the number of ounces in process at a higher cost per ounce.

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, 2017, included in the metal in process inventories, are inventories on the leach pad for a total cost of \$4.1 million (\$1.9 million as at December 31, 2016). The ultimate recovery of mineralization from the heap leach pad will not be known until the total leaching process is concluded.

Finished goods inventory decreased by \$2.5 million during the six-month period ended June 30, 2017 to \$0.1 million, due mainly to the timing of the Company's gold sales.

PRODUCING MINING ASSETS

Producing mining assets stood at \$5.2 million as of June 30, 2017, compared to \$4.9 million as at December 31, 2016.

During the first half of 2017, the Company added \$1.6 million to producing mining assets, which mainly consisted of \$1.4 million relating to stripping activities and \$0.2 million of mobile equipment at Mineral Ridge.

Management concluded that the Brodie SE and Bluelite South pits commenced commercial production during the first half of 2017 and therefore their related book value of \$0.4 million was transferred from non-producing mining assets to producing mining assets.

During the first half of 2017, an amount of \$0.6 million has been recorded as depletion and amortization of producing mining assets.

As a result of the impairment discussed above, the Company recorded a non-cash impairment charge of \$1.3 million related to Mineral Ridge producing mining assets during the six-month period ended June 30, 2017.

NON-PRODUCING MINING ASSETS AND OTHER

Non-producing mining assets and other stood at \$3.0 million as of June 30, 2017, compared to \$2.6 million as at December 31, 2016.

During the first half of 2017, the Company added \$1.8 million to non-producing mining assets. Of this amount, \$1.5 million mainly relates to the development of satellite pits and \$0.3 million relates to the construction in progress and heap leach resource estimate.

As discussed above, management of the Company concluded that the Brodie SE and Bluelite South pits commenced commercial production during the first half of 2017 and therefore their related book value of \$0.4 million was transferred from non-producing mining assets to producing mining assets.

As a result of the impairment discussed above, the Company recorded a non-cash impairment charge of \$0.9 million related to Mineral Ridge non-producing mining assets during the six-month period ended June 30, 2017.

CURRENT LIABILITIES

Total current liabilities were \$3.2 million as at June 30, 2017, compared to \$5.8 million as at December 31, 2016.

This decrease is mostly explained by the payment of \$1.0 million following the settlement of the litigation discussed in the "Restricted Cash and Provision for Litigation" section below and by reduced activities at Mineral Ridge.

Income taxes payable relates to Nevada net proceeds tax.

LONG-TERM DEBT

On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman LP ("Waterton Fund"), an affiliate of Elevon, LLC ("Elevon"), for a loan in the principal amount of \$6 million (the "Loan") having a term of 36 months. The Loan bears interest at a rate of 10% per annum, payable quarterly, and is secured by a first priority security interest over all of the Company's assets. The Company incurred a \$0.12 million structuring fee upon the advancement of the Loan, together with \$0.16 million of associated legal costs. The Loan may be voluntarily prepaid by the Company at any time, provided that upon such prepayment the Company shall pay the lesser of 24 months of interest on the principal amount, or such interest as would be payable between the date of such prepayment and the maturity date of the Loan. Also, the Loan is subject to mandatory prepayment in certain circumstances, including upon a change of control of the Company, as defined in the definitive Loan 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 June 30, 2017.

EQUITY

Total equity stood at \$9.8 million as at June 30, 2017, compared to \$10.6 million as at December 31, 2016.

As part of the operating agreement of the Company's 70% owned subsidiary 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 June 30, 2016. However, this correction decreased the net earnings attributable to non-controlling interest in the three-month period ended June 30, 2016 by \$0.1 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction increased the basic and diluted net earnings per share by \$0.01 for the three-month period ended June 30, 2016. This correction decreased the net earnings attributable to non-controlling interest in the six-month period ended June 30, 2016 by \$0.2 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction increased the basic and diluted net earnings per share by \$0.01 for the six-month period ended June 30, 2016. This correction impacted some of the previously disclosed information which has been adjusted in this MD&A.

RESTRICTED CASH AND PROVISION FOR LITIGATION

In connection with the legal proceedings brought by National EWP, Inc. ("National") against the Company, after negotiation with National in February 2017, the Company determined that it was in its best interest to settle the case for an amount of US\$1 million. In February 2017, the Company received US\$1.3 million remaining funds from the cash security previously paid to the Court of US\$2.3 million. Also during Q1 of 2017, the Company settled another litigation case for \$15,000

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ending	Revenues \$	Net (loss) earnings \$	Basic and diluted (loss) earnings per share \$
June 30, 2017	6,299	(285)	(0.00)
March 31, 2017	9,875	40	(0.00)
December 31, 2016	7,569	(4,270)	(0.03)
September 30, 2016	13,328	2,331	0.01
June 30, 2016	12,434	1,199	0.01 ⁽¹⁾
March 31, 2016	9,428	1,079	0.01 ⁽¹⁾
December 31, 2015	10,828	(4,665)	(0.03)
September 30, 2015	9,333	(15,823)	(0.11)

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 condensed interim consolidated statements of comprehensive income.

⁽¹⁾ Please see Equity section.

CASH FLOWS

Cash outflows used in operating activities was \$0.9 million for Q2 of 2017, compared to cash flows generated from operating activities of \$4.9 million for the same period of 2016. This variance is mostly due to the decrease in mine operating earnings and change in working capital items.

For the same reasons, cash flows generated from operating activities for the six-month period ended June 30, 2017, were \$2.6 million compared to \$4.5 million for the comparative period of 2016.

Cash outflows used in investing activities were \$1.5 million for the three months ended June 30, 2017. During Q2 of 2017, investing activities related to producing mining assets totaled \$0.5 million and were mainly related to stripping activities. Non-producing mining asset payments totaled \$1.1 million and mainly related to development of satellite pits.

Cash outflows used in investing activities were \$2.1 million for the three months ended June 30, 2016. During Q2 of 2016, investing activities related to producing mining assets totaled \$1.0 million and were mainly related to stripping activities. Non-producing mining asset payments totaled \$1.1 million and mainly related to exploration related to targets surrounding the areas currently in production at the Mineral Ridge mine.

Cash flows used in investing activities were \$2.2 million for the six months ended June 30, 2017. Payments related to non-producing mining asset additions totalled \$1.9 million and mainly relate to the development of satellite pits. During the first half of 2017, investing activities related to producing mining assets were mainly related to stripping activities. As discussed above, \$1.3 million of cash that had been deposited with the Court was returned to the Company in February of 2017 after the litigation settlement.

During the six-month period ended June 30, 2016, cash outflows used in investing activities were \$3.2 million. Payments related to non-producing mining asset additions during the first half of 2016 totalled \$2.3 million and mainly related to exploration related to targets surrounding the areas currently in production at the Mineral Ridge mine. During the first half of 2016, investing activities amounting to \$1.2 million related to producing mining assets were mainly related to stripping activities.

Cash flows used for financing activities were \$0.5 million for the three months ended June 30, 2017. These cash flows are related to \$0.3 million of cash distributions to the non-controlling interest in MRG, the interest payment related to the Loan with Waterton Fund and repayment of obligation under a financing lease.

Cash outflows used for financing activities during Q2 of 2016 were used to service the long-term debt and financing lease as well as \$0.1 million distributed to Elevon.

Cash flows used for financing activities were \$0.9 million for the first half of 2017. These cash flows are related to \$0.6 million of cash distributions to the non-controlling interest in MRG, and \$0.4 million on debt related payments.

Cash outflows used for financing activities were \$0.1 million for the first half of 2016 as the Company paid \$0.3 million interest on the long-term debt and financing lease and paid \$0.1 million of distributions and received \$0.3 million of cash contributions from Elevon.

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

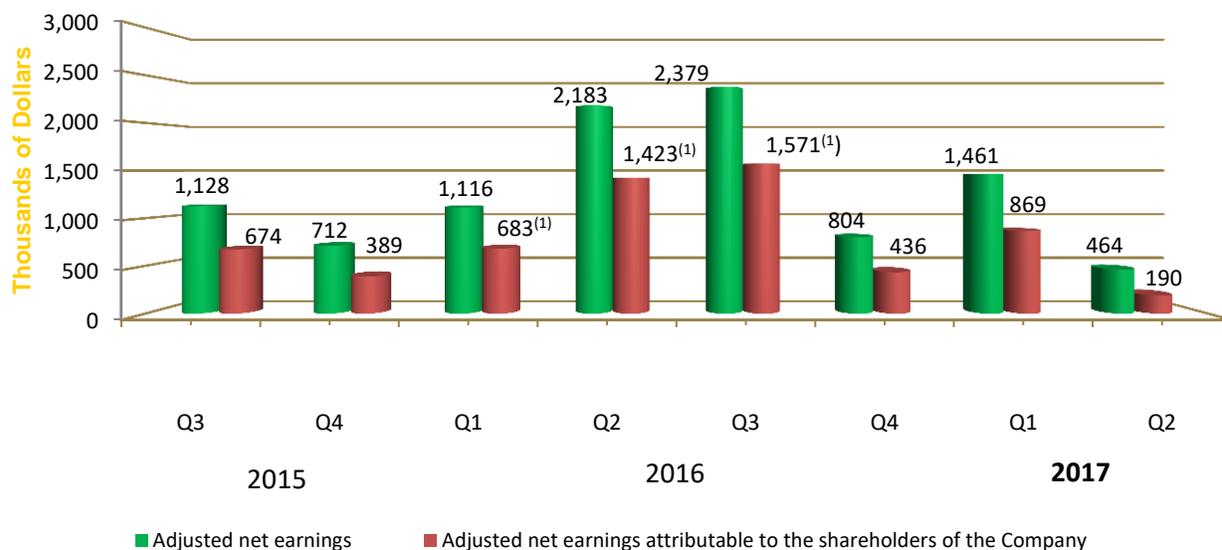
The Company uses the financial measure "Adjusted Net Earnings" to supplement information in its condensed interim consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this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

The term "Adjusted 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:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$	\$	\$
Net (loss) earnings for the periods	(285)	1,199	(245)	2,278
Write-off of mining assets	-	1,048	-	1,048
Gain on disposal of assets	(2)	-	(2)	(39)
Impairment of mining assets	703	-	2,252	-
Foreign exchange loss (gain)	1	(4)	1	(3)
Deferred income tax expense (recovery)	47	(60)	(81)	15
Adjusted net earnings for the periods	464	2,183	1,925	3,299
Non-controlling interest	(274)	(760) ⁽¹⁾	(866)	(1,193) ⁽¹⁾
Adjusted net earnings for the periods attributable to the shareholders of the Company	190	1,423 ⁽¹⁾	1,059	2,106 ⁽¹⁾
Adjusted basic and diluted net earnings per share	0.00	0.01	0.01	0.02

Adjusted net earnings



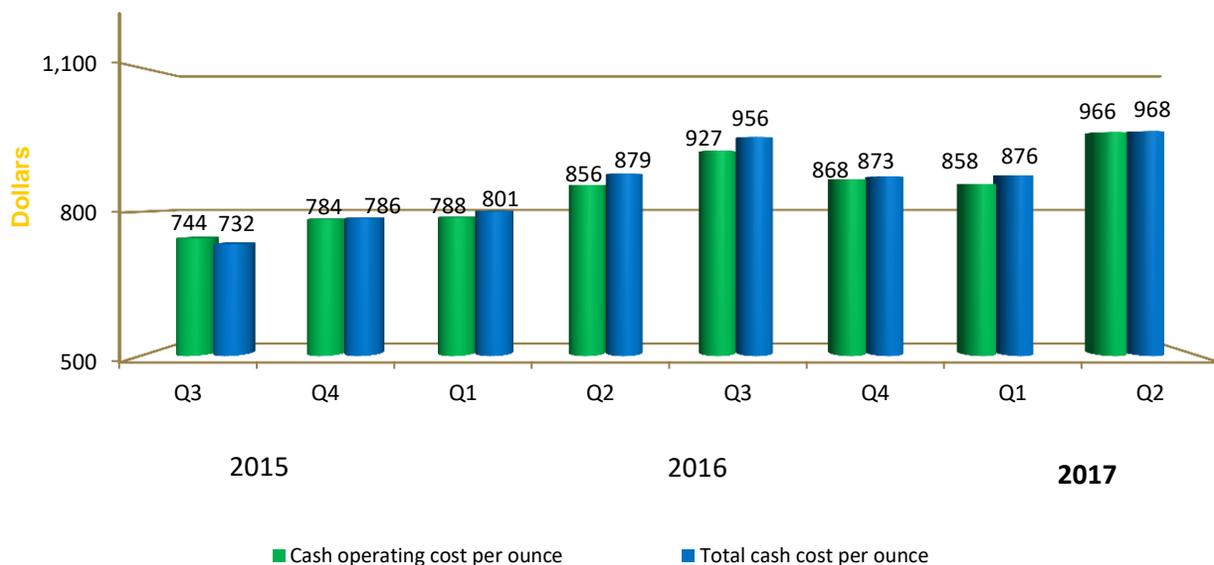
⁽¹⁾ Please see Equity section.

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

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$	\$	\$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	4,869	9,164	12,095	16,580
Inventory adjustment	41	(458)	(178)	(1,222)
By-product silver sales	(52)	(71)	(103)	(128)
Royalties	(1)	(60)	(10)	(120)
Cash operating costs	4,857	8,575	11,804	15,110
Nevada net proceeds tax	9	230	158	339
Total cash cost	4,866	8,805	11,962	15,449
Divided by ounces of gold sold	5,025	10,015	13,127	18,315
Cash operating cost per gold ounce sold	966	856	899	825
Total cash costs per gold ounce sold	968	879	911	844

Cash operating and total cash cost per gold ounce sold per quarter



Adjusted EBITDA

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

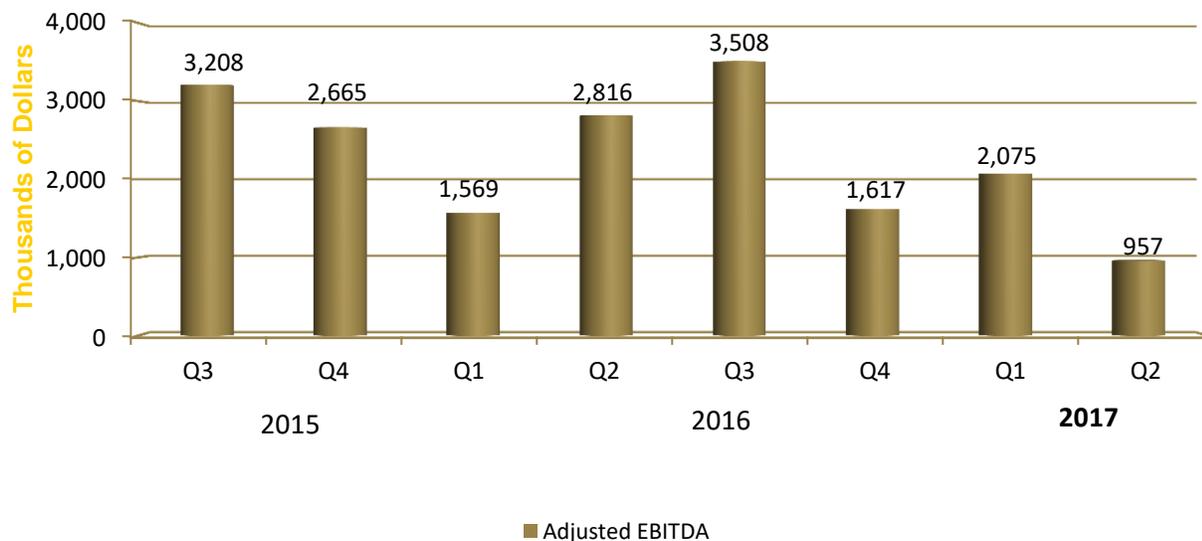
- Finance costs;
- Depletion and amortization; and
- Income tax expense

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 "share-based compensation", "impairments of mining assets", "gain or loss on write-off and disposal of mining assets" and "foreign exchange loss or 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:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$	\$	\$
Net (loss) earnings for the period	(285)	1,199	(245)	2,278
Finance costs	194	195	386	388
Depletion and amortization	290	208	563	359
Income tax expense	56	170	77	354
Standardized EBITDA	255	1,772	781	3,379
Impairment of mining assets	703	-	2,252	-
Write-off of mining assets	-	1,048	-	1,048
Gain on disposal of assets	(2)	-	(2)	(39)
Foreign exchange (gain) loss	1	(4)	1	(3)
Adjusted EBITDA	957	2,816	3,032	4,385
Non-controlling interest	(369)	(896) ⁽¹⁾	(1,093)	(1,412) ⁽¹⁾
Adjusted EBITDA attributable to the shareholders of the Company	588	1,920 ⁽¹⁾	1,939	2,973 ⁽¹⁾
Adjusted basic and diluted EBITDA per share	0.00	0.02	0.02	0.02

Adjusted EBITDA per quarter



⁽¹⁾ Please see Equity section.

SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED

	MARCH 2016	JUNE 2016	SEPTEMBER 2016	DECEMBER 2016	MARCH 2017	JUNE 2017
Mining operations						
Mary LC pit						
Ore tonnes mined	146,872	138,795	119,574	148,161	130,446	123,241
Waste tonnes mined	703,030	919,453	919,556	977,246	927,786	568,225
Total mined	849,902	1,058,248	1,039,130	1,125,407	1,058,232	691,466
Strip ratio	4.8	6.6	7.7	6.6	7.1	4.6
Satellite pits						
Ore tonnes mined	103,252	39,493	48,029	6,028	7,255	28,235
Waste tonnes mined	227,056	139,664	152,883	5,888	67,208	123,643
Total mined	330,308	179,157	200,912	11,916	74,463	151,878
Strip ratio	2.2	3.5	3.2	1.0	9.3	4.4
Total producing pits						
Ore tonnes mined	250,124	178,288	167,603	154,189	137,701	151,476
Waste tonnes mined	930,086	1,059,117	1,072,439	983,134	994,994	691,868
Total mined	1,180,210	1,237,405	1,240,042	1,137,323	1,132,695	843,344
Strip ratio	3.7	5.9	6.4	6.4	7.2	4.6
Pits under development:						
Ore tonnes mined	-	-	-	-	178	594
Waste tonnes mined	55,622	67,732	25,876	160,672	212,595	36,490
Total mined	55,622	67,732	25,876	160,672	212,773	37,084
Total mining operations						
Ore tonnes mined	250,124	178,288	167,603	154,189	137,879	152,070
Waste tonnes mined	985,708	1,126,849	1,098,315	1,143,806	1,207,589	728,358
Total mined	1,235,832	1,305,137	1,265,918	1,297,995	1,345,468	880,428

	MARCH 2016	JUNE 2016	SEPTEMBER 2016	DECEMBER 2016	MARCH 2017	JUNE 2017
Processing						
Tonnes processed	251,587	275,551	176,901	142,101	138,392	151,485
Gold head grade (grams per tonne)	1.65	1.33	1.35	1.37	1.70	1.50
Availability	59%	59%	41%	30%	31%	34%
Ounces produced						
Gold	8,508	10,089	9,981	8,301	5,741	4,660
Silver	3,921	4,325	4,630	4,074	2,854	2,505
Precious Metal Sales (ounces)						
Gold	8,300	10,015	10,000	6,309	8,102	5,025
Silver	4,000	4,425	4,450	3,448	2,996	3,125
Exploration Drilling						
Holes	116	32	6	31	-	27
Meters	16,465	3,353	691	3,859	-	4,354
Financial results						
	\$	\$	\$	\$	\$	\$
Cash operating cost per ounce of gold sold ⁽¹⁾	788	856	927	868	858	966
Total cash cost per ounce of gold sold ⁽¹⁾	801	879	956	873	876	968
Average price of gold						
London PM fix	1,183	1,260	1,335	1,222	1,219	1,257
Realized	1,129	1,234	1,324	1,191	1,213	1,242
Net (loss) earnings	1,079	1,199	2,331	(4,270)	40	(285)
Net (loss) earnings per share	0.01 ⁽²⁾	0.01 ⁽²⁾	0.01	(0.03)	(0.00)	(0.00)
Adjusted net earnings ⁽¹⁾	1,115	2,183	2,379	804	1,461	464
Adjusted basic and diluted net earnings per share ⁽¹⁾	0.01 ⁽²⁾	0.01	0.01	0.00	0.01	0.00
Adjusted EBITDA ⁽¹⁾	1,569	2,816	3,508	1,617	2,075	957
Adjusted basic and diluted EBITDA per share ⁽¹⁾	0.01	0.02	0.02	0.01	0.01	0.00

⁽¹⁾ For further information and a detailed reconciliation, refer to section "Non-IFRS performance measures".

⁽²⁾ Please see Equity section.

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 June 30, 2017.

TRANSACTIONS WITH RELATED PARTIES

a) Compensation of key management personnel and directors

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

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$	\$	\$
Salaries and directors fees	191	202	400	406
Consulting fee paid to a director	-	-	6	-
	191	202	406	406

As at June 30, 2017, an aggregate of \$85,942 resulting from transactions with key management is included in trade and other payables.

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

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

Waterton Fund, the Company’s lender, controls Elevon which owns a 30% non-controlling interest in MRG. Management considers that Waterton Fund is a related party.

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$	\$	\$
Interest on long-term debt	150	149	298	298

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	2,917	2,917	-	-	-
Principal and interest on long-term debt and financing lease	6,883	721	6,162	-	-
Provision for environmental rehabilitation	4,990	163	2,889	1,441	497

b) *Fair Value*

The fair value of cash, reclamation bonds, trade and other payables approximate their carrying amount due to their short-term nature. Fair value of long-term debt is not significantly different from its carrying amount since interest rates in the market have not materially changed since the Company entered into the debt facility in August 2015.

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mineral exploration and development company, Scorpio Gold's performance is affected by a number of industry and economic factors and exposure to certain environmental risks, and other regulatory requirements. These have been detailed in the Company's annual MD&A available for the year ended December 31, 2016 under the Company's profile on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Except as set out below, the preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual audited consolidated financial statements as at December 31, 2016. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

The following policy reflects policy being applied in the current quarter which was not applicable in the 2016 consolidated financial statements:

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.

Management judgments and estimates

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3(d) of the Company's annual audited consolidated financial statements for the year ended December 31, 2016.

CONTROLS AND PROCEDURES CERTIFICATION

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

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal controls over financial reporting during the six-

month period ended June 30, 2017, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

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

RECENT ACCOUNTING PRONOUNCEMENTS

Certain amendments and new standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC"). Those not applicable to or that do not have a significant impact on the Company have been excluded from the list below. The following is a description of the new or amended standards that have not yet been adopted by the Company.

i) Financial instruments ("IFRS 9")

Financial instruments ("IFRS 9") was issued by the IASB and will replace *Financial instruments: recognition and measurement* ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new standard on its financial statements.

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

The core principle of this new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. These amendments are effective for annual periods beginning after January 1, 2018. The Company is currently assessing the impact of this new standard on its financial statements.

iii) Leases ("IFRS 16")

Leases ("IFRS 16") was issued by the IASB and will replace *Leases* ("IAS 17"). IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFRS 16 is effective 1 January 2019. Early application is permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this new standard on its financial statements.

iv) 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.

DISCLOSURE OF OUTSTANDING SECURITIES AS AT AUGUST 28, 2017

Outstanding common shares	124,948,235
Stock options	<u>7,270,000</u>
Fully diluted	<u>132,218,235</u>

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion other than statements of historical facts, including statements that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under “Risk Factors” in the Company’s Management Discussion and Analysis for the year ended December 31, 2016 and available at www.sedar.com under the Company’s name.