



## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

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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, 2017 and is provided as of November 29, 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 nine-month periods ended September 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These documents are available on the Company’s website ([www.scorpiongold.com](http://www.scorpiongold.com)) and filed on SEDAR ([www.sedar.com](http://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.

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

In October 2017, the Company announced a positive feasibility study for processing the heap leach mineral resource at Mineral Ridge. This economically positive study provides the foundation for recovering a substantial portion of the 122,000 ounces of gold resources contained on the heap leach pad. This project, which is subject to financing will provide Mineral Ridge, when completed, with five years of additional of mine life. Additionally, due to higher expected recovery rates provided by the new milling circuit, the Company is proceeding with a third-party analysis of its other known mineralization resources. When complete and after receiving approval of its amendment to the revised Plan of Operations, this study should add additional mineralization and further extend the Mineral Ridge life of mine, if determined economically viable. Further exploration at Mineral Ridge may also add additional resources.

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

**HIGHLIGHTS FOR THE THIRD QUARTER (“Q3”) ENDED SEPTEMBER 30, 2017 AND SUBSEQUENT EVENTS**

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- 4,935 ounces of gold were produced at the Mineral Ridge mine during Q3 of 2017, compared to 9,981 ounces during Q3 of 2016.
- Revenue of \$6.0 million, compared to \$13.3 million during Q3 of 2016.
- Total cash cost per ounce of gold sold<sup>(1)</sup> of \$1,209 compared to \$956 during Q3 of 2016.
- Mine operating loss of \$1.1 million compared to mine operating earnings of \$3.2 million during Q3 of 2016.
- Net loss of \$2.8 million (\$0.02 basic and diluted per share), compared to net earnings of \$2.3 million (\$0.01 basic and diluted per share) during Q3 of 2016.
- Adjusted net loss<sup>(1)</sup> of \$0.9 million (\$0.01 basic and diluted per share) compared to \$2.4 million (\$0.01 basic and diluted per share) for Q3 of 2016.
- Adjusted EBITDA<sup>(1)</sup> close to nil (\$0.00 basic and diluted per share) compared to \$3.5 million (\$0.02 basic and diluted per share) during Q3 of 2016.
- On October 24, the Company engaged Mine Technical Services to complete a NI 43-101 mineral resource report on existing drilled targets at the Mineral Ridge mine for possible run of mine feed to the proposed milling facility.
- In October 2017, the Company announced a positive feasibility study for processing the heap leach mineral resource at Mineral Ridge, with a proven & probable mineral reserve of 6.9 million tons grading 0.0171 oz/t (0.59 g/t) or 117,200 oz. of gold.
- On November 15, the Company announced the engagement of Bordeaux Capital Inc. to act as a financial advisor to Scorpio Gold in connection with a proposed financing for the construction of a new processing facility at Mineral Ridge, to re-finance the Company's current debt and for general working capital purposes.

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

**HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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- 15,336 ounces of gold were produced at the Mineral Ridge mine, compared to 28,578 ounces produced during the nine months ended September 30, 2016.
- Revenue of \$22.2 million, compared to \$35.2 million during the nine months ended September 30, 2016.
- Total cash cost per ounce of gold sold<sup>(1)</sup> of \$991, compared to \$883 during the nine months ended September 30, 2016.
- Mine operating earnings of \$2.4 million, compared to \$8.1 million during the nine months ended September 30, 2016.
- Net loss of \$3.0 million (\$0.02 basic and diluted per share), compared to net earnings of \$4.6 million (\$0.02 basic and diluted per share) during the nine months ended September 30, 2016.
- Adjusted net earnings<sup>(1)</sup> of \$1.0 million (\$0.00 basic and diluted per share), compared to \$5.7 million (\$0.03 basic and diluted per share) during the nine months ended September 30, 2016.
- Adjusted EBITDA<sup>(1)</sup> of \$3.1 million (\$0.02 basic and diluted per share), compared to \$7.9 million (\$0.04 basic and diluted per share) million during the nine months ended September 30, 2016.

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

**OUTLOOK**

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As expected, mining at Mineral Ridge was suspended in early November 2017. In order to extend the life of mine at Mineral Ridge, the Company has begun several initiatives including conducting additional drilling to expand its resources, applying for permits to expand and extend current operations of new and existing pits including expansion of the heap leach pad, announcing a feasibility study for the construction of a 4,000 tpd milling facility for processing the existing ore on the leach pad, engaging Mine Technical Services (MTS) to perform a NI 43-101 compliant assessment of the Mineral Ridge in-house resources based on mill recovery scenarios and cost saving measures.

As stated above, 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 the addition of a 4,000 tpd mill facility. 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 has been lowered to between 19,000 and 20,000 ounces of gold from the previous production guidance provided of 20,000 to 25,000 ounces of gold and includes residual production from the leach pad.

In light of the current situation, the Company does not expect that it will be able to generate sufficient cash flows to continue as a going concern in the foreseeable future and to settle its long-term debt, in the amount of \$6.0 million principal, when due in August 2018. The Company is currently evaluating various business alternatives including refinancing its long-term debt and/or raising financing through an equity financing or through other types of financing in order to re-finance itself and to finance the construction of a new processing facility at Mineral Ridge.

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 SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	2017	2016
<b>Mining operations</b>				
<b>Mary LC pit</b>				
Ore tonnes mined	61,555	119,574	315,242	405,241
Waste tonnes mined	309,207	919,556	1,805,218	2,542,039
Total mined	370,762	1,039,130	2,120,460	2,947,280
Strip ratio	5.0	7.7	5.7	6.3
<b>Satellite pits</b>				
Ore tonnes mined	19,074	48,029	54,564	190,774
Waste tonnes mined	360,403	152,883	551,254	519,603
Total mined	379,477	200,912	605,818	710,377
Strip ratio	18.9	3.2	10.1	2.7
<b>Total producing pits</b>				
Ore tonnes mined	80,629	167,603	369,806	596,015
Waste tonnes mined	669,610	1,072,439	2,356,472	3,061,642
Total mined	750,239	1,240,042	2,726,278	3,657,657
Strip ratio	8.3	6.4	6.4	5.1
<b>Pits under development</b>				
Ore tonnes mined	-	-	772	-
Waste tonnes mined	-	25,876	249,085	149,230
Total mined	-	25,876	249,857	149,230
<b>Total mining operations</b>				
Ore tonnes mined	80,629	167,603	370,578	596,015
Waste tonnes mined	669,610	1,098,315	2,605,557	3,210,872
Total mined	750,239	1,265,918	2,976,135	3,806,887

Processing	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	2017	2016
Tonnes processed	78,759	176,901	368,636	704,039
Gold head grade (grams per tonne)	1.34	1.35	1.54	1.45
Recoverable gold ounces placed on the leach pad <sup>(1)</sup>	2,299	5,215	12,456	22,249
Availability <sup>(2)</sup>	17%	41%	27%	53%
Ounces produced				
Gold	4,935	9,981	15,336	28,578
Silver	2,588	4,630	7,947	12,876

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 <sup>(1)</sup>	1,209	956	991	883
Ounces sold				
Gold	4,827	10,000	17,954	28,315
Silver	2,301	4,450	8,422	12,875
Average price of gold				
London PM fix	1,278	1,335	1,251	1,260
Realized	1,244	1,324	1,229	1,235
Net (loss) earnings	(2,774)	2,331	(3,019)	4,609
Basic and diluted net (loss) earnings per share	(0.02)	0.01	(0.02)	0.02
Adjusted net (loss) earnings <sup>(1)</sup>	(928)	2,379	997	5,678
Basic and diluted adjusted net (loss) earnings per share <sup>(1)</sup>	(0.01)	0.01	0.00	0.03
Adjusted EBITDA <sup>(1)</sup>	26	3,508	3,058	7,893
Basic and diluted adjusted EBITDA per share <sup>(1)</sup>	0.00	0.02	0.02	0.04
Cash flow from operating activities	1,037	5,906	3,601	10,418

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

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## **MINERAL PROPERTIES**

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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. Mining was suspended in November 2017. 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 resource evaluation plans by both open pit and possibly underground mining. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, refueling and storage facilities and administrative buildings.

### **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. The resources associated with these pits have been depleted based on the 67 percent heap leach recovery and the remaining resources are being evaluated based on a 93 percent milling recovery.

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 feasibility study conducted on the heap leach resource, the Company engaged MTS to perform an evaluation in accordance with NI-43-101 of its internal resource estimates based on milling recoveries. The Company believes that once this analysis is complete, the additional resources added will improve the overall economics of the milling scenario.

**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.

Conversion from Mineral Resources to Mineral Reserves is relatively straightforward. Given the nature of the reclaimed material on the heap leach pad and the method of mining, the assumption is that all material will be mined and processed, less any material left in place due to permit restrictions and facility location. Allowance has been made for facility location which excludes 260,000 tons, which must remain in place, according to the heap material mining and tailings placement design completed by Newfields.

Based on the criteria above, the Mineral Reserve Estimate is provided in Table below. Given the positive economic analysis of the Project, the mill feed material can in fact be considered a Mineral Reserve.

**Mineral Ridge Mineral Reserve Estimate**

Mineral Reserve Classification	Tons (kt)	Au (opt)	Ag (opt)	Contained Au (koz)	Contained Ag (koz)
Proven	2,895	0.017	0.016	48.5	46.4
Probable	4,220	0.017	0.018	73.2	74.1
<i>Less Material Remaining in Place</i>	<i>(260)</i>	<i>0.017</i>	<i>0.017</i>	<i>(4.5)</i>	<i>(4.6)</i>
<b>Total Proven &amp; Probable</b>	<b>6,855</b>	<b>0.017</b>	<b>0.017</b>	<b>117.2</b>	<b>115.9</b>

Notes:

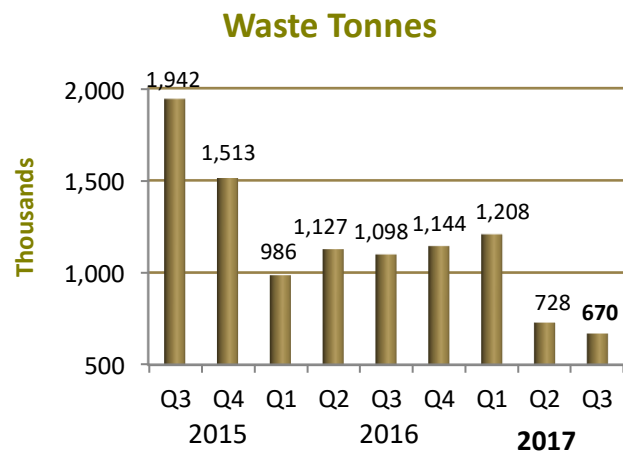
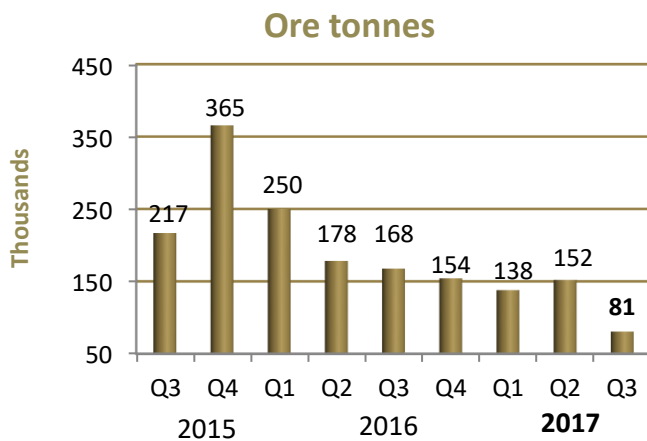
1. Mineral Resources are contained within the Mineral Ridge leach pad facility with the following assumptions:
  - a. A long-term gold price of US\$1,216/oz.
  - b. Assumed process costs are US\$11/t.
  - c. Metallurgical recovery for gold is 91%.
2. Rounding may result in apparent differences between when summing tons, grade and contained metal content.
3. Tonnage and grade measurements are in Imperial units. Grades are reported in opt.



**Mining activities**

Total mine production during the third quarter of 2017 was 750,239 tonnes compared to 1,265,918 tonnes mined in Q3 of 2016. For the first nine months of 2017, total mine production was 2,976,135 tonnes, compared to 3,806,887 tonnes mined in the first nine months of 2016. During Q3 of 2017, mine production was composed of 80,629 tonnes of ore and 669,610 tonnes of waste compared to 167,603 tonnes of ore and 1,098,315 tonnes of waste during the same period in 2016. During Q3 of 2017, the ore was mined from the Mary LC pit, Brodie SE and Brodie pits. 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 third quarter of 2017 was 13,854, compared to 19,181 TPD during Q3 of 2016. Total mine production during Q3 of 2017 was 41% lower than Q3 of 2016 because of smaller pits and slower mining rates.



**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	6290	29.8%	-22.2%	5.0%	14.25%
Brodie North	7070	37.0%	-21.3%	13.7%	6.75%

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 76% of the ore delivered to the crusher during Q3 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 amounts of ore mined overall in the Brodie pit.

### **Operations activities**

Total estimated ore crushed and placed on the leach pad at Mineral Ridge during Q3 of 2017 was 78,759 tonnes compared to 176,901 tonnes for Q3 of 2016. Total operations production in the first nine months of 2017 was 368,636 tonnes processed, compared to 704,039 tonnes processed in the first nine months of 2016. This reduction is a function of the lower volume of ore mined in both Q3 of 2017 and in the first nine months of 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 856 tonnes during Q3 of 2017 compared to 1,923 tonnes during Q3 of 2016. The average head grade was 1.34 g/t (0.039 oz/ton) gold during Q3 of 2017 compared to 1.35 g/t (0.039 oz/ton) gold during Q3 of 2016. For the first nine months of 2017, the average crusher throughput per day was 1,350 tonnes at an average head grade of 1.54 g/t (0.045 oz/ton), compared to the first nine months of 2016 which had an average throughput rate of 2,569 tonnes per day at an average head grade of 1.45 g/t (0.042 oz/ton) gold.

The availability of the crushing facility for the third quarter of 2017 was 17 % (Q3 of 2016, 41%). 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.

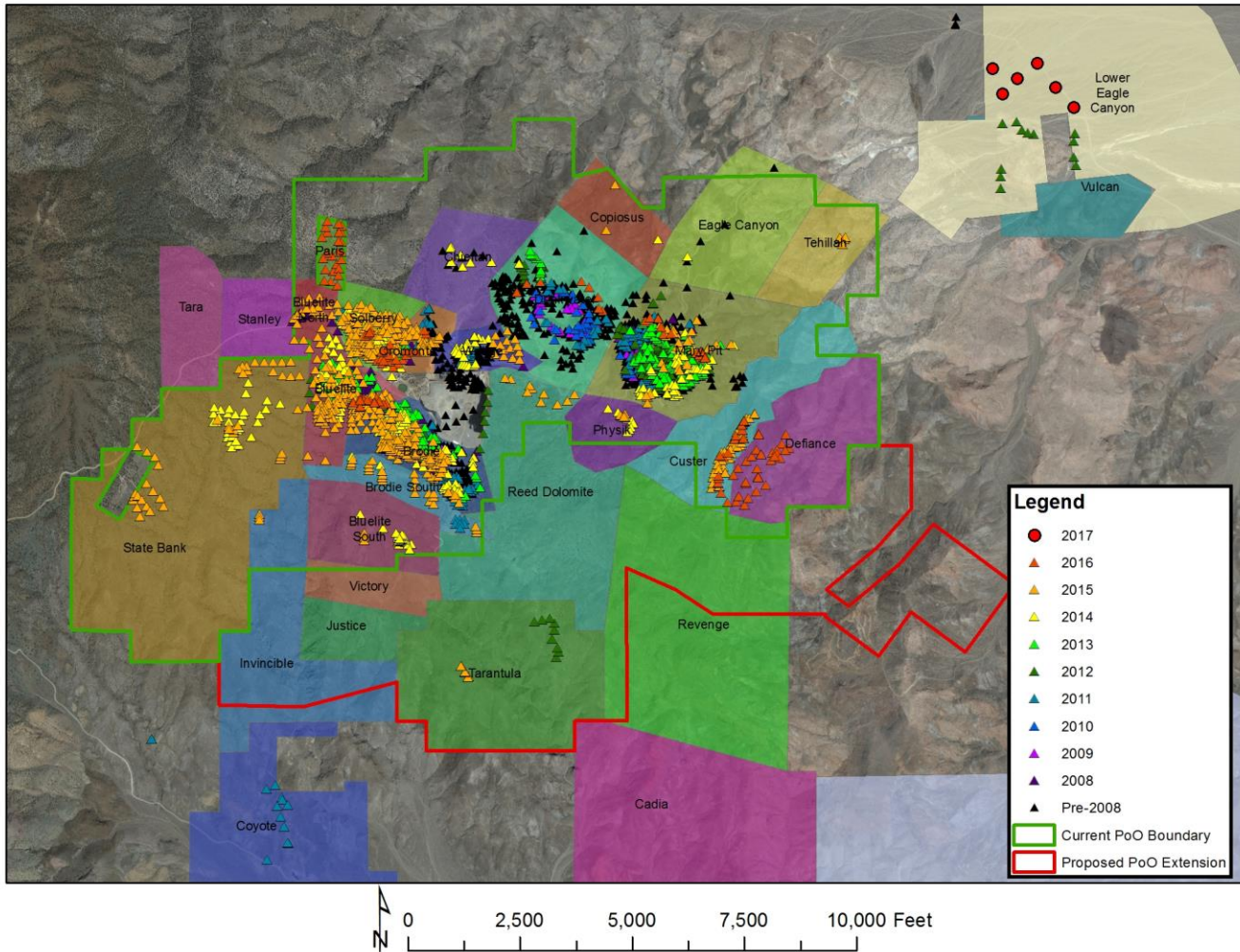
During Q3 of 2017, application of cyanide leach solution to the freshly stacked ore on the leach pad was 276 million gallons (Q3 of 2016 – 359 million gallons). Also during Q3 of 2017, 261 million gallons (Q3 of 2016 – 305 million gallons) of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.16 ppm (Q3 of 2016 - 0.31 ppm) gold and 0.14 ppm (Q3 of 2016 - 0.24 ppm) silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for Q3 of 2017 was 90.1% (Q3 of 2016 – 88.7%) for gold and 63% (Q3 of 2016 – 58.7%) 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 Q3 of 2017 was 1,981 gallons per minute ("gpm"), compared to 2,299 gpm in Q3 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 Q3 of 2017, the Company produced 4,935 ounces of gold, a 51% decrease over the 9,981 ounces produced during Q3 of 2016 and 2,588 ounces of silver, a 44% decrease over the 4,630 ounces produced during Q3 of 2016. For the first nine months of 2017, the Company produced 15,336 ounces of gold and 7,947 ounces of silver, compared to 28,578 ounces of gold and 12,876 ounces of silver produced in the same period of 2016. These production decreases are mainly a function of the reduced level of ore mined and processed as well as corresponding reduced recoverable ounces placed in 2017 periods compared to 2016.



**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 nine months 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. Duplicate samples of the mineralized zones identified by the initial assay were sent to American Assay Laboratory in Reno, Nevada. Results have been received and are currently being added to the technical database, for incorporation into the 43-101 resource report, discussed above.

**Eagle Canyon** – The Eagle Canyon target is down dip and east of the Drinkwater and Mary pits. The Eagle Canyon exploration 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 their report was received in October of 2017. Based on the results of this testing, it has been determined that processing the Eagle Canyon placer material is not economically viable at current gold prices.

As of September 30, 2017, the remaining capacity on the leach pad was approximately 175,000 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.

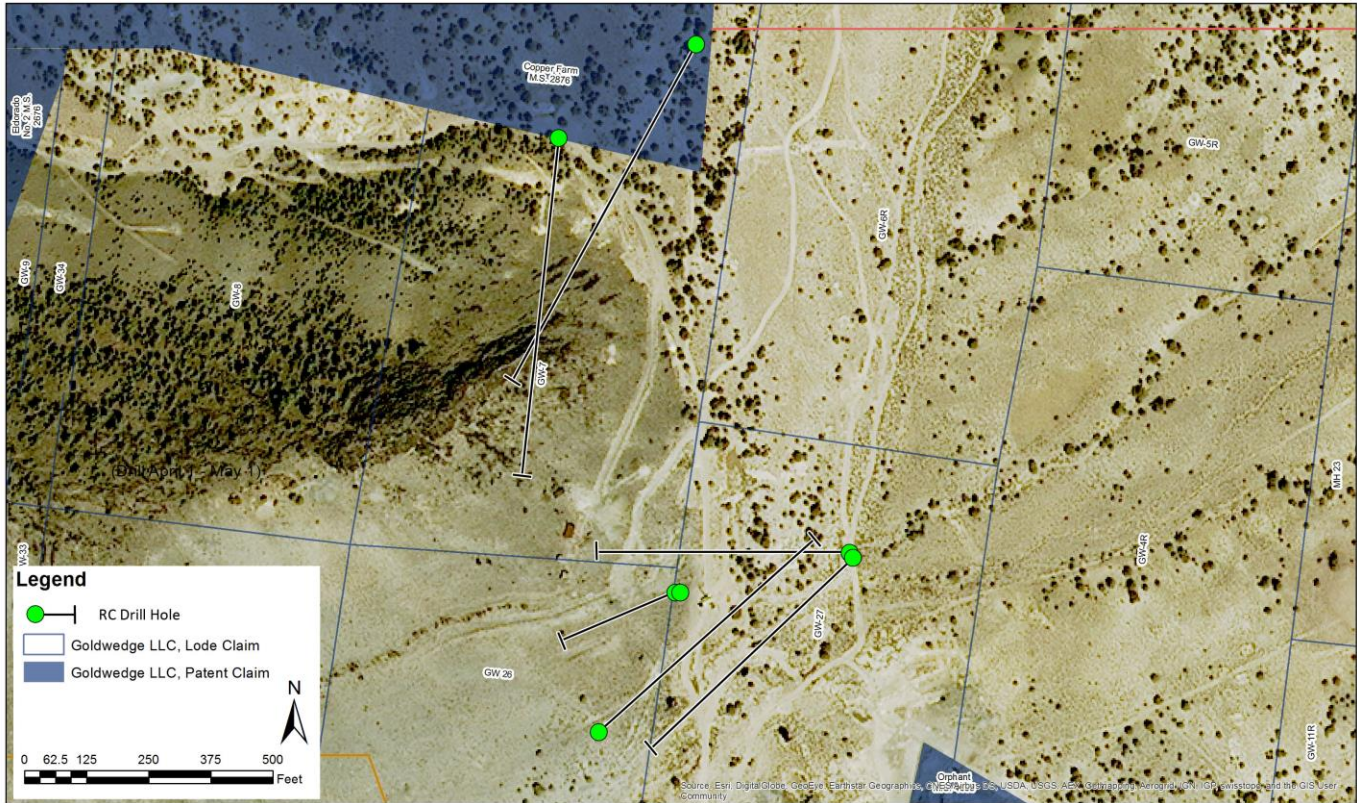
The Goldwedge property, including the Goldwedge mine and a processing plant, is located approximately 55 kilometers northeast of the town of Tonopah, in west-central Nevada, in a region of numerous historic and active gold mines. Effective July 28, 2015, the Goldwedge mill facility was placed on care and maintenance and can be restarted on short notice.

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 and delivered to Lode-Star management for further testing. 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.

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 1 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. Subject to additional financing, a Phase II underground diamond drill program has been 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 (“USFS”). The 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. Earlier in 2017, the USFS required an archeological study of this area; this study is complete and is under review by the USFS and should allow future exploration drilling. The Company intends to proceed with the drilling program, once approved by the USFS and as exploration funds are available.

**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.

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. Due to other exploration priorities, no further work will be conducted in this area during 2017. If conducted, the next phase of work would include mapping and specific sampling to determine the source of the initial sample results.

### **Environmental Regulation**

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

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

### **RESULTS OF OPERATIONS**

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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 a net loss of \$2.8 million for the three months ended September 30, 2017, compared to net earnings of \$2.3 million for the three months ended September 30, 2016. Net loss attributable to the shareholders of the Company was \$2.1 million (\$0.02 per share) for the three months ended September 30, 2017, compared to net earnings of \$1.5 million<sup>(1)</sup> (\$0.01 per share) for the three months ended September 30, 2016. Net loss attributable to the non-controlling interest was \$0.7 million for the three months ended September 30, 2017, compared to net earnings of \$0.8 million<sup>(1)</sup> for the three months ended September 30, 2016.

Scorpio Gold reported a net loss of \$3.0 million for the nine months ended September 30, 2017, compared to net earnings of \$4.6 million for the nine months ended September 30, 2016. Net loss attributable to the shareholders of the Company was \$2.5 million (\$0.02 per share) for the nine months ended September 30, 2017, compared to net earnings of \$2.9 million<sup>(1)</sup> (\$0.02 per share) for the nine months ended September 30, 2016. Net loss attributable to the non-controlling interest was \$0.5 million for the nine months ended September 30, 2017, compared to net earnings of \$1.7 million<sup>(1)</sup> for the nine months ended September 30, 2016.

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

<sup>(1)</sup> Please see Equity section.

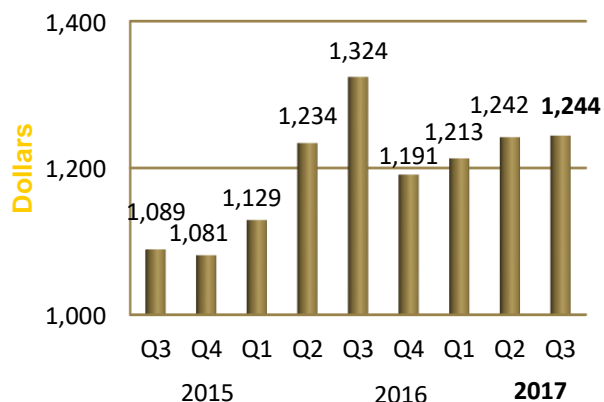
### **Revenue**

During Q3 of 2017, the Company sold 4,827 ounces of gold and 2,301 ounces of silver for total revenue of \$6.0 million. During Q3 of 2016, the Company sold 10,000 ounces of gold and 4,450 ounces of silver for total revenue of \$13.3 million. During Q3 of 2017, gold ounces were sold at an average price of \$1,244 (\$1,324 in Q3 of 2016) and silver ounces at an average price of \$17 (\$19 in Q3 of 2016).

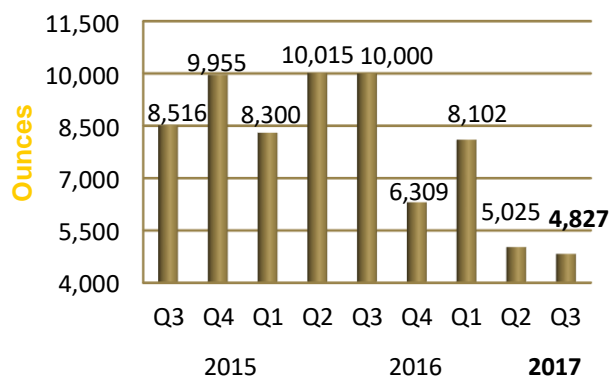
During the nine-month period ended September 30, 2017, the Company sold 17,954 ounces of gold and 8,422 ounces of silver for total revenue of \$22.2 million at an average price of \$1,229 for gold and \$17 for silver, whereas during the nine-month period ended September 30, 2016, the Company sold 28,315 ounces of gold and 12,875 ounces of silver for total revenue of \$35.2 million at an average price of \$1,235 for gold and \$17 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 September 30, 2017, the Company had finished goods inventories including 198 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 \$6.4 million for the three-month period ended September 30, 2017 compared to \$9.5 million for the three-month period ended September 30, 2016. The variance is essentially attributed to the lower number of ounces sold, the variance in cash operating cost per ounce<sup>(1)</sup> and an inventory write-down for an amount of \$0.8 million described below.

Cash operating cost per gold ounce sold<sup>(1)</sup>, after silver by-product credits, was \$1,204 for the three-month period ended September 30, 2017, compared to \$927 for the three-month period ended September 30, 2016. Total cash cost per ounce sold<sup>(1)</sup>, after silver by-product credits, was \$1,209 for the three-month period ended September 30, 2017 compared to \$956 the three-month period ended September 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 higher capitalized stripping activities and favorable change in inventories.

Depletion and amortization was \$0.7 million for the three-month period ended September 30, 2017, compared to \$0.6 million for the three-month period ended September 30, 2016. Following the impairment recorded on assets at the Mineral Ridge mine at the end of Q2 of 2017, depletion and amortization recorded during the three-month period ended September 30, 2017 is essentially related to capitalized stripping activities on producing mining interests during the three-month period ended September 30, 2017. Following the impairment recorded on assets at the Mineral Ridge mine at the end of 2015, depletion and amortization recorded during the three-month period ended September 30, 2016 is essentially related to capitalized development and stripping activities on producing mining interests during 2016.

Mine operating loss was therefore \$1.1 million for the three-month period ended September 30, 2017 compared to mine operating earnings of \$3.2 million for the three-month period ended September 30, 2016.

Cost of sales excluding depletion and amortization decreased from \$26.1 million for the nine-month period ended September 30, 2016 to \$18.5 million for the nine-month period ended September 30, 2017. The variance is essentially attributed to the lower number of ounces sold, the variance in cash operating cost per ounce<sup>(1)</sup> and an inventory write-down for an amount of \$0.8 million described below.

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

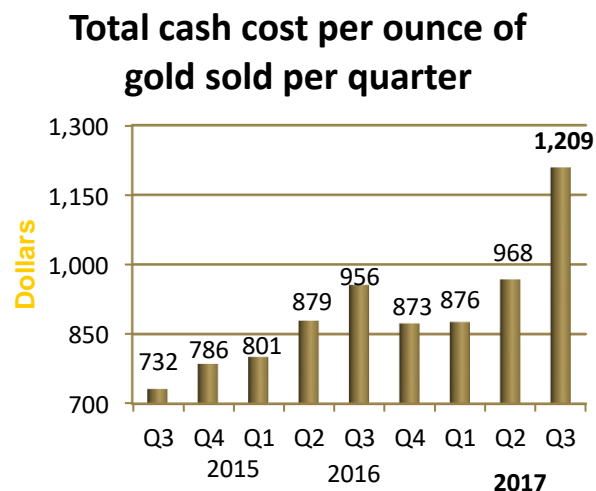
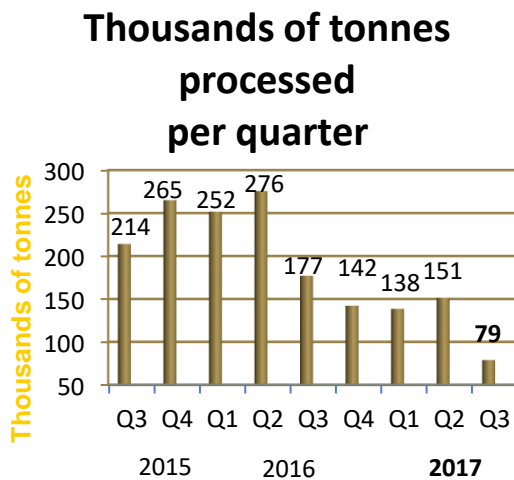


Cash operating cost per gold ounce sold<sup>(1)</sup>, after silver by-product credits, was \$981 for the nine-month period ended September 30, 2017, compared to \$861 for the nine-month period ended September 30, 2016. Total cash cost per ounce sold<sup>(1)</sup>, after silver by-product credits, was \$991 for the nine-month period ended September 30, 2017 compared to \$883 for the nine-month period ended September 30, 2016. The most significant variances impacting cash cost per ounce sold are:

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

Depletion and amortization was \$1.3 million during the first nine months of 2017, compared to \$1.0 million during the same period 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 nine months of 2017 is essentially related to 2017 capitalized development and stripping activities on the producing mining assets.

Mine operating earnings were \$2.4 million for the nine-month period ended September 30, 2017, compared to \$8.1 million for the comparative period of 2016.



**Impairment**

**Mineral Ridge**

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

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

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

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

The recoverability analysis over the Company's inventory as at September 30, 2017, using a gold price assumption of \$1,275, indicated that their net realizable value was lower than the costs of production. As a result, a write-down on inventory was recognized in cost of sales for an amount of \$0.8 million during the period ended September 30, 2017.

### **General and administrative**

General and administrative expenses totaled \$0.3 million for both Q3 of 2017 and 2016.

General and administrative expenses totaled \$1.0 million for the first nine months of 2017, compared to \$0.9 million for the same period of 2016. The main variance between those periods relates to an increase in 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 the Brodie Northwest and Blue-lite 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 the first nine months of 2016.

### **Income tax expense**

Current and deferred income tax expense (recovery) relates to the Nevada net proceeds tax.

## **LIQUIDITY AND CAPITAL RESOURCES**

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As of September 30, 2017, the Company had \$1.9 million in cash compared to \$3.8 million as of December 31, 2016.

Working capital was negative \$2.2 million as of September 30, 2017, compared to positive working capital of \$8.4 million as of December 31, 2016. The Company's senior secured credit facility, in the amount of \$6 million is repayable in August 2018 and therefore is included in the current portion of the long-term debt as at September 30, 2017.

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.

As indicated above, the Company does not expect it will be able to generate sufficient cash flow to continue as a going concern in the foreseeable future and to settle its debt without it being refinanced. The primary factors that will affect the future financial condition of the Company include the ability to generate positive cash flows, the ability to refinance its long-term debt, the ability to raise equity financing, or other types of financing to finance exploration, development and capital expenditures and to meet its commitments. Moreover, the availability of mineralization, the timeliness of the receipt of permits for expanded operations as well as the price of gold will affect the future financial condition of the Company, including its capacity to repay its debt when due.

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

## **INVENTORIES**

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Inventories decreased from \$7.1 million as of December 31, 2016 to \$4.3 million as of September 30, 2017.

As discussed above, the recoverability analysis over the Company's inventory as at September 30, 2017, using a gold price assumption of \$1,275, indicated that the net realizable value was lower than the costs of production. As a result, a write-down on inventory was recognized for an amount of \$0.8 million as at September 30, 2017.

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, 2017, included in the metal in process inventories, are inventories on the leach pad for a total cost of \$2.0 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 \$2.4 million during the nine-month period ended September 30, 2017 to \$0.2 million, due mainly to the timing of the Company's gold sales and part of the above mentioned inventory write-down.

## **PRODUCING MINING ASSETS**

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

During the first nine months of 2017, the Company added \$3.0 million to producing mining assets, which essentially consisted of \$2.7 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 nine months of 2017, an amount of \$1.3 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 \$2.0 million related to Mineral Ridge producing mining assets during the nine-month period ended September 30, 2017.

## **NON-PRODUCING MINING ASSETS AND OTHER**

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Non-producing mining assets and other stood at \$3.1 million as of September 30, 2017, compared to \$2.6 million as at December 31, 2016.

During the first nine months of 2017, the Company added \$2.4 million to non-producing mining assets. Of this amount, \$1.7 million mainly relates to exploration and development of satellite pits and \$0.7 million essentially relates to the mill feasibility study, construction in progress and the 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 \$1.4 million related to Mineral Ridge non-producing mining assets during the nine-month period ended September 30, 2017.

## **CURRENT LIABILITIES**

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Total current liabilities were \$9.2 million as at September 30, 2017, compared to \$5.8 million as at December 31, 2016.

This variance is mostly explained by the above mentioned \$6 million senior secured credit facility included in the current portion of the long-term debt and 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**

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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 September 30, 2017.

## EQUITY

Total equity stood at \$6.9 million as at September 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 September 30, 2016. However, this correction decreased the net earnings attributable to non-controlling interest in the three-month period ended September 30, 2016 by \$0.1 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction had no effect on the basic and diluted net earnings per share for the three-month period ended September 30, 2016. This correction decreased the net earnings attributable to non-controlling interest in the nine-month period ended September 30, 2016 by \$0.3 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction had no effect on the basic and diluted net earnings per share for the nine-month period ended September 30, 2016. 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 of the 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 \$
<b>September 30, 2017</b>	6,042	(2,774)	(0.02)
<b>June 30, 2017</b>	6,299	(285)	(0.00)
<b>March 31, 2017</b>	9,875	40	(0.00)
<b>December 31, 2016</b>	7,569	(4,270)	(0.03)
<b>September 30, 2016</b>	13,328	2,331	0.01
<b>June 30, 2016</b>	12,434	1,199	0.01 <sup>(1)</sup>
<b>March 31, 2016</b>	9,428	1,079	0.01 <sup>(1)</sup>
<b>December 31, 2015</b>	10,828	(4,665)	(0.03)

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.

<sup>(1)</sup> Please see Equity section.

## **CASH FLOWS**

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Cash flows generated by operating activities was \$1.0 million for Q3 of 2017, compared to \$5.9 million for the same period of 2016. This variance is mostly due to the decrease in mine operating earnings and changes in working capital items.

For the same reasons, cash flows generated from operating activities for the nine-month period ended September 30, 2017, were \$3.6 million compared to \$10.4 million for the comparative period of 2016.

Cash outflows used in investing activities were \$2.0 million for the three months ended September 30, 2017. During Q3 of 2017, investing activities related to producing mining assets totaled \$1.4 million and were mainly related to stripping activities. Non-producing mining asset payments totaled \$0.6 million and mainly related to the mill feasibility study and exploration expenditures.

Cash outflows used in investing activities were \$1.4 million for the three months ended September 30, 2016. During Q3 of 2016, investing activities related to producing mining assets totalled \$1.0 million and were mainly related to stripping activities. Non-producing mining asset payments totalled \$0.4 million and mainly related to exploration related to targets surrounding the Mineral Ridge mine.

Cash flows used in investing activities were \$4.2 million for the nine months ended September 30, 2017. Payments related to non-producing mining asset additions totalled \$2.5 million and mainly relate to the development of satellite pits. During the first nine months 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 in connection with legal proceedings was returned to the Company in February of 2017 after the litigation was settled.

During the nine-month period ended September 30, 2016, cash outflows used in investing activities were \$4.6 million. Payments related to non-producing mining asset additions during the first nine months of 2016 totalled \$2.7 million and mainly related to exploration related to targets surrounding the Mineral Ridge mine. During the first nine months of 2016, investing activities amounting to \$2.2 million associated with to producing mining assets were mainly related to stripping activities.

Cash flows used for financing activities were \$0.4 million for the three months ended September 30, 2017. These cash flows are related to \$0.2 million of cash distributions to the non-controlling interest in MRG, the interest payment related to the Loan with Waterton Fund and the repayment of long-term debt and financing lease.

Cash outflows used for financing activities during Q3 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 \$1.3 million for the first nine months of 2017. These cash flows are related to \$0.8 million of cash distributions to the non-controlling interest in MRG, and \$0.5 million on debt related payments.

Cash outflows used for financing activities were \$0.4 million for the first nine months of 2016. During this period, the Company paid \$0.5 million interest on the long-term debt. Also during this period, the Company paid \$0.2 million of distributions to Elevon and received \$0.3 million of cash contributions from Elevon.

## **NON-IFRS PERFORMANCE MEASURES**

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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.

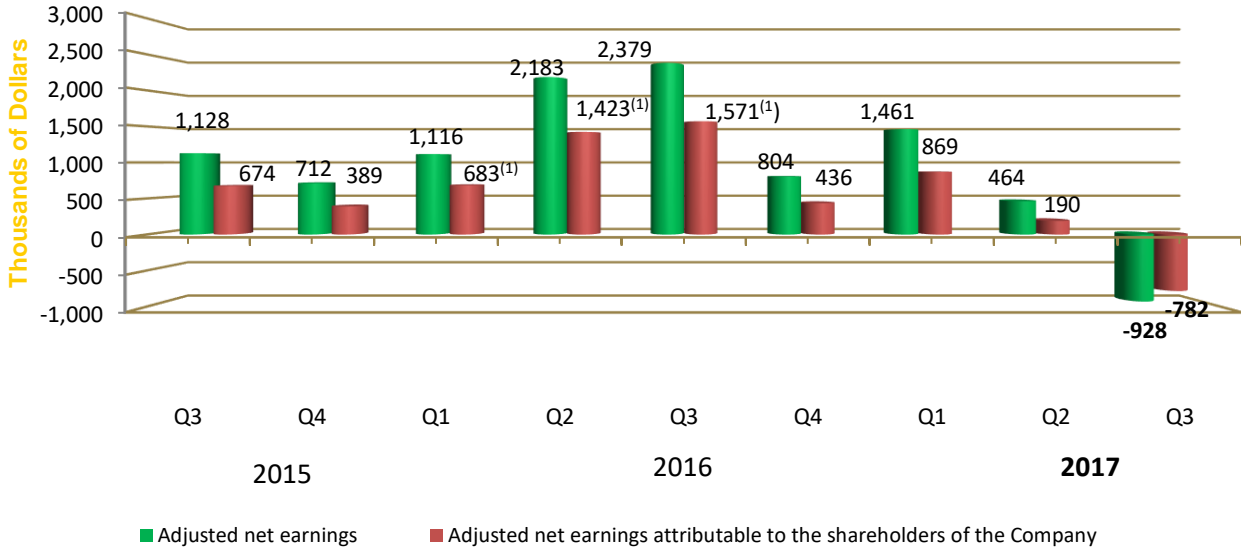
The term “Adjusted Net Earnings” does not have a standardized meaning prescribed by IFRS, and therefore the Company’s definitions are unlikely to be comparable to similar measures presented by other companies. Management believes that the presentation of Adjusted Net Earnings provides useful information 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:

	<b>Three months ended September 30, 2017</b>	Three months ended September 30, 2016	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
	\$	\$	\$	\$
Net (loss) earnings for the periods	<b>(2,774)</b>	2,331	<b>(3,019)</b>	4,609
Share-based compensation	-	166	-	166
Write-off of mining assets	-	3	-	1,051
Loss (gain) on disposal of assets	<b>6</b>	(16)	<b>4</b>	(55)
Impairment of mining assets	<b>1,123</b>	-	<b>3,375</b>	-
Inventory write-down	<b>830</b>	-	<b>830</b>	-
Foreign exchange loss (gain)	-	-	<b>1</b>	(3)
Deferred income tax recovery	<b>(113)</b>	(105)	<b>(194)</b>	(90)
Adjusted net (loss) earnings for the periods	<b>(928)</b>	2,379	<b>997</b>	5,678
Non-controlling interest	<b>(146)</b>	(808) <sup>(1)</sup>	<b>(720)</b>	(2,001) <sup>(1)</sup>
Adjusted net (loss) earnings for the periods attributable to the shareholders of the Company	<b>(782)</b>	1,571 <sup>(1)</sup>	<b>277</b>	3,677 <sup>(1)</sup>
Adjusted basic and diluted net (loss) earnings per share	<b>(0.01)</b>	0.01	<b>0.00</b>	0.03

<sup>(1)</sup> Please see Equity section.

### Adjusted net earnings



<sup>(1)</sup> Please see Equity section.

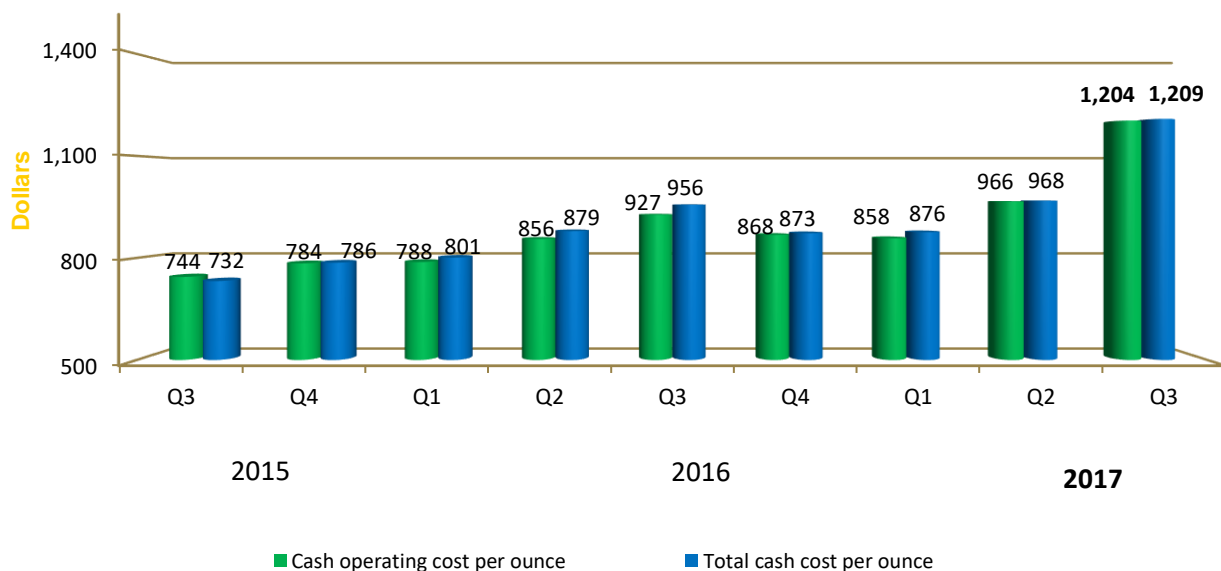


**Cash operating cost and total cash costs per gold ounce sold calculation**

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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	\$	\$	\$	\$
<b>Cash costs</b>				
Cost of sales excluding depletion and amortization per consolidated financial statements	6,400	9,518	18,495	26,098
Share-based compensation	-	(95)	-	(95)
Inventory adjustment and write-down	(553)	(34)	(731)	(1,256)
By-product silver sales	(39)	(85)	(142)	(213)
Royalties	-	(40)	(10)	(160)
Cash operating costs	5,808	9,264	17,612	24,374
Nevada net proceeds tax expense	26	291	184	630
Total cash cost	5,834	9,555	17,796	25,004
Divided by ounces of gold sold	4,827	10,000	17,954	28,315
<b>Cash operating cost per gold ounce sold</b>	<b>1,204</b>	<b>927</b>	<b>981</b>	<b>861</b>
<b>Total cash costs per gold ounce sold</b>	<b>1,209</b>	<b>956</b>	<b>991</b>	<b>883</b>

**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:

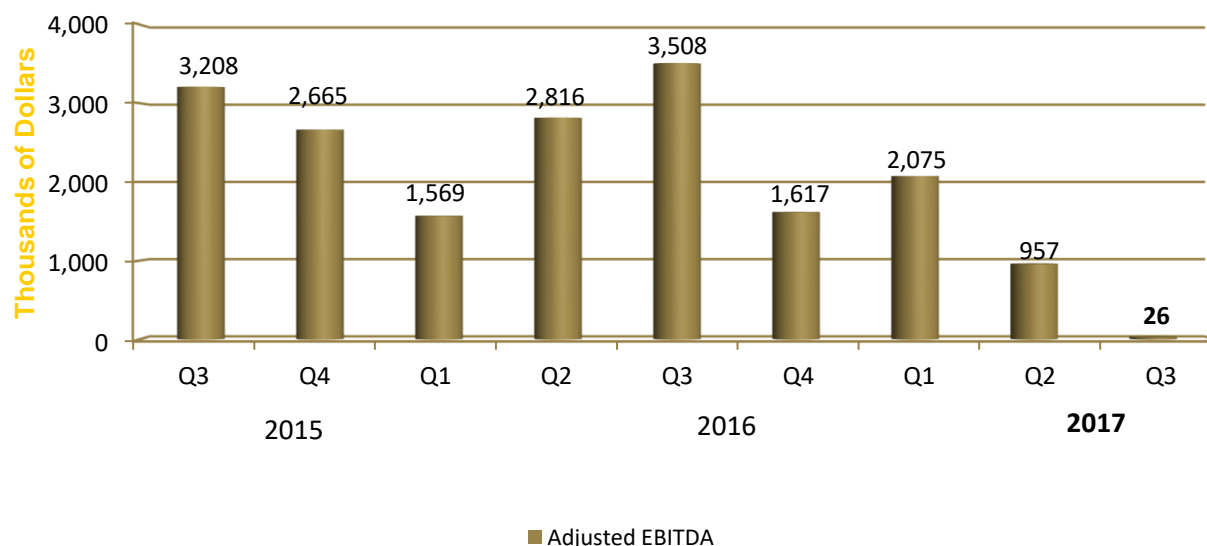
- Finance costs;
- Depletion and amortization; and
- Income tax expense

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", "write-down of inventory", "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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	\$	\$	\$	\$
Net earnings (loss) for the period	(2,774)	2,331	(3,019)	4,609
Finance costs	196	199	582	587
Depletion and amortization	732	639	1,295	998
Income tax expense (recovery)	(87)	186	(10)	540
Standardized EBITDA	(1,933)	3,355	(1,152)	6,734
Write-off of mining assets	-	3	-	1,051
Inventory write-down	830	-	830	-
Share-based compensation	-	166	-	166
Loss (gain) on disposal of mining assets	6	(16)	4	(55)
Foreign exchange loss (gain)	-	-	1	(3)
Impairments of mining assets	1,123	-	3,375	-
Adjusted EBITDA	26	3,508	3,058	7,893
Non-controlling interest	(86)	(1,093) <sup>(1)</sup>	(1,179)	(2,505) <sup>(1)</sup>
Adjusted EBITDA attributable to the shareholders of the Company	(60)	2,415 <sup>(1)</sup>	1,879	5,388 <sup>(1)</sup>
Adjusted basic and diluted EBITDA per share	(0.00)	0.02	0.02	0.04

### Adjusted EBITDA per quarter



<sup>(1)</sup> Please see Equity section.

**SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED**

	JUNE 2016	SEPTEMBER 2016	DECEMBER 2016	MARCH 2017	JUNE 2017	SEPTEMBER 2017
<b>Mining operations</b>						
<b>Mary LC pit</b>						
Ore tonnes mined	138,795	119,574	148,161	130,446	123,241	61,555
Waste tonnes mined	919,453	919,556	977,246	927,786	568,225	309,207
Total mined	1,058,248	1,039,130	1,125,407	1,058,232	691,466	370,762
Strip ratio	6.6	7.7	6.6	7.1	4.6	5.0
<b>Satellite pits</b>						
Ore tonnes mined	39,493	48,029	6,028	7,255	28,235	19,074
Waste tonnes mined	139,664	152,883	5,888	67,208	123,643	360,403
Total mined	179,157	200,912	11,916	74,463	151,878	379,477
Strip ratio	3.5	3.2	1.0	9.3	4.4	18.9
<b>Total producing pits</b>						
Ore tonnes mined	178,288	167,603	154,189	137,701	151,476	80,629
Waste tonnes mined	1,059,117	1,072,439	983,134	994,994	691,868	669,610
Total mined	1,237,405	1,240,042	1,137,323	1,132,695	843,344	750,239
Strip ratio	5.9	6.4	6.4	7.2	4.6	8.3
<b>Pits under development:</b>						
Ore tonnes mined	-	-	-	178	594	-
Waste tonnes mined	67,732	25,876	160,672	212,595	36,490	-
Total mined	67,732	25,876	160,672	212,773	37,084	-
<b>Total mining operations</b>						
Ore tonnes mined	178,288	167,603	154,189	137,879	152,070	80,629
Waste tonnes mined	1,126,849	1,098,315	1,143,806	1,207,589	728,358	669,610
Total mined	1,305,137	1,265,918	1,297,995	1,345,468	880,428	750,239

	JUNE 2016	SEPTEMBER 2016	DECEMBER 2016	MARCH 2017	JUNE 2017	SEPTEMBER 2017
<b>Processing</b>						
Tonnes processed	275,551	176,901	142,101	138,392	151,485	78,759
Gold head grade (grams per tonne)	1.33	1.35	1.37	1.70	1.50	1.34
Availability	59%	41%	30%	31%	34%	17%
Ounces produced						
Gold	10,089	9,981	8,301	5,741	4,660	4,935
Silver	4,325	4,630	4,074	2,854	2,505	2,588
<b>Precious Metal Sales (ounces)</b>						
Gold	10,015	10,000	6,309	8,102	5,025	4,827
Silver	4,425	4,450	3,448	2,996	3,125	2,301
<b>Exploration Drilling</b>						
Holes	32	6	31	-	27	-
Meters	3,353	691	3,859	-	4,354	-
<b>Financial results</b>						
	\$	\$	\$	\$	\$	\$
Cash operating cost per ounce of gold sold <sup>(1)</sup>	856	927	868	858	966	1,204
Total cash cost per ounce of gold sold <sup>(1)</sup>	879	956	873	876	968	1,209
Average price of gold						
London PM fix	1,260	1,335	1,222	1,219	1,257	1,278
Realized	1,234	1,324	1,191	1,213	1,242	1,244
Net (loss) earnings	1,199	2,331	(4,270)	40	(285)	(2,774)
Net (loss) earnings per share	0.01 <sup>(2)</sup>	0.01	(0.03)	(0.00)	(0.00)	(0.02)
Adjusted net earnings (loss) <sup>(1)</sup>	2,183	2,379	804	1,461	464	(928)
Adjusted basic and diluted net (loss) earnings per share <sup>(1)</sup>	0.01	0.01	0.00	0.01	0.00	(0.01)
Adjusted EBITDA <sup>(1)</sup>	2,816	3,508	1,617	2,075	957	26
Adjusted basic and diluted EBITDA per share <sup>(1)</sup>	0.02	0.02	0.01	0.01	0.00	0.00

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

<sup>(2)</sup> 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 September 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 nine months periods ended September 30, 2017 and September 30, 2016 is as follows:

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

During the nine-month period ended September 30, 2017, the Company incurred legal services of \$6,103 with David Smalley Law Corporation, whose principal is a director of the Company. These services were incurred in the normal course of operations.

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

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

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

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

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

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

**FINANCIAL INSTRUMENTS**

a) *Financial risk factors*

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

Liquidity risk

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

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

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

b) *Fair Value*

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

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## **INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE**

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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](http://www.sedar.com).

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## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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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.

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## **CONTROLS AND PROCEDURES CERTIFICATION**

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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, 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 NOVEMBER 29, 2017**

Outstanding common shares	124,948,235
Stock options	<u>6,937,500</u>
Fully diluted	<u>131,885,730</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 mining exploration drilling, exploration and development activities, production activities financing related transactions, the receipt of permits 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](http://www.sedar.com) under the Company’s name.*