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 nine-month period ended September 30, 2014 and is provided as of November 19, 2014. This MD&A is to be read in conjunction with the most recently issued annual consolidated financial statements of the Company for the year ended December 31, 2013 and the condensed consolidated interim financial statements of the Company for the nine-month period ended September 30, 2014 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.

HIGHLIGHTS FOR THE THIRD QUARTER ("Q3") ENDED SEPTEMBER 30, 2014 AND SUBSEQUENT EVENTS

- 11,228 ounces of gold produced compared to 9,632 during Q3 of 2013. In late June 2014, an additional carbon column was installed which increased the rate of processing of pregnant leach solution and thereby brought down leach pad inventory and consequently increased gold production.

- Revenue of $14.8 million compared to $14.4 million during Q3 of 2013, as a result of the sale of 3% more gold ounces in Q3 of 2014 than Q3 of 2013.

- Total cash cost per ounce of gold sold (1) of $859 compared to $729 during Q3 of 2013, mainly attributable to lower head grades.

- Mine operating earnings (1) of $1.2 million compared to $1.8 million during Q3 of 2013.

- Net earnings of $0.3 million ($0.00 basic and diluted per share), compared to $ 0.8 million ($0.00 basic and diluted per share) during Q3 of 2013.

- Adjusted net earnings (1) of $0.5 million ($0.00 basic and diluted per share) compared to $0.8 million ($0.00 basic and diluted per share) during Q3 of 2013.

- Adjusted EBITDA (1) of $3.4 million ($0.02 basic and diluted per share) compared to $5.2 million ($0.03 basic and diluted per share) during Q3 of 2013, mainly as a result of higher cash costs per ounce of gold sold.

- Cash flow from operating activities (1) of $5.0 million compared to $6.6 million during Q3 of 2013, mainly as a result of higher cash costs per ounce of gold sold.

- On November 5, 2014, the Company received 1,250,000 additional common shares of Gold Standard Ventures Corp. as bonus consideration pursuant to the sale agreement in respect of the Pinon property. The Company now holds 6,750,000 common shares of Gold Standard Ventures Corp.

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

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

- 30,556 ounces of gold produced compared to 27,812 during the nine months ended September 30, 2013.
- Revenue of $38.6 million compared to $40.9 million during the nine months ended September 30, 2013, mainly due to a lower average realised gold price offset by an increase in the number of gold ounces sold.
- Total cash cost per ounce of gold sold [(1)] of $825 compared to $735 during the nine months ended September 30, 2013, mainly attributable to lower head grades.
- Mine operating earnings [(1)] of $3.6 million compared to $9.0 million during the nine months ended September 30, 2013.
- Net earnings of $1.3 million ($0.00 basic and diluted per share) compared to net loss of $4.9 million ($0.03 basic and diluted per share) mainly as a result of a non-cash impairment charges of $9.9 million ($0.06 basic and diluted per share) during the nine month period ended September 30, 2013.
- Adjusted net earnings [(1)] of $1.4 million ($0.00 basic and diluted per share) compared to $5.6 million ($0.02 basic and diluted per share) during the nine months ended September 30, 2013.
- Adjusted EBITDA [(1)] of $10.8 million ($0.06 basic and diluted per share) compared to $20.4 million ($0.11 basic and diluted per share) during the nine months ended September 30, 2013, mainly as a result of lower revenue and higher cash costs per ounce of gold sold.
- Cash flow from operating activities [(1)] of $10.4 million, down from $18.1 million during the nine months ended September 30, 2013, mainly as a result of lower revenue and higher cash costs per ounce of gold sold.
- Sale of the Pinon property completed on March 5, 2014, with approximately $5.2 million of the proceeds from such sale being applied to reduce the Company's long-term debt.

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

KEY OPERATING AND FINANCIAL STATISTICS

	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Mining operations				
Producing pits:				
Drinkwater pit				
Ore tonnes mined	**74,343**	134,147	**395,177**	506,803
Waste tonnes mined	**110,401**	478,927	**834,938**	1,660,758
Total mined	**184,744**	613,074	**1,230,115**	2,167,561
Strip ratio	**1.5**	3.6	**2.1**	3.3
Mary pit				
Ore tonnes mined	**130,145**	80,212	**302,287**	148,797
Waste tonnes mined	**564,727**	652,326	**1,592,599**	1,423,370
Total mined	**694,872**	732,538	**1,894,886**	1,572,167
Strip ratio	**4.3**	8.1	**5.3**	9.6
Total producing pits				
Ore tonnes mined	**204,488**	214,359	**697,464**	655,600
Waste tonnes mined	**675,128**	1,131,253	**2,427,537**	3,084,128
Total mined	**879,616**	1,345,612	**3,125,001**	3,739,728
Strip ratio	**3.3**	5.3	**3.5**	4.7
Pits under development:				
Ore tonnes mined	**29,386**	-	**36,301**	-
Waste tonnes mined	**793,866**	62,079	**1,462,424**	62,079
Total mined	**823,252**	62,079	**1,498,725**	62,079
Total mining operations				
Ore tonnes mined	**233,874**	214,359	**733,765**	655,600
Waste tonnes mined	**1,468,994**	1,193,332	**3,889,961**	3,146,207
Total mined	**1,702,868**	1,407,691	**4,623,726**	3,801,807
Processing				
Tonnes processed	**276,857**	247,105	**768,703**	661,213
Gold head grade (grams per tonne)	**1.49**	2.08	**1.74**	2.34
Availability*	**52.9%**	50.1%	**52.2%**	57.7%
Ounces produced				
Gold	**11,228**	9,632	**30,556**	27,812
Silver	**4,911**	3,702	**13,795**	10,821

* Processing Availability is based on hours of crusher operations versus permitted run time.

	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Financials				
(In thousands of US dollars, except per ounce and per share numbers)	**$**	$	**$**	$
Total cash cost per ounce of gold sold[1]	**859**	729	**825**	735
Ounces sold				
Gold	**11,639**	11,249	**30,499**	28,685
Silver	**4,734**	4,268	**13,450**	11,486
Average price of gold				
London PM fix	**1,282**	1,326	**1,288**	1,456
Realized	**1,260**	1,273	**1,259**	1,408
Net earnings (loss)	**275**	810	**1,261**	(4,866)
Basic and diluted net earnings (loss) per share	**(0.00)**	0.00	**0.00**	(0.03)
Adjusted net earnings[1]	**457**	807	**1,367**	5,571
Basic and diluted adjusted net earnings per share[1]	**0.00**	0.00	**0.00**	0.02
Adjusted EBITDA[1]	**3,438**	5,163	**10,758**	20,418
Basic and diluted adjusted EBITDA per share [1]	**0.02**	0.03	**0.06**	0.11
Cash flow from operating activities	**5,006**	6,599	**10,368**	18,065

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

MINERAL PROPERTIES

The Company's Chief Executive Officer, Mr. Peter J. Hawley, is a qualified person under National Instrument 43-101-*Standards of Disclosure for Mineral Projects* ("NI 43-101"), and has reviewed and approved the following technical disclosure.

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge Property and related assets, which was a former producing gold mine in Nevada. Mining by the Company commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company is currently receiving 80% of cash flows generated, in accordance with 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 up through the 1940's. Open pit mining began again in the area in 1989, primarily in the Drinkwater open pit. Gold mineralization is hosted in the lowest unit of the Wyman Limestone formation, typically referred to as the "Mary Limestone". Historic mining properties consolidated by the Mineral Ridge Property include the Drinkwater, Mary and Brodie underground mines. With the exception of the Drinkwater pit, from which mining was completed in Q3 of 2014, these properties are the focus of current production plans by both open pit and possibly underground mining methods. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, refuelling and storage facilities and administrative buildings.

Resource and reserve estimates

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

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

This LOM is inclusive of the Drinkwater, Mary and Mary LC deposits and the five satellite deposits, Brodie, Wedge, Bluelite, Solberry and Oromonte. An Inferred Mineral Resource estimate for the Brodie, Wedge, Bluelite, and Solberry deposits, dated June 1, 2013, was reported in the Company's August 16, 2013 news release. Development drilling over the past two years has allowed for an upgrade of the previous resource estimate to include Indicated Mineral Resources containing Probable Mineral Reserves. The updated Indicated Mineral Resource estimate 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).

The Mineral Resource and Mineral Reserve estimates were prepared by Jim Ashton, P.E., an employee of the Company and a qualified person pursuant to NI 43-101 and audited by independent qualified person, Mr. Randy Martin, RM-SME of Welsh Hagen Associates. An independent technical report supporting the disclosure of the

Mineral Resource and Mineral Reserve estimate was prepared by Welsh Hagen Associates and was filed on SEDAR on September 3, 2014.

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

Mining activities

Total mine production for the third quarter of 2014 was 1,702,868 tonnes compared to 1,407,691 tonnes mined in Q3 of 2013. For the first nine months of 2014 total mine production was 4,623,726 tonnes compared to 3,801,807 tonnes mined in the first nine months of 2013. Total mining operation in the third quarter of 2014 was composed of 233,874 tonnes of ore and 1,468,994 tonnes of waste. The ore was mined from the 6490, 6480, 6470, and 6460 benches in the Drinkwater pit and from the 6550, 6540, 6530, and 6520 benches in the Mary pit. Ore was also mined from the Mary LC pit from the 6590, 6580, 6570, and 6560 benches. The average gold grade of ore mined in the third quarter of 2014 was 1.66 grams per tonne, which was lower than the 2013 Q3 average grade of 2.09 grams per tonne. For the first nine months of 2014, the average gold grade of ore mined was 1.68 grams per tonne, which was lower than the average 2013 grade of 2.30 grams per tonne during the first nine months of 2013. During the third quarter of 2014, development continued in the Mary LC pit, where 775,453 tonnes of waste were removed. There was 29,386 tonnes of ore mined from development areas during Q3 of 2014 compared to nil during Q3 of 2013. Q3 2014 marked the end of mining in the Drinkwater pit.

Also in the third quarter 2014, 55,675 tonnes of previously-mined ore, having an average grade of 0.67 grams per tonne, were hauled to the crusher for processing.

The mining contractor, LEDCOR CMI Inc.'s performance continued to improve during the third quarter of 2014. The average tonnes per day ("TPD") production for the third quarter of 2014 was 32,189 tonnes, which is higher than the 26,560 TPD average production during Q3 of 2013. This is 13.3% above the Q3 of 2014 mine budget at Mineral Ridge, which calls for a daily mining rate of roughly 28,398 tonnes with an average of 4,108 tonnes of mineralized material delivered to the crusher on a daily basis. Mining operations are scheduled on a one-shift per day, four days a week schedule with drilling operations working on a seven day per week schedule. LEDCOR'S increased production rates can be attributed to the addition of haulage and loading equipment and also an increased number of man hours worked. The increased production rates was also aided by mining occurring in the Mary LC pit, which has shorter waste hauls and easier access to the benches allowing for higher productivity.

The reconciliation of actual results in Q3 of 2014 to the gold grade block model through the 6460 bench at the Drinkwater pit indicates that actual mined ore tonnes production was 105 percent greater than that predicted by the model thus the mineralized material mined contained 57 percent more ounces than predicted due to the increase in tonnes but the resulting grade was 24 percent below prediction. The reconciliation for the Mary pit during Q3 showed that through the 6530 bench the actual ore mined contained 70 percent more tonnes than predicted by the model and the contained ounces were 29 percent higher than predicted by the model, resulting in the average grade being 24 percent lower than expected. For the Mary LC pit under development, the mine to model reconciliation during Q3 of 2014 showed that through the 6560 bench the actual ore mined was 52 percent less than predicted by the model and the contained ounces were 62 percent below expectations, resulting in an average grade of the ore being 20 percent lower than predicted. The mine ore control, based on blast hole assays versus actual mine production indicates for the mine to date a 11, 16, and 19 percent dilution of the mineralized material in the Drinkwater, Mary, and Mary LC pits, respectively. Projected dilution was estimated at 10 percent. Additional dilution in the Drinkwater pit was due to the mining of two additional benches which were below the original mine model. Although these benches contained lower grade ore, they were still above the cut-off grade for economic mining. The slashing of Drinkwater pit walls in waste to allow the extraction of the two mineralized benches accounted for the dilution. The higher dilution in the Mary and Mary LC pits resulted from discontinuation of the mineralization in the upper predicted ore zones. As the Company continues to mine deeper, the expectation is estimated dilution will trend closer to the predicted levels.

Operations activities

For Q3 of 2014, the Company produced 11,228 ounces of gold and 4,911 ounces of silver compared to 9,632 ounces of gold and 3,702 ounces of silver produced in Q3 of 2013.

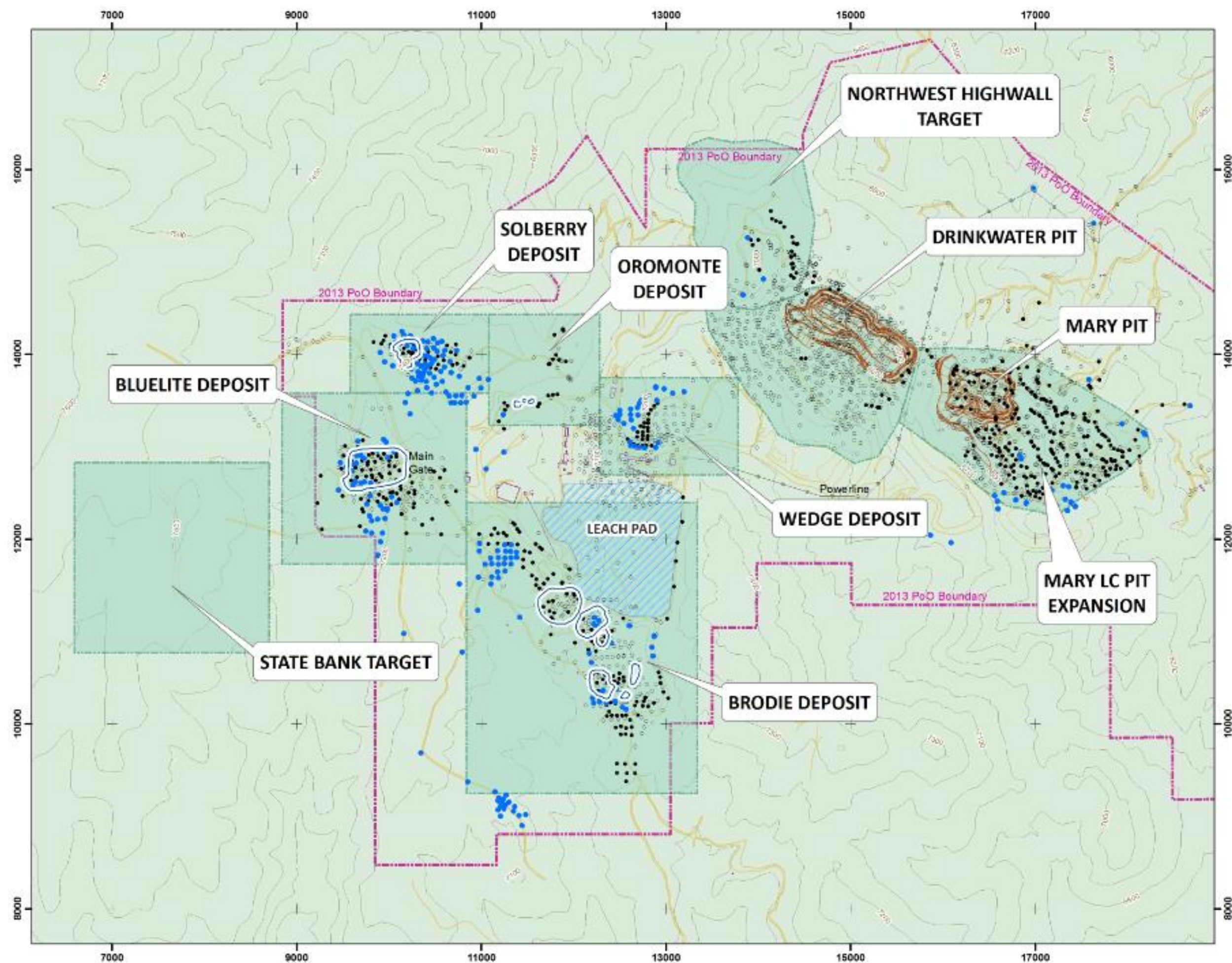
Total production for Q3 of 2014 was 276,857 tonnes, compared to 247,105 tonnes processed in Q3 of 2013. Total production in the first nine months of 2014 was 768,703 tonnes compared to 661,213 tonnes processed in the first nine months of 2013. The processed ore was mined from the Drinkwater, Mary and Mary LC pits and also included the lower grade stockpile material hauled to the crusher, as discussed above. The average crusher throughput per day for Q3 of 2014 was 3,009 tonnes at a head grade of 1.49 g/t (0.043 opt) gold compared to Q3 of 2013 which had 2,686 tonnes throughput per day at an average head grade of 2.08 g/t (0.061 opt) gold. In the first nine months of 2014, the average crusher throughput per day was 3,138 tonnes at an average head grade of 1.74 g/t (0.051 opt), compared to an average throughput rate of 2,699 tonnes per day at an average head grade of 2.34 g/t (0.068 opt) gold during the first nine months of 2013. Estimated contained ounces crushed and placed on the heap leach pad for Q3 of 2014 were 13,256, compared to 16,560 ounces in Q3 of 2013.

The availability of the crushing facility for the third quarter of 2014 was 52.9%, compared to 50.1% for Q3 2013. In the third quarter of 2014 there were 92 days or 2,208 permitted hours of operation. During this period the crushing plant ran for 1,169 hours. The increase in availability is due to an increase in maintenance efficiencies and reduced wear parts consumption.

Application of cyanide leach solution to the freshly stacked mineralized material on the leach pad continues with 195 million gallons in Q3 of 2014 compared with 177 million gallons of leach solution applied during Q3 of 2013. There were 172 million gallons (1,297 gpm) of pregnant, gold-bearing solution processed through the ADR plant's carbon column circuit at an average grade of 0.64 ppm gold and 0.37 ppm silver compared with 155 million gallons (1,173 gpm) at an average head grade of 0.63 ppm gold and 0.38 ppm silver in Q3 of 2013. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for Q3 of 2014 was 93.8% for gold and 73.0% for silver compared with 86.4% for gold and 54.9% for silver in Q3 of 2013. The efficiency of this circuit was greatly improved with the addition of the new vertical carbon column which has directly impacted the overall efficiency of precious metal recovery and increased flow rates as evidenced in the quarter over quarter data. This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and eventually be recovered. The loaded carbon from this circuit is shipped off site for stripping of the precious metals and upon completion of stripping is returned to the site for reuse.

The new production fresh water well is scheduled for maintenance and rehabilitation in early Q4. The maintenance on this well will consist of air lifting sediments out of the well that have accumulated since being placed into production, bleaching to remove any residual polymers and acid fracking to open up the existing aquifers. Rehabilitation of the pre-existing water well began in mid-July and was completed by mid-September. This rehabilitation included sleeving of the existing casing which had deteriorated to the point of failure. This re-sleeving will allow for continued use of this well. After completion of this sleeving the well was acid treated and any residual sediments were airlifted out of the well. This well was placed into production on September 14, 2014 and is expected to perform optimally.

Current Exploration / Permitting



The 2014 exploration drilling program continued to explore around known resources and develop new potential drill targets. This was accomplished by two 1500 Foremost Reverse Circulation ("RC") track mounted drill rigs and one LF-90 diamond drillhole rig. Drilling results received to date continue to be used to plan new drill sites, exploration roads, and updating of the 3D geological model. Exploration targeting is using data gathered from the 2013 geochemistry/ geophysical project.

The Q3 of 2014 exploration drilling campaign continued to complete infill drilling in the satellite target areas, prior to commencement of proposed open pit mining. The drill campaign in the Bluelite and Solberry areas has produced promising results for future pit expansion. Drilling continued to expand resources around the Brodie pit, which was previously mined by former operators of the property. The exploration department drilled the extension of the Northwest Brodie, which is the mineralized extension between the Brodie and Bluelite deposits, with encouraging success.

Drilling also included several "blue-sky" targets including a geophysical anomaly named the Physik located south by southwest of the Mary pit entrance.

The two 1500 Foremost track mounted RC drill rigs and one LF-90 diamond drillhole track rig have completed 14,943 meters of drill in Q3 of 2014. The two RC rigs drilled 14,096 meters in Q3 of 2014, which was 28.4% above the number of planned meters for the quarter and 15.6% above the planned meters year-to-date. The core rig was

contracted for a second phase of drilling of six holes which totaled 847 meters and are included in the overall Q3 total drilling listed above. The purpose of the additional core holes was to gain knowledge of the geology and structures of the known mineralization in known resource areas and utilize that information to target other areas of potential mineralization.

In 2014, a total of 44,392 meters of drilling was completed in 423 holes at Mineral Ridge far surpassing the original forecast of 18,000 to 24,000 meters for the year. The RC program included 399 holes for 41,453 meters of drilling while the core program accounted for 2,939 meters of drilling in 20 holes. In mid-November the Company made the decision that the program had attained its goals and has temporarily paused drilling. All three RC drills will remain on site as drilling is expected to restart in Q1 of 2015. All assay results from the 2014 campaign will be released in a timely manner.

Drilling assay results from Q3 of 2014 continue to be utilized in updating mineralization models in the Bluelite and Solberry pits, as well as other target areas. Mineralization models are drawn around drillhole intervals equal to or greater than 0.34 grams per tonne (0.010 OPT). The process aids in planning new drillholes for infill and resource development of known targets, along with following new potential mineralization trends.

On June 26, 2014, a plan of operations amendment seeking authorization for mining of the expanded Brodie pit and Wedge B pit, as well development of the Bluelite and Solberry satellite pits, and further expansion of the Mary LC pit was submitted to the Bureau of Land Management (“BLM”) and the Nevada Division of Environmental Protection (“NDEP”). On August 29, NDEP approved the plan amendment and issued the final permit for a 30-day public comment period. No comments were received, and the permit effective date was October 16, 2014. The plan amendment review has also been completed by the BLM, and preparation of an Environmental Assessment (“EA”) of the project is underway.

Other properties

In December 2012, the Company acquired 100% interests in the Goldwedge and Pinon properties from Royal Standard Minerals Inc. The Company sold its interest in the Pinon property in March of 2014.

Goldwedge

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 Q3 of 2014 the Company’s exploration department completed four diamond drill holes totaling 829 meters of oriented HQ diameter core. The objective of the program was to gain knowledge of the geology and aid in identifying mineralization trends in the area. Assays are pending and will be released when received from the assay lab. The exploration department will incorporate this information into future surface and underground exploration programs.

Testing of the milling circuit continued in Q3 of 2014 with high grade ore from Mineral Ridge mine being batch processed through the Goldwedge mill. Batch processing of this material is allowing for optimization of the milling circuit to ensure optimal recoveries of coarse gold from the ore. Results from testing of this ore indicate that the milling circuit is duplicating expected metallurgical recoveries for coarse gold recovery.

Biological and cultural baseline studies were completed in Q3 of 2014 in support of a Plan of Operations for Exploration Drilling to be submitted to the U.S. Forest Service and the NDEP in Q4 of 2014, which will seek authorization for surface exploration drilling on the main Goldwedge claim block.

Lac Arseneault Property

The Lac Arseneault property is located in Bonaventure County, 36 km north of the town of Paspebiac on the south coast of the Gaspe Peninsula, Quebec. The property consists of 20 contiguous unpatented claims covering approximately 1,044 hectares. Scorpio Gold holds a 100% interest in the property, subject to a 2% NSR royalty payable to the previous owner. The Company has written down the value of the property in prior years and has no current exploration plans for the property.

Environmental Regulation

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

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

RESULTS OF OPERATIONS

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

Scorpio Gold reported net earnings of $0.3 million for the three months ended September 30, 2014, compared to $0.8 million for the three months ended September 30, 2013. Net earnings attributable to the shareholders of the Company were close to nil ($0.00 per share) for the three months ended September 30, 2014, compared to $0.4 million ($0.00 per share) for the three months ended September 30, 2013. Net earnings attributable to the non-controlling interest were $0.3 million for the three months ended September 30, 2014 compared to $0.4 million for the three months ended September 30, 2013.

Scorpio Gold reported net earnings of $1.3 million for the nine months ended September 30, 2014 compared to a net loss of $4.9 million for the nine months ended September 30, 2013. Net earnings attributable to the shareholders of the Company were $0.4 million ($0.00 per share) for the for the nine months ended September 30, 2014 compared to a net loss of $4.4 million ($0.03 per share) for the nine months ended September 30, 2013. Net earnings attributable to the non-controlling interest were $0.9 million for the nine months ended September 30, 2014 compared to a net loss of $0.5 million for the nine months ended September 30, 2013.

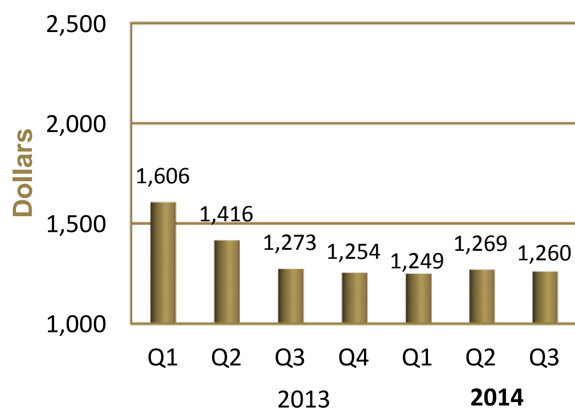
The major differences between the 2014 and 2013 results are explained below.

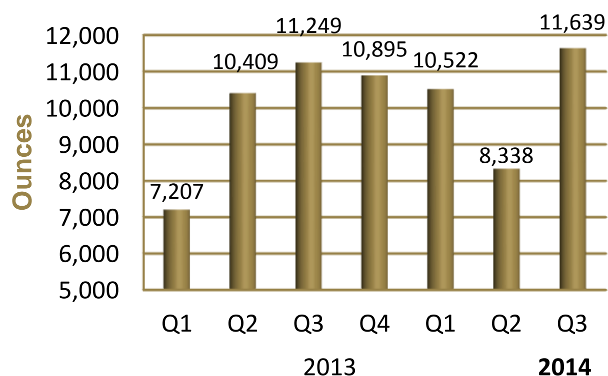
Revenue

During Q3 of 2014, the Company sold 11,639 ounces of gold and 4,734 ounces of silver for total revenue of $14.8 million. During Q3 of 2013, the Company sold 11,249 ounces of gold and 4,268 ounces of silver for total revenue of $14.4 million. During Q3 of 2014, gold ounces were sold at an average price of $1,260 ($1,273 in 2013) and silver ounces at an average price of $19 ($20 in 2013).

During the nine-month period ended September 30, 2014, the Company sold 30,499 ounces of gold and 13,450 ounces of silver for total revenue of $38.6 million. During the nine-month period ended September 30, 2013, the Company sold 28,865 ounces of gold and 11,486 ounces of silver for total revenue of $40.9 million. During the nine-month period ended September 30, 2014, gold ounces were sold at an average price of $1,259 ($1,408 in 2013) and silver ounces at an average price of $19 ($24 in 2013). Revenue for the nine-month period ended September 30, 2013 was negatively impacted by 1,878 ounces of gold and 759 ounces of silver sold in December of 2012 under a carbon sale agreement entered into with Waterton Global Value, L.P., which had accelerated sales in Q4 of 2012.

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 September 30, 2014, the Company had inventories including 1,178 ounces of gold available for sale compared to 1,210 ounces of gold as at December 31, 2013.





Mine operating earnings

Cost of sales, excluding depletion and amortization, increased from $8.8 million for Q3 of 2013 to $10.8 million for Q3 of 2014. During Q3 of 2014, the Company processed 12% more tonnes than Q3 of 2013 and produced 17% more gold ounces. Following the installation of a new higher capacity carbon column in June, 2014, the rate of processing of pregnant leach solution increased and thereby brought down leach pad inventory and consequently increased gold production.

Metal in process inventory decreased by $2.1 million during the nine-month period ended September 30, 2014, which contributed in the increase of cost of sales for the period.

Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $847 for Q3 of 2014 compared to $703 in Q3 of 2013. Total cash cost per ounce sold [(1)], after silver by-product credits, was $859 for Q3 of 2014 compared to $729 in Q3 of 2013. Unit production cost increased for Q3 of 2014 compared to same period in 2013, and is mainly attributable to lower head grades.

Cost of sales excluding depletion and amortization increased from $19.2 million for the nine-month period ended September 30, 2013 to $26.5 million for the nine-month period ended September 30, 2014.

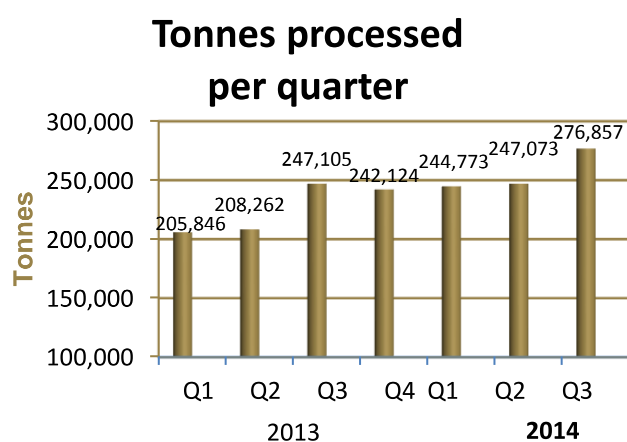
Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $813 for the first nine months of 2014 compared to $699 in the same period of 2013. Total cash cost per ounce sold [(1)], after silver by-product credits, was $825 for the first nine months of 2014 compared to $735 for the same period of 2013. Unit production cost increased for the first nine months of 2014 compared to same period in 2013, for the same reasons as explained above.

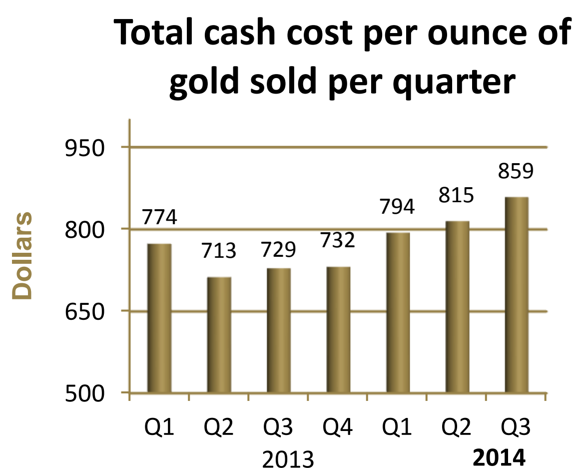
During the first nine months of 2014, the Company processed 16% more tonnes than during the first nine months of 2013 and produced 10% more gold ounces than during the first nine months of 2013, mainly attributable to lower head grades. Q1 of 2013 production was negatively impacted by 1,878 ounces of gold and 759 ounces of silver sold in December of 2012 under a carbon sale agreement entered into with Waterton Global Value, L.P., which had accelerated sales in Q4 of 2012.

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

The depletion and amortization expense was $2.7 million for Q3 of 2014 compared to $3.8 million in Q3 of 2013 and $8.6 million for first nine months of 2014 compared to $12.7 million for same period in 2013. These decreases resulted from the impairment charges accounted for in June 2013 as well as a depletion base change. Even though the Company processed 12% and 16% more tonnes in the three and nine-month periods ended September 30, 2014 compared to same periods in 2013, the net effect of these changes has resulted in lower depletion and amortization costs in 2014 compared to 2013.

Mine operating earnings [1] were therefore $1.2 million for Q3 of 2014 compared to $1.8 million for the comparative period of 2013. Mine operating earnings [1] were $3.6 million for the first nine months of 2014 compared to $9.0 million for the comparative period in 2013.





General and administrative

General and administrative expenses were $0.4 million for both Q3 of 2014 and Q3 of 2013 and totalled $1.4 million for the first nine months of 2014 compared to $1.9 million for the same period of 2013. The main variance between those periods relates to share-based compensation, which is non-cash in nature and totalled $0.3 million for 2013, compared to close to nil during 2014. An aggregate of 2,645,000 stock options were granted to directors, officers, employees and consultants of the Company during the first nine months 2013 while none were granted in the first nine months of 2014.

Impairments

The decline in metal prices towards the latter half of the second quarter of 2013 was an indicator of impairment. The Company performs impairment testing annually or when impairment indicators are present. Impairment testing is performed using life of mine discounted after-tax cash flow projections, which incorporate reasonable estimates of future metal prices, operating costs, capital expenditures and inflation.

Based on its assessment during the second quarter of 2013, the Company recorded a non-cash impairment charge of $9.4 million during the nine-month period ended September 30, 2013. For the June 30, 2013 assessments, a discounting rate of 12.5% was used along with a weighted average gold price assumption of $1,390 over the life of mine.

During the nine-month period ended September 30, 2013, the Company also recognized a non-cash impairment loss on some of its idle assets, $0.3 million of which relates to producing plant and equipment and $0.2 million of which relates to non-producing plant and equipment.

Finance costs

Finance costs totalled $0.1 million Q3 of 2014 compared to $0.3 million for Q3 of 2013 and totaled $0.5 million for the first nine months of 2014 compared to $0.9 million for the same period on 2013. These decreases were caused by the $5.2 million principal prepayment of the Company's long-term debt in March 2014.

All of the interest costs for both periods relate to the long-term debt assumed in connection with the acquisition of the Goldwedge and Pinon properties completed in December 2012.

Current income tax expense

During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified the amounts previously recognized as cost of sales in Q3 of 2013 and for the nine-month period ended September 30, 2013 as an income tax expense. For Q3 of 2014, the Nevada net proceeds tax recovery was $0.1 million compared to an expense of $0.3 million for the same period of 2013. For the nine-month period ended September 30, 2014, the Nevada net proceeds tax expense was $0.4 million compared to $1.0 million in the comparative period.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2014, the Company had $1.5 million in cash compared to $2.8 million as of December 31, 2013.

Working capital was $12.9 million as of September 30, 2014 compared to $19.8 million as of December 31, 2013.

On March 5, 2014, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard for consideration consisting of $5.4 million (CAD$6.0 million) in cash paid at or before closing, a $2.2 million (CAD$2.5 million) promissory note receivable and 5.5 million common shares of Gold Standard. Of the cash consideration, $5.2 million (CAD$5.75 million) was applied to the Company's long-term debt. The promissory note bears interest at 3% per annum and is to be paid a maximum of one year after closing. The sale agreement provides for bonus consideration to be paid to the Company if certain levels of mineral resources are established on the Pinon property or if Gold Standard or its properties are sold for certain minimum amounts.

A 1,250,000 bonus share consideration was triggered as a result of Gold Standard having received a technical report including an initial mineral resource estimate on the Pinon property including indicated mineral resources of 423,000 troy ounces of gold and inferred mineral resources of 1,022,000 troy ounces of gold. The Company received the 1,250,000 bonus shares on November 5, 2014. Any proceeds from the sale of the common shares of Gold Standard or payment of the CAD$2.5 million amount is required to be applied against the then outstanding debt balance owed to Waterton, if any.

The Company anticipates that it will make the required payments on its debt and fund its planned capital expenditures from cash flow from operations at Mineral Ridge and the sale of the above mentioned investments. However, if cash flow is insufficient, additional financing will be required.

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 September 30, 2014, included in the in process inventories, are inventories on the leach pad for a total cost of $6.6 million. The ultimate recovery of gold from the heap leach pad will not be known until the leaching process is concluded.

The primary factors that will affect the future financial condition of the Company include the ability to continue 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.

INVENTORIES

Inventories decreased from $15.5 million as of December 31, 2013 to $13.5 million as of September 30, 2014.

Metal in process decreased by $2.1 million to $10.8 million during the nine-month period ended September 30, 2014, mostly following the installation of an additional carbon column, which was installed in late June 2014. This additional carbon column increased the rate of processing of pregnant leach solution and thereby brought down leach pad inventory and consequently increased gold production.

Finished goods inventory increased by $0.1 million to $1.4 million during the nine-month period ended September 30, 2014, due mainly by the timing of the Company’s gold sales.

PRODUCING MINING ASSETS

Producing mining assets stood at $15.9 million as of September 30, 2014, compared to $21.9 million as at December 31, 2013.

During the first nine month of 2014, an amount of $8.6 million has been recorded as depletion and amortization of producing mining assets.

During the first nine month of 2014, the Company added $2.7 million to producing mining assets which mainly consisted of $1.1 million related to stripping activities, $1.1 million related to completed projects related to plant and equipment and $0.3 million related to construction in progress as at September 30, 2014. Included in the $1.1 million completed projects is $0.4 million related to the above mentioned carbon column, $0.3 million relates to rehabilitation of the pre-existing water well and $0.3 million of improvements to the leach pad. Construction in progress as at September 30, 2014 is mainly related to a scoping study for a potential processing and refining facility.

The Company has engaged SNC Lavalin to conduct a preliminary scoping study on the design and construction of a gold/silver processing and refining facility at the Mineral Ridge mine in Nevada. The study will contain recommendations for the optimized scaling of throughput for a conventional processing mill and refinery. The rate of throughput in the study will look at two scenarios; the first being the reprocessing of the gold bearing previously heap leached material, which had only a 65% recovery of the contained gold and secondly the combined processing of freshly mined "run of mine" material together with the previously heap leached material. The process envisions mill crushing, grinding, gravity recovery, carbon in leach gold recovery, carbon loading, carbon stripping and finally the production of gold/silver dore.

The study will contain cost estimates for the construction of the entire facilities, process flow diagrams and general arrangement drawings. Once the study is completed, the Company will review the overall economics of the proposed processing and refining facility, and a timeline to completion including permitting and present management's recommendations to the Company’s Board of Directors.

The Company notes that this scoping study is not a full technical study for inclusion in an NI 43-101 technical report but is a preliminary review of the potential capital cost of the mill facility and the potential to increase the precious metals recovery rates from the Mineral Ridge mine.

NON-PRODUCING MINING ASSETS AND OTHER

Non-producing mining assets and other stood at $27.2 million as of September 30, 2014, compared to $18.0 million as at December 31, 2013. During the first nine month of 2014, the Company added $9.2 million of non-producing mining assets. This increase is mainly constituted of $4.3 million related to Mary LC pit development costs and $3.2 million of exploration costs related to exploration targets surrounding the areas currently in development and production at the Mineral Ridge mine. During the first nine months of 2014, the Company also incurred $1.0 million in capitalized exploration and development expenditures on the Goldwedge property and $0.4 million on plant and equipment and construction in progress at Goldwedge.

RECLAMATION BONDS

The Company's reclamation bonds book balance went down by $1.0 million, from $6.4 million as of December 31, 2013 to $5.4 million as at September 30, 2014.

During the first nine month of 2014, the Mineral Ridge mine received regulatory approval for its updated plan of operations which includes, among other things, the planned expansion of the Mary pit. As part of the requirements of such regulatory approval, the Company increased its reclamation bonds by $2.5 million to $10.2 million. In order to maximize its cash, the Company cancelled its reclamation insurance policy and entered into an agreement with a new surety under which the cash collateral requirement was significantly reduced. As a result, the Company reduced the cash collateral by approximately $0.8 million during the first nine month of 2014.

Following the sale of the Pinon property, the Company reduced its related reclamation bonds by $0.1 million.

The remaining reduction in bonds relates to the Goldwedge property.

CURRENT LIABILITIES

Total current liabilities were $8.5 million as at September 30, 2014, compared to $10.5 million at December 31, 2013. Trade and other payables slightly increased from $5.0 million as at December 31, 2013 to $5.2 million as at September 30, 2014.

The current portion of long-term debt decreased from $5.2 million as at December 31, 2013 to $3.1 million as at September 30, 2014 following the prepayment made as part of the disposal of the Pinon assets in March 2014. The long-term portion of the long-term debt was reduced as well from $5.9 million as at December 31, 2013 to $1.1 million as at September 30, 2014 essentially for the same reason.

EQUITY

Total equity stood at $55.0 million as at September 30, 2014 compared to $54.9 million as at December 31, 2013. During the nine-month period ended September 30, 2014 , the Company realized net earnings of $1.3 million and an amount of $1.0 million has been distributed to the non-controlling interest, being Waterton, the Company's partner at Mineral Ridge. Change in fair value of available-for-sale investments resulted in a reduction of $0.2 million to total equity for the nine-month period ended September 30, 2014.

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ending	Revenues $	Net earnings (loss) $	Basic earnings (loss) per share[(1)] $	Diluted earnings (loss) per share[(1)] $
September 30, 2014	14,754	275	(0.00)	(0.00)
June 30, 2014	10,646	608	0.00	0.00
March 31, 2014	13,249	378	0.00	0.00
December 31, 2013	13,739	(1,976)	(0.02)	(0.02)
September 30, 2013	14,406	810	0.00	0.00
June 30, 2013	14,835	(7,772)	(0.05)	(0.05)
March 31, 2013	11,666	2,096	0.01	0.01
December 31, 2012	15,498	3,673	0.02	0.02

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

CASH FLOWS

Cash flows generated from operating activities were $5.0 million for Q3 of 2014, compared to $6.6 million for Q3 of 2013. This variance is mostly due to higher cash cost per ounce of gold sold compared to same period of the prior year.

For the nine-month period ended September 30, 2014, cash flows generated from operating activities were $10.4 million, compared to $18.1 million for the same period of 2013. Even though the Company sold a higher number of gold ounces during the first nine months of 2014 compared to same period of 2013, lower realized metals prices and higher cash cost per ounce of gold sold compared to same period of the prior year explain most of the variance in cash flow from operations.

Cash outflows used in investing activities were $4.3 million for the three months ended September 30, 2014. During Q3 of 2014, investing activities related to producing mining assets totalled $0.5 million and were mainly related to construction costs related to various capital projects discussed above. Non-producing mining asset additions totalled $3.6 million and are mainly related to development costs of Mary LC pit and exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine. The Company also paid $0.2 million related to the reclamation bonds related to the Goldwedge properties.

During Q3 of 2013, cash outflows used in investing activities related to producing mining assets totalled $3.3 million and were mainly related to payments issued following the completion of the crushing system as well as stripping activities. Non-producing mining asset additions totaling $1.5 million in Q3 of 2013 mainly related to exploration costs related to exploration targets surrounding the areas in production at the Mineral Ridge mine. During Q3 of 2013, some idle assets were sold for total proceeds of $0.2 million.

During the nine month period ended September 30, 2014, cash outflows related to investing activities totalled $3.4 million. During the first nine months of 2014, investing activities related to producing mining assets totalled $2.3 million and were mainly related to stripping activities and construction costs related to various projects. Non-producing mining asset additions totalled $7.5 million and mainly relate to development costs of Mary LC pit and exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine. During the first nine months of 2014, the Company completed the sale of its Pinon non-producing asset for consideration of $7.7 million (CAD$8.5 million) in cash. Of the cash consideration, $5.4 million (CAD$6.0 million) was paid at closing. As discussed above, the Company also received a net amount of $1.0 million related to the reduction in its reclamation bonds.

Cash outflows used for investing activities were $11.5 million for the nine months ended September 30, 2013. During the nine months period ended September 30, 2013, investing activities related to producing mining assets totalled $7.6 million and were mainly related to payments issued following the completion of the crushing system as well as stripping activities. Non-producing mining asset additions totalled $4.1 million for the nine-month period ended September 30, 2013 mainly related to exploration costs related to exploration targets surrounding the areas in production at the Mineral Ridge mine and development at Goldwedge.

Cash outflows used for financing activities were $1.2 million for Q3 of 2014 compared to $2.1 million for Q3 of 2013. Those outflows relate to service the Company's long-term debt and also include distributions to the non-controlling interest in the amount of $0.4 million during Q3 of 2014 compared to $0.5 million for same period of 2013.

Cash outflows used for financing activities were $8.3 million for the first nine months of 2014 compared to $6.3 million for the first nine months of 2013. Those outflows relate to service of the Company's long-term debt and also include distributions to the non-controlling interest in the amount of $1.0 million for the first nine months of 2014 compared to $1.5 million for same period of 2013. Included in the first nine months of 2014 was a repayment of long-term debt in the cash amount of $5.2 million, paid to the lender from the proceeds of the sale of Pinon assets.

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.

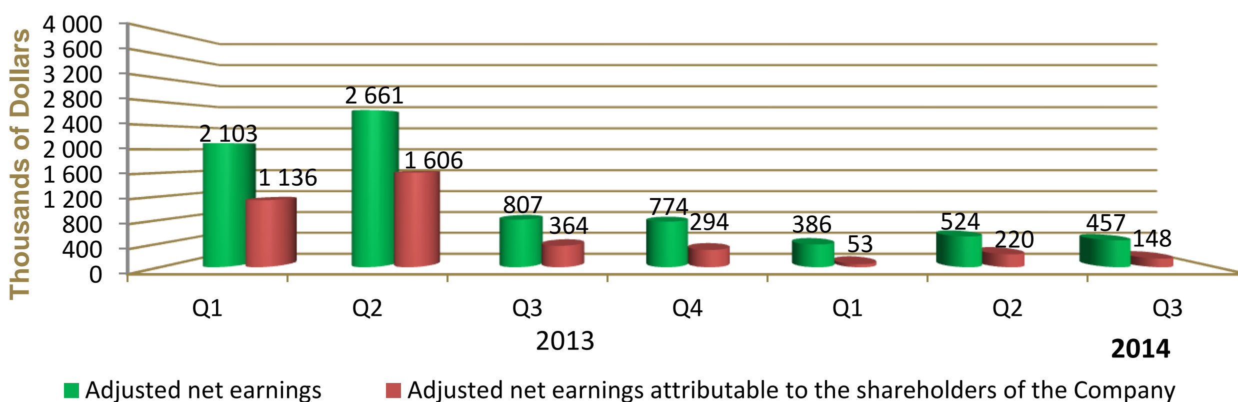
Adjusted net earnings

The Company uses the financial measure "Adjusted Net Earnings" to supplement information in its condensed consolidated interim 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 financial statements:

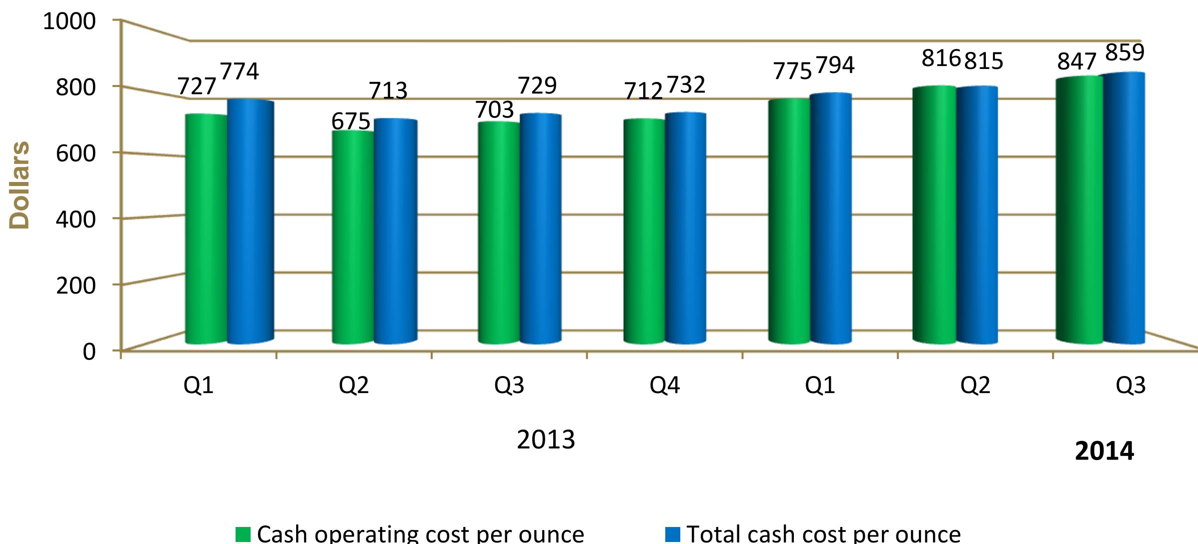
	Three months ended September 30, 2014	Three months ended September 30, 2013	**Nine months ended September 30, 2014**	Nine months ended September 30, 2013
	$	$	**$**	$
Net earnings (loss) for the periods	**275**	810	**1,261**	(4,866)
Share-based compensation	**-**	19	**3**	563
Impairments and loss (gain) on disposal of mining assets	**69**	(19)	**69**	9,882
Foreign exchange loss (gain)	**113**	(3)	**34**	(8)
Adjusted net earnings for the periods	**457**	807	**1,367**	5,571
Non-controlling interest	**(309)**	(443)	**(946)**	(2,464)
Adjusted net earnings for the periods attributable to the shareholders of the Company	**148**	364	**421**	3,107
Adjusted basic and diluted net earnings per share	**0.00**	0.00	**0.00**	0.02



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 consolidated interim financial statements.

	Three months ended September 30, 2014	Three months ended September 30, 2013	**Nine months ended September 30, 2014**	Nine months ended September 30, 2013
	$	$	**$**	$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	**10,819**	8,846	**26,476**	19,195
Share-based compensation	**-**	(4)	**-**	(279)
Inventory adjustment	**(873)**	(851)	**(1,405)**	1,526
By-product silver sales	**(91)**	(86)	**(262)**	(274)
Cash operating costs	**9,855**	7,905	**24,809**	20,168
Nevada net proceeds tax	**147**	296	**344**	1,034
Total cash cost	**10,002**	8,201	**25,153**	21,202
Divided by ounces of gold sold	**11,639**	11,249	**30,499**	28,865
Cash operating cost per gold ounce sold	**847**	703	**813**	699
Total cash costs per gold ounce sold	**859**	729	**825**	735



Adjusted EBITDA

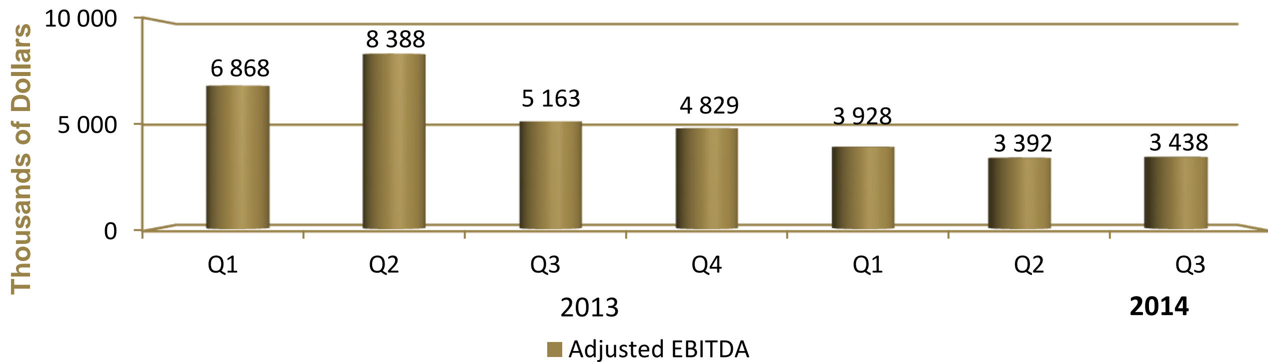
EBITDA is a non-IRFS financial measure, which excludes the following from net earnings:

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

Management believes that EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations and fund capital expenditures. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on observed values to determine the approximate total enterprise value of a company. Adjusted EBITDA removes the effects of "impairment charges", "gain or loss on disposal of mining assets" as well as "share-based compensation". 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 consolidated interim financial statements:

	Three months ended September 30, 2014	Three months ended September 30, 2013	**Nine months ended September 30, 2014**	Nine months ended September 30, 2013
	$	$	**$**	$
Net earnings (loss) for the period	**275**	810	**1,261**	(4,866)
Finance costs	**115**	285	**455**	926
Depletion and amortization	**2,745**	3,772	**8,610**	12,697
Income tax expense	**234**	296	**360**	1,216
Standardized EBITDA	**3,369**	5,163	**10,686**	9,973
Impairments and loss (gain) on disposal of mining assets	**69**	(19)	**69**	9,882
Share-based compensation	**-**	19	**3**	563
Adjusted EBITDA	**3,438**	5,163	**10,758**	20,418
Non-controlling interest	**(1,180)**	(1,667)	**(3,648)**	(6,596)
Adjusted EBITDA attributable to the shareholders of the Company	**2,258**	3,496	**7,110**	13,822
Adjusted basic and diluted EBITDA per share	**0.02**	0.03	**0.06**	0.11



Additional measures

The Company uses other financial measures the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measures are used:

- *Mine operating earnings* - represents the amount of revenues in excess of cost of sales excluding depletion and amortization and depletion and amortization.
- *Operating earnings* - represents the amount of earnings before finance cost, foreign exchange gain (loss), finance income and income tax expense.

The terms described above do 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. The Company's management believes that their presentation provides useful information to investors because cash flows from operating activities before movements in working capital excludes the non-cash movement in working capital items, mine operating earnings excludes expenses not directly associate with commercial production and operating earnings excludes finance and tax related expenses and income/recoveries. These, in management's view, provide useful information of the Company's cash flows from operating activities and are considered to be meaningful in evaluating the Company's past financial performance or the future prospects.

SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED

	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014	SEPTEMBER 2014
Mining operations						
Drinkwater pit						
Ore tonnes mined	209,114	134,147	100,732	154,952	165,882	74,343
Waste tonnes mined	568,765	478,927	441,244	398,233	326,304	110,401
Total mined	777,879	613,074	541,976	553,185	492,186	184,744
Strip ratio	2.7	3.6	4.4	2.6	2.0	1.5
Mary pit						
Ore tonnes mined	33,644	80,212	136,891	92,748	79,394	130,145
Waste tonnes mined	444,029	652,326	563,368	415,361	612,511	564,727
Total mined	477,673	732,538	700,259	508,109	691,905	694,872
Strip ratio	13.2	8.1	4.1	4.5	7.7	4.3
Total producing pits						
Ore tonnes mined	242,758	214,359	237,623	247,700	245,276	204,488
Waste tonnes mined	1,012,794	1,131,253	1,004,612	813,594	938,815	675,128
Total mined	1,255,552	1,345,612	1,242,235	1,061,294	1,184,091	879,616
Strip ratio	4.2	5.3	4.2	3.3	3.8	3.3
Pits under development:						
Ore tonnes mined	-	-	-	-	6,915	29,386
Waste tonnes mined	-	62,079	151,332	257,396	411,162	793,866
Total mined	-	62,079	151,332	257,396	418,077	823,252
Total mining operations						
Ore tonnes mined	242,758	214,359	237,623	247,700	252,191	233,874
Waste tonnes mined	1,012,794	1,193,332	1,155,944	1,070,990	1,349,977	1,468,994
Total mined	1,255,552	1,407,691	1,393,567	1,318,690	1,602,168	1,702,868

	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014	SEPTEMBER 2014
Processing						
Tonnes processed	208,262	247,105	242,124	244,773	247,073	276,857
Gold head grade (grams per tonne)	2.56	2.08	2.28	1.95	1.80	1.49
Availability	59.4%	50.1%	51.9%	51.1%	52.4%	52.9%
Throughput (tonnes per day)	2,670	2,686	2,632	3,264	3,168	3,009
Ounces produced						
Gold	10,769	9,632	11,348	10,294	9,034	11,228
Silver	4,379	3,702	4,154	5,113	3,771	4,911
Precious Metal Sales (ounces)						
Gold	10,409	11,249	10,895	10,522	8,338	11,639
Silver	4,158	4,268	4,154	5,341	3,375	4,734
Exploration Drilling						
Holes	57	108	91	64	164	132
Meters	5,061	8,871	9,940	6,582	15,234	15,772

	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014	SEPTEMBER 2014
Financial results						
	$	$	$	$	$	$
Cash operating cost per ounce of gold sold [1]	675	703	712	775	816	847
Total cash cost per ounce of gold sold[1]	713	729	732	794	815	859
Average price of gold						
London PM fix	1,415	1,326	1,276	1,293	1,288	1,282
Realized	1,416	1,273	1,254	1,249	1,269	1,260
Net earnings (loss)	(7,772)	810	(1,976)	378	608	275
Earnings (loss) per share	(0.05)	0.00	(0.02)	0.00	0.00	(0.00)
Adjusted net earnings[1]	2,661	807	774	386	524	457
Adjusted basic and diluted net earnings per share[1]	0.01	0.00	0.00	0.00	0.00	0.00
Adjusted EBITDA[1]	8,388	5,163	4,829	3,928	3,392	3,438
Adjusted basic and diluted EBITDA per share [1]	0.05	0.03	0.03	0.02	0.02	0.02

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

CONTINGENCIES

Due to the size, complexity and nature of the Company’s operations, various legal matters are outstanding from time to time. In the opinion of management, there are no 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 September 30, 2014.

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, directly or indirectly.

The remuneration of directors and key management personnel during the three and nine months periods ended September 30, 2014 and September 30, 2013 is as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	**Nine months ended September 30, 2014**	Nine months ended September 30, 2013
	$	$	**$**	$
Salaries and directors fees	**272**	274	**850**	827
Consulting fees with a director	**48**	-	**118**	-
Share-based compensation [1]	**-**	12	**-**	283
	320	286	**968**	1,110

(1) Share-based compensation is the fair value of options expensed during the period to key management personnel and directors.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and nine months ended September 30, 2014 and September 30, 2013.

During the three and nine months ended September 30, 2014, the Company incurred consulting fees of $48,000 and $118,000, respectively, with Brigill Investments Ltd., a firm controlled by Brian Lock, a director of the Company. These services were incurred in the normal course of operations in relation of a scoping study on the design and construction of a potential gold/silver processing and refining facility at the Mineral Ridge mine in Nevada.

As at September 30, 2014, $16,000 (2013, $nil) resulting from these transactions is included in trade and other payables.

b) Waterton Global Value, L.P. ("Waterton")

An affiliate of Waterton, the Company's lender, owns a 30% non-controlling interest in Mineral Ridge Gold, LLC, which holds the Mineral Ridge mine. Management considers that Waterton is a related party.

Related party transactions entered into with Waterton during the three and nine-month periods ended September 30, 2014 and September 30, 2013 are as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	**Nine months ended September 30, 2014**	Nine months ended September 30, 2013
	$	$	**$**	$
Sales	**14,694**	14,306	**38,091**	40,641
Interest on long-term debt	**94**	269	**391**	878

As at September 30, 2014, $nil (2013, $nil) resulting from these transactions is included in trade and other payables.

FINANCIAL INSTRUMENTS

a) Financial risk factors

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

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash, trade and other receivables, a promissory note and reclamation bonds. The credit risk on cash and reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. Trade receivables on regular precious metal sales are generally received within a week after delivery. The Company has no past due accounts and has not recorded a provision for doubtful accounts. The promissory note with a book value of $2.2 million is secured against title to the Pinon property.

(ii) 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	5,213	5,213	-	-	-
Long-term debt[(1)]	4,169	3,105	1,064	-	-
Provision for environmental rehabilitation	5,736	-	411	2,650	2,675

[(1)] Any proceeds from the sale of the common shares of Gold Standard Ventures Corp.("Gold Standard") or payment of the CAD$2.5 million promissory note received as part of the sale of the Pinon property is required to be applied against the then outstanding long-term debt balance, if any. Such transactions were not reflected in the table above.

(iii) Market risk

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

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's senior secured credit agreement fixes interest at 8% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The CAD$2.5 million promissory note bears interest at 3% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest.

The Company does not use financial derivatives to manage its exposure to interest rate risk.

2) Currency Risk

As at September 30, 2014, the Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in Canadian dollars ("CAD$") and presented in US dollars.

	$
Cash	**305**
Value added tax and other receivables	**2**
Promissory note receivable	**2,235**
Trade and other payables	**(95)**

A sensitivity analysis as at September 30, 2014, using a reasonably possible change in the USD/CAD exchange rate of 10%, returns an approximate impact on net earnings and comprehensive income of $0.2 million. As of September 30, 2014 the USD/CAD exchange rate was 1.12082.

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

3) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. The Company is not exposed to price risk as at September 30, 2014. The Company does not use derivatives to manage its exposure to price risk.

a) Fair Value

The fair value of cash, trade and other receivables, promissory note, reclamation bonds, trade and other payables approximate their carrying amount due to their short-term nature. Investments, which are designated as available-for-sale, are recorded at fair value. 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 assumed the debt in December 2012.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's investments in common shares of publicly listed companies are classified as Level 1 in the fair value hierarchy. The Company has no Level 2 inputs.

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mineral exploitation, 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 December 31, 2013 annual MD&A available 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 Company's audited consolidated financial statements as at December 31, 2013. The accompanying condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

The following policies reflect policies being applied in the current period which were not applicable in the consolidated financial statements for the year ended December 31, 2013.

a) Financial Instruments: Presentation ("IAS 32")

On January 1, 2014, the Company adopted IAS 32. Amendments to IAS 32 provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. The adoption of this new standard did not have any significant impact on the presentation of the Company's financial statements.

b) Levies ("IFRIC 21")

On January 1, 2014, the Company adopted IFRIC 21. This interpretation addresses when an entity should recognize a liability to pay a government levy (other than income taxes). IFRIC 21 is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets ("IAS 37").* IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this new standard did not have any significant impact on the presentation of the Company's financial statements.

During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified $0.296 million and $1.034 million, respectively, previously recognized as cost of sales during the three-month and nine-month periods ended September 30, 2013 as an income tax expense. There is no impact on the overall earnings per share or the Company's statement of financial position as a result of this change.

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(e) of the Company's audited consolidated financial statements for the year ended December 31, 2013.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain amendments and new standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") and are mandatory for annual accounting periods beginning on or after January 1, 2015, unless otherwise indicated. Those not applicable to or that does not have a significant impact on to 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) Joint arrangements: Accounting for acquisitions of interests in joint operations ("IFRS 11")

The objective of the amendments to this standard is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, *Business Combinations* ("IFRS 3"). Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. These amendments are effective for annual periods beginning after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

iii) 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, 2017. The Company is currently assessing the impact of this new standard on its financial statements.

iv) Property, plant and equipment and Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation ("IAS 16" and "IAS 38")

Amendments to IAS 16 and IAS 38 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

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 nine-month period ended September 30, 2014, 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.

OUTLOOK

Looking forward, the Company anticipates continued strong production from the Mineral Ridge mine with the Mary pit and the Mary LC contributing essentially all ore tonnes to be mined during the remaining 2014 as the Drinkwater pit is now exhausted.

As of November 14th the Company has completed infill definition and exploration drilling scheduled for 2014. To date 423 holes have been completed totaling 45,221 meters. All remaining assay results will be made public on a timely basis as they are received and compiled.

The Goldwedge mill and gravity circuit continues to be fine-tuned for optimized gold recovery via small scale batch test milling of high grade gold material from the Mineral Ridge operation. This program will continue into the fourth quarter.

The geology team has completed its review of all geological data at Goldwedge and continues with an exploration program that involves mapping of geological structures both on surface and from underground workings. The first phase of oriented-core drilling campaign completed four holes that were designed to twin or off-set high-interest historical reverse circulation holes. The core holes are currently being logged and assayed. Once all assays have been received and data compiled it will then be used to as a template to guide the second phase of drilling with the plan of resource definition and expansion of the drill program from surface and underground. In addition, two small pits that were previously mined in the 1980's, the Keystone and Jumbo, will require early stage exploration that could lead to a drill program. These drill programs are subject to financing.

At Mineral Ridge, the Company continues to advance the potential for a processing facility which will be detailed in a preliminary scoping study anticipated to be completed in late 2014 or early 2015.

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

DISCLOSURE OF OUTSTANDING SECURITIES AS AT November 19, 2014

Outstanding common shares	124,948,235
Stock options	9,610,000
Fully diluted	134,558,235

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, including all 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, 2013 which is available at www.sedar.com under the Company's name.