MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") is for the six-month period ended June 30, 2016 and is provided as of August 25, 2016. This MD&A is to be read in conjunction with the most recently issued annual consolidated financial statements for the year ended December 31, 2015 and the condensed interim consolidated financial statements of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the three and six-month periods ended June 30, 2016, 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 are 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 mineral exploitation, exploration and development on mining properties in the United States.

HIGHLIGHTS FOR THE SECOND QUARTER ("Q2") ENDED JUNE 30, 2016 AND SUBSEQUENT EVENT

- 10,089 ounces of gold were produced at the Mineral Ridge mine, compared to 8,738 ounces produced during Q2 of 2015.
- 10,015 ounces of gold sold, compared to 10,217 ounces sold during Q2 of 2015.
- Revenue of $12.4 million, compared to $12.1 million during Q2 of 2015.
- Total cash cost per ounce of gold sold[(1)] of $879, compared to $800 during Q2 of 2015.
- Mine operating earnings of $3.1 million, compared to $2.4 million during Q2 of 2015.
- Net earnings of $1.2 million ($0.00 basic and diluted per share), compared to $1.7 million ($0.01 basic and diluted per share) during Q2 of 2015.
- Adjusted net earnings [(1)] of $2.2 million ($0.01 basic and diluted per share), compared to $1.8 million ($0.01 basic and diluted per share) during Q2 of 2015.
- Adjusted EBITDA [(1)] of $2.8 million ($0.02 basic and diluted per share), compared to $2.9 million ($0.01 basic and diluted per share) during Q2 of 2015.
- Cash flow from operating activities of $4.9 million, compared to $4.6 million during Q2 of 2015.
- On August 3, 2016, the Second Judicial District Court of Washoe County, Nevada issued an oral ruling for summary judgment awarding a drilling company, National EWP, Inc. ("National"), US$2.3 million in its lawsuit against the Company's 70% indirectly owned subsidiary Mineral Ridge Gold, LLC ("MRG"), the operator of the Mineral Ridge gold operation. The Company and its legal advisors strongly disagree with both the Court's legal conclusions and its factual findings, and it is currently evaluating its options to contest the ruling and stay execution of the judgement, once entered. (See Contingencies).

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

HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

- 18,597 ounces of gold were produced at the Mineral Ridge mine, compared to 20,690 ounces produced during the six months ended June 30, 2015.
- 18,315 ounces of gold sold, compared to 20,625 ounces sold during the six months ended June 30, 2015.
- Revenue of $21.9 million, compared to $24.4 million during the six months ended June 30, 2015.
- Total cash cost per ounce of gold sold(1) of $879, compared to $798 during the six months ended June 30, 2015.
- Mine operating earnings of $4.9 million, compared to $4.5 million during the six months ended June 30, 2015.
- Net earnings of $2.3 million ($0.01 basic and diluted per share), compared to net earnings of $2.5 million ($0.01 basic and diluted per share).
- Adjusted net earnings (1) of $3.3 million ($0.02 basic and diluted per share), compared to $2.8 million ($0.01 basic and diluted per share) during the six months ended June 30, 2015.
- Adjusted EBITDA (1) of $4.4 million ($0.02 basic and diluted per share), compared to $4.7 million ($0.02 basic and diluted per share) million during the six months ended June 30, 2015.
- Cash flow from operating activities of $4.5 million, compared to $9.0 million during the six months ended June 30, 2015.

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

OUTLOOK

We are pleased to report another strong quarter of production and cash flow at Mineral Ridge with 10,089 ounces of gold produced in the second quarter of 2016, representing a 15% increase over Q2 2015, and representing an aggregate of 18,597 ounces of gold produced in the first half of 2016. Performance in Q2 was partially driven by a 42% increase in processed material and a 39% increase in recoverable ounces placed on the leach pad. Gold head grade in Q2 decreased slightly by 3% compared to the same quarter in 2015.

As always, the Company remains focused on being cost effective for 2016, and anticipates that production at Mineral Ridge during the second half of the year will be mainly supported by the Mary LC Phase Three pit.

Production guidance for the Mineral Ridge mine for 2016 remains at 30,000-35,000 ounces of gold produced at a revised estimated total cash cost per ounce of gold sold of $900-$950 from the initial guidance provided of $850-$900 per ounce. The Company foresees a higher total cash cost per ounce of gold during the second half of 2016 compared to the first half mainly due to an expected higher strip ratio in producing pits along with a reduction in grade as well as ore tonnage mined and processed.

The Company has expanded its exploration program for the year, which will consist of surface geology, sampling, geophysics to be followed up by small diameter core drilling on first priority targets which have been generated as a result of this work. This work will evaluate the new understanding of the structural controls of gold emplacement and the related rock types on the property in new green fields areas which are presently being prioritized. In addition, the Company intends to initiate diamond drilling on the Drinkwater high wall and Mary LC Phase Four areas to confirm the Company's evaluation of potentially economic mineralization, which if successful, is expected to increase the Life of Mine at the Mineral Ridge project. In addition, due to an increase in the price of gold, the Company is evaluating additional mineralization sources within its permitted mining boundary, which have been outlined previously but found to be uneconomic when past economic parameters were employed due to the low price of gold.

Permitted mining at Mineral Ridge remains scheduled to end in mid-2017. An initial presentation was made in March 2016 to the Bureau of Land Management (BLM) with respect to permitting the Custer and Oromonte claims for additional mining, which could extend the mining schedule. There can be no assurance that any applications made for permitting will be successful or be obtained before the current permitted mining expires.

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		FOR THE SIX MONTHS ENDED	
	JUNE 30, 2016	JUNE 30, 2015	**JUNE 30, 2016**	JUNE 30, 2015
Mining operations				
Mary LC pit				
Ore tonnes mined	138,795	-	285,667	-
Waste tonnes mined	919,453	-	1,622,483	-
Total mined	1,058,248	-	1,908,150	-
Strip ratio	6.6		5.7	-
Satellite pits				
Ore tonnes mined	39,493	56,046	142,745	114,119
Waste tonnes mined	139,664	113,521	366,720	285,873
Total mined	179,157	169,567	509,465	399,992
Strip ratio	3.5	2.0	2.6	2.5
Mary pit				
Ore tonnes mined	-	78,343	-	196,307
Waste tonnes mined	-	298,704	-	1,043,681
Total mined	-	377,047	-	1,239,968
Strip ratio	-	3.8	-	5.3
Total producing pits				
Ore tonnes mined	178,288	134,389	428,412	310,426
Waste tonnes mined	1,059,117	412,225	1,989,203	1,329,554
Total mined	1,237,405	546,614	2,417,615	1,639,980
Strip ratio	5.9	3.1	4.6	4.3
Pits under development				
Ore tonnes mined	-	53,264	-	92,146
Waste tonnes mined	67,732	1,190,883	123,354	1,995,432
Total mined	67,732	1,244,147	123,354	2,087,578
Total mining operation				
Ore tonnes mined	178,288	187,653	428,412	402,572
Waste tonnes mined	1,126,849	1,603,108	2,112,557	3,324,986
Total mined	1,305,137	1,790,761	2,540,969	3,727,558

	FOR THE THREE MONTHS ENDED JUNE 30, 2016	JUNE 30, 2015	FOR THE SIX MONTHS ENDED JUNE 30, 2016	JUNE 30, 2015
Processing				
Tonnes processed	275,551	194,651	527,138	413,023
Gold head grade (grams per tonne)	1.33	1.37	1.48	1.39
Recoverable gold ounces placed on the leach pad[1]	8,002	5,769	17,034	12,428
Availability[2]	58,9%	43.3%	59.0%	47.6%
Ounces produced				
Gold	10,089	8,738	18,597	20,690
Silver	4,325	3,591	8,246	9,910

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

[2] Processing Availability is based on hours of crusher operations versus permitted run time.

Financials				
(In thousands of US dollars, except per ounce and per share numbers)	$	$	$	$
Total cash cost per ounce of gold sold[1]	879	800	844	798
Ounces sold				
Gold	10,015	10,217	18,315	20,625
Silver	4,425	6,090	8,425	10,322
Average price of gold				
London PM fix	1,260	1,193	1,221	1,206
Realized	1,234	1,173	1,187	1,176
Net earnings	1,199	1,747	2,278	2,626
Basic and diluted net earnings per share	0.00	0.01	0.01	0.01
Adjusted net earnings [1]	2,243	1,772	3,284	2,751
Basic and diluted adjusted net earnings per share [1]	0.01	0.01	0.02	0.01
Adjusted EBITDA[1]	2,816	2,867	4,385	4,738
Basic and diluted adjusted EBITDA per share [1]	0.02	0.01	0.02	0.02
Cash flow from operating activities	4,878	4,608	4,512	8,952

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

MINERAL PROPERTIES

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

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge project and related assets, which was a former producing gold mine in Nevada. Mining by the Company commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company is currently receiving 70% of cash flows generated at the Mineral Ridge project in accordance with the project agreements. Between August 14, 2015 and July 4, 2016, the Company owed and accrued to its partner an amount equal to 10% of amounts actually distributed to the partners of Mineral Ridge Gold, LLC. For more information see Results of Operations – Debt Financing.

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. The areas surrounding these properties and the smaller satellite deposits nearby are the focus of current production plans by both open pit and possibly underground mining. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, 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 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., 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. 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 resource and reserve estimates contained therein.

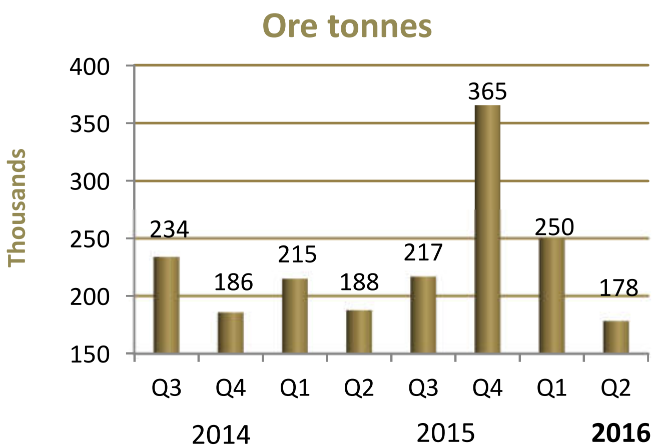
Since the July 2014 mineral resource and reserve estimates the Company has developed an updated mine plan which includes the Mary LC, Bluelite, Solberry, Missouri and the Brodie phase B pits. To date, the Drinkwater, Bluelite, Solberry and Wedge pit resources have been depleted. Scheduled mining continues in the Mary LC, Missouri, Brodie SE and Brodie Phase "B" pits which currently extends mine life to Q2 of 2017**.** In addition, due to an increase in price of gold, the Company is evaluating additional ore sources within its permitted mining boundary, which have been outlined previously but found to be uneconomic when past economic parameters were employed due to the low gold price. The result of this work may increase the LOM further.

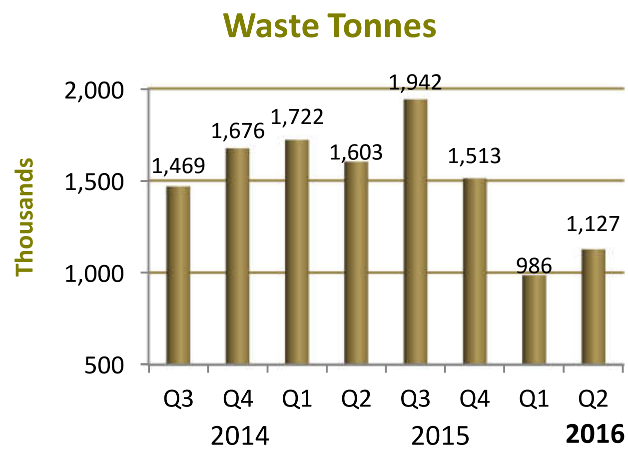
In addition, permitting is ongoing for mining in the Custer expansion pit, which would extend mine life to Q1 2018. Permitting also includes mining of the Oromonte mineralization as well as the Drinkwater High Wall area for which evaluation of the economics is ongoing.

Mining activities

Total mine production for the second quarter of 2016 was 1,305,137 tonnes, compared to 1,790,761 tonnes mined in Q2 of 2015. For the first six months of 2016, total mine production was 2,540,969 tonnes, compared to 3,727,558 tonnes mined in the first six months of 2015. Total mining operation in the 2nd quarter was composed of 178,288 tonnes of ore and 1,126,849 tonnes of waste. The ore was mined from the 6540 through 6520 benches and from the 6400 through 6370 benches in the Mary LC pit. Ore was also mined from the Satellite pits as follows: from the 7130 and 7120 benches in the Bluelite pit, from the 7260 and 7250 benches in the Solberry pit, and from the 7170 through 7150 benches in the Missouri pit. All benches are 10-foot in height. Stripping of waste material from the Missouri pit was completed in May 2016. The Missouri pit is now in full production. Mining of the Bluelite and Solberry pits was completed in May 2016. During Q2 of 2016, 138,795 tonnes of ore were mined from the Mary LC pit and 39,493 tonnes of ore were mined from the Satellite pits.

The average production for the second quarter of 2016 was 20,079 tonnes per day ("TPD") which is substantially lower than Q2 of 2015 which was 33,162 TPD. The decrease in the production rate is as a result of a lower overall strip ratio and mining much smaller areas. Mining operations occur on a one-shift per day, five days a week schedule, with drilling operations working on a seven day per week schedule. Beginning January 1, 2016, LEDCOR transitioned from mining seven days a week utilizing two crews to mining five days a week utilizing one crew.





Mine reconciliation:

	Through Bench	Ore mined variance compared to Model	Gold grade variance compared to Model	Contained ounces variance compared to Model	Dilution
Drinkwater	6460	17%	9%	24%	11.0%
Mary	6390	35%	-12%	18%	14.9%
Mary LC	6370	50%	-22%	17%	16.1%
Bluelite	7120	24%	-12%	9%	14.9%
Solberry	7250	32%	-24%	-0.1%	17.4%
Wedge	7100	21%	-9%	11%	9.0%
Brodie	7000	81%	-28%	31%	16.0%
Missouri	7160	10%	-31%	-24%	20.4%

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.

Operations activities

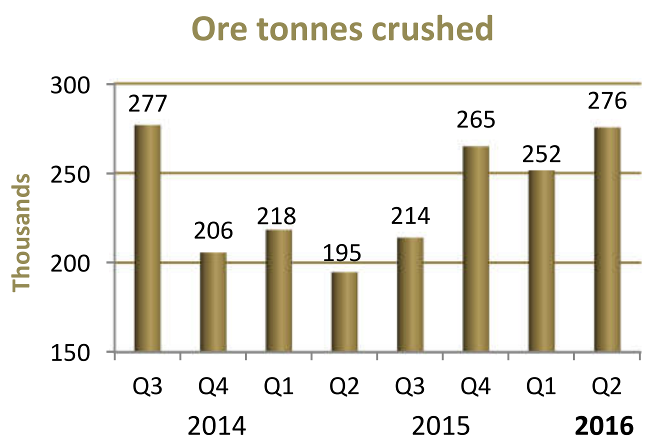
Total operations production for Q2 of 2016 was 275,551 tonnes processed, compared to 194,651 tonnes processed in Q2 of 2015. Total operations production in the first six months of 2016 was 527,138 tonnes processed, compared to 413,023 tonnes processed in the first six months of 2015. The processed ore was mined from the Mary LC pit as well as the Missouri satellite pit. The average crusher throughput per day for Q2 of 2016 was 3,028 tonnes at a head grade of 0.039 opt (1.33 g/t) gold, compared to Q2 of 2015 which had 2,139 tonnes throughput per day at an average head grade of 0.040 opt (1.37 g/t) gold. For the year to date in 2016, the average crusher throughput per day was 2,896 tonnes at an average head grade of 0.043 opt (1.48 g/t), compared to the first six months of 2015 which had an average throughput rate of 2,282 tonnes per day at an average head grade of 0.041 opt (1.39 g/t) gold.

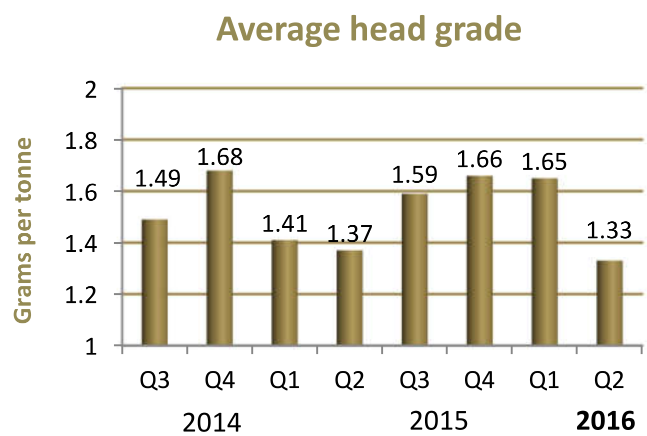
Estimated recoverable contained ounces of gold crushed and placed on the heap leach pad for Q2 of 2016 were 8,002 ounces, compared to 5,769 ounces in Q2 of 2015. The increased metal production is primarily attributed to higher crusher throughput, resulting in increased recoverable ounces placed on the heap leach pad and expected improvement in leach pad recoveries.

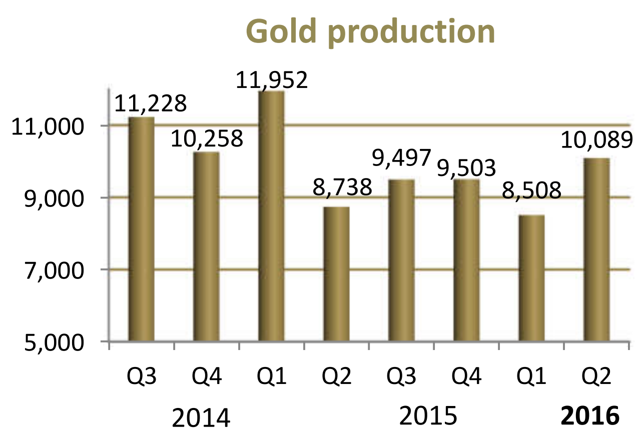
The availability of the crushing facility for the second quarter of 2016 was 58.9% compared to 43.3% for Q2 of 2015. Processing availability is based on hours of crusher operations versus permitted run time.

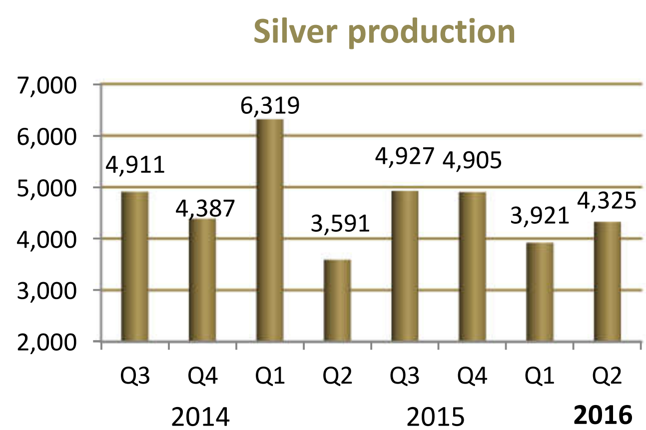
Application of cyanide leach solution to the freshly stacked mineralized material on the leach pad continues with 363 million gallons in Q2 of 2016, compared with 335 million gallons of leach solution applied during Q2 of 2015. There were 315 million gallons of pregnant, gold-bearing solution processed through the ADR carbon column circuit at an average grade of 0.30 ppm gold and 0.22 ppm silver, compared with 296 million gallons at an average head grade of 0.30 ppm gold and 0.23 ppm silver in Q2 of 2015. Calculated efficiency for recovery of precious metals from solution processed through the ADR for Q2 of 2016 was 90.8% for gold and 56.1% for silver, compared with 86.5% for gold and 56.7% for silver in Q2 of 2015. The efficiency of this circuit is directly affected by the activity of the activated carbon utilized for recovery of precious metals from solution as well as the flow rate of the solution being pumped through the columns. The average flow rate for Q2 of 2016 was 2,400 gpm ("gallons per minute") compared to 2,256 gpm in Q2 of 2015. 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.

During Q2 of 2016, the Company produced 10,089 ounces of gold and 4,325 ounces of silver, compared to 8,738 ounces of gold and 3,591 ounces of silver produced in Q2 of 2015. For the first half of 2016, the Company produced 18,597 ounces of gold and 8,246 ounces of silver, compared to 20,690 ounces of gold and 9,910 ounces of silver produced in the same period of 2015.

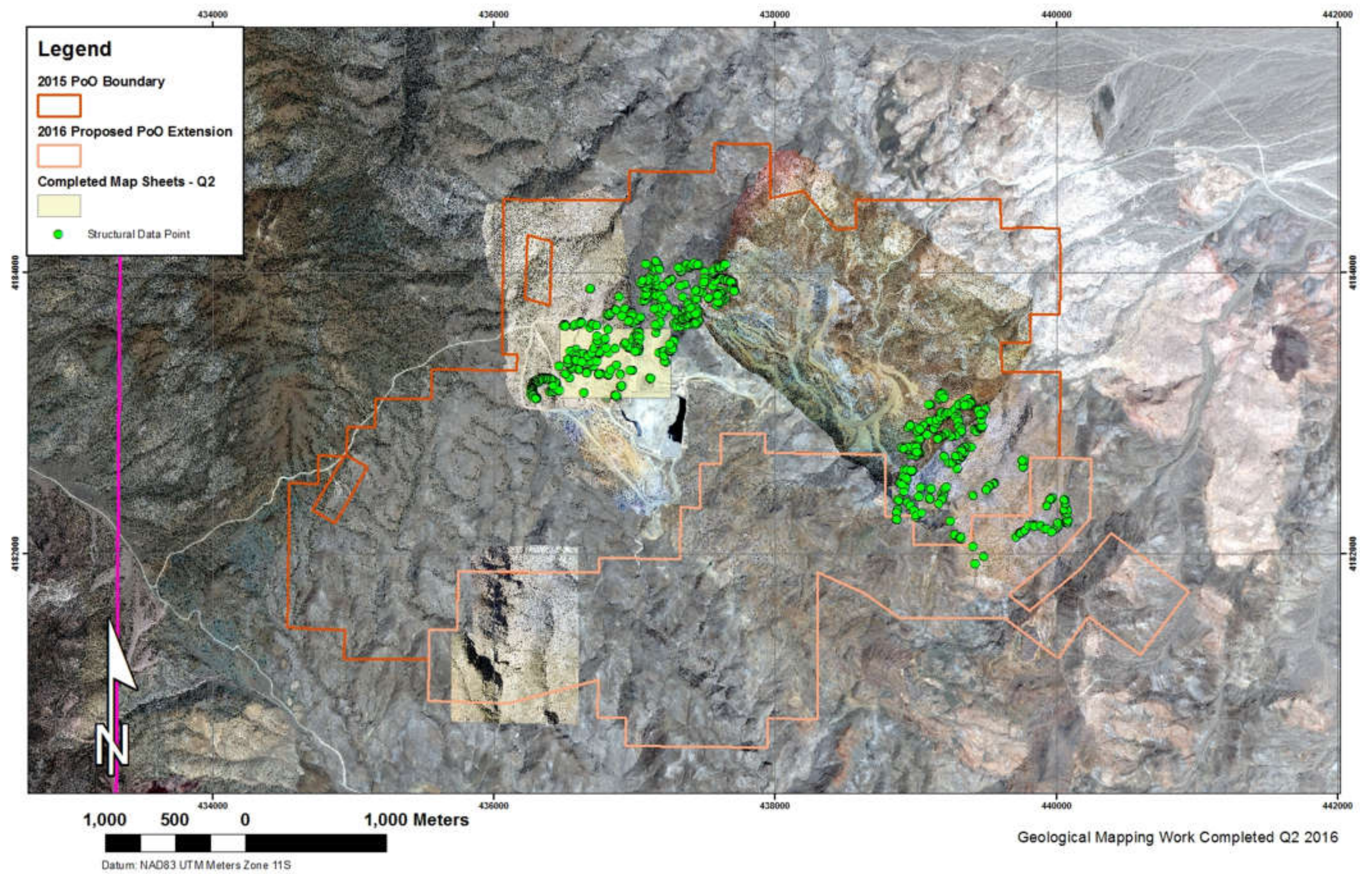








Current Exploration / Permitting



The 2016 program targeted infill drilling in the NW Brodie, Oromonte and Custer areas as well as exploration drilling at the Defiance target and the newly acquired Paris target. In early Q2 of 2016, the Company completed its 2016 drill program for a total of approximately 19,000 meters of RC drilling completed in 148 holes.

The first phase of the Company's 2016 exploration program focused on completing infill, development and extensional drilling of the Oromonte deposit. The second phase focused on the same goal for the Custer area and exploration drilling at Defiance. The third phase focused on exploration drilling at the Paris area. An emphasis has been placed on targeting shallower, higher grade targets to decrease the cost per ounce discovered and improve the economics of new discoveries.

The Oromonte target occurs over a 300 x 500 meter area situated between the Solberry and Wedge deposits. A small mineral resource estimate containing almost entirely Indicated resources was reported for Oromonte based on 53 RC drill holes (July 21, 2014 news release). Follow-up drilling in 2014-2016 intersected significant mineralization at vertical depths ranging from near surface to 150 meters depth across the target area. Although not accessible by open pit mining, the deeper mineralization at Oromonte may be amenable to underground extraction. No further drilling is currently planned in the Oromonte target area. The mineralization at Oromonte is interpreted to be a continuation of the mineralized horizon(s) between the Solberry and Wedge deposits that have been offset by normal faulting. The occurrence of a higher-grade zone of mineralization at depth is thought to be related to a rheological contrast between the basement granite and a later intrusion of alaskite (leucogranite). The difference in deformational behaviour of the two rock types under stress may have caused greater structural damage and fluid flow within the mineralizing structures in this area, resulting in a higher-grade zone of mineralization. The Oromonte deposit was subsequently down-dropped by late-stage normal faulting. Given the increase in gold price the Company is currently looking at the economics for extraction, which if positive could increase the LOM.

The Custer deposit lies along trend of and ~500 meters southeast of the Mary LC deposit. Structurally, Custer is very similar to the Drinkwater deposit, having far less of the post-mineral faulting and folding that was predominant in the Mary and Mary LC deposits. As a result, the mineralization at Custer is quite continuous and predictable. Definition drilling in 2016 followed up on a highly successful first-pass drilling program in 2015. A total of 81 holes have now outlined the Custer mineralized zone over a 150 x 200 meter area at depth. Planning and permitting for open pit mining of the Custer deposit is in progress, with targeted extraction in 2017.

The Defiance target area lies along trend of and ~200 meters southeast of the Custer deposit. Extensive road construction efforts at the beginning of the year allowed to cross a sizeable canyon between Custer and Defiance and drill the Defiance target for the first time in 2016. 36 holes were drilled on roughly 50 meter centers to define the initial footprint of the Defiance target. Defiance has continued to show mineralization along trend of the Custer deposit, but mineralization encountered thus far has been deeper and narrower due to geological differences between the two deposits. The mineralized zone measures ~200 meters X 300 meters. The Defiance target has been written off during Q2 of 2016 as not amenable to open pit extraction.

A small infill drill program was executed between the Bluelite and Brodie Northwest deposits looking to further define mineralized structures identified in the end of year 2015 diamond drill program. 24 shallow holes were drilled and mineralization was intercepted, however at this time it is not economic for extraction. The mineralized zones have been broken up by post mineral faulting and folding which has negatively impacted the continuity of the zones. As a result, this target has been written-off during Q2 of 2016.

The Paris target area was drilled for the first time in 2016. 24 RC holes were drilled in the Paris area as a first pass to identify mineralization. Assay results indicate a deep southerly dipping mineralized zone of similar orientation to Oromonte as well as a shallower, lower grade trend dipping gently to the north similar to what was seen at Chieftan in 2014. The Paris target has been written off during Q2 of 2016.

The Drinkwater Down Dip target was drilled with 5 RC holes to identify possible down dip mineralization from the Drinkwater pit. These holes did not intersect significant mineralization and did not change the understanding of the Drinkwater deposit.

In Q2 of 2016, the Company began a significant geological mapping campaign. The goal of this campaign is to first understand the controls on known mineralization and then use this knowledge to develop new drill targets.

Simulation models have been created to evaluate criteria for planned drilling in the Drinkwater Highwall and Mary LC Phase Four (“Bunkhouse Hill”) areas. Additional drilling is planned for these areas to confirm the simulation modeling in the second half of 2016.

A cost effective Winkie small diameter diamond drill was purchased and is being modified for planned framework evaluation drilling. This drilling will test targets generated by field mapping and geophysical interpretations. Based upon results of this drilling, follow up drilling will be planned with RC and diamond drilling. This work is included in the recently announced phase 2 exploration program.

A breakthrough in the understanding of the Mineral Ridge deposit as it relates to gold emplacement resulting from a deep ductile strain event or events earlier this year, has led to the preparation by the Company of a detailed comprehensive phase 2 exploration program, which will set the stage for growth in 2017. It is expected that the new phase 2 exploration program will consist of the following;

- 3.5 months of detailed field mapping by the Company's geology team which will focus on investigating the post mineral structural features in order to determine the localities that gold has originally formed in. This is expected to comprise of approximately 500 multi-element samples to aid in the understanding of the geology.

- A three month cost effective in-house ground geophysical survey comprising of vertical gradient and total field magnets and Very Low Frequency electromagnets over the areas of interest designed to delineate post mineral faulting as well as aid in the understanding of the geological architecture during the gold formation.

- To be followed by 10 small diameter diamond drill holes in the first priority target derived from the above mentioned fieldwork and geophysical surveys which will set the stage for a more comprehensive 2017 drilling campaign.

- 10 HQ size diamond drill holes designed to test and further define the Drinkwater Highwall Open Pit economics.

- Five HQ size diamond drill holes designed to test and further delineate the Bunkhouse Hill (Mary LC Phase 4) economics.

- The estimated cost for this program is US$718,000.

As of June 30, 2016, a review of the remaining capacity on the leach pad confirmed approximately 900,000 tons of remaining capacity on the heap leach pad at the Mineral Ridge mine. The Company is currently evaluating the possible expansion of the heap leach pad to the western side of the existing facility, as well as permitting for potential pit expansions Initial discussions regarding permitting of the leach pad expansion have been held with the BLM and the Nevada Division of Environmental Protection.

During Q1 of 2016, the Company started the process to permit additional areas including the Custer and Oromonte, areas where the Company's management believes there is potential to increase reserves and resources of the Mineral Ridge mine. Initial presentations were made to both the BLM and the NDEP Bureau of Mining Regulation and Reclamation ("NDEP-BMRR") which proposed plans for development of these pit expansions through an amendment to the Mineral Ridge Plan of Operations/Reclamation Permit ("PoO"). In Q2 of 2016, the Company revised the PoO to include an expansion of the Drinkwater pit. Cultural and biological baseline studies were completed in Q2, 2016. Geochemical evaluations to support the amended PoO, are presently underway.

Other properties

Goldwedge

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

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.

The Goldwedge mill facilities have been placed on care and maintenance effective July 28, 2015. The facility can be restarted immediately when needed.

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.

A new exploration program was approved in early Q3 of 2016. This program is three-fold. First, sampling the Goldwedge proposed Plan of Operations (”PoO”) boundary, secondly sampling the Keystone – Jumbo area and thirdly conducting an in-house cost effective vertical gradient and total field magnets and Very Low Frequency electromagnets geophysical surveys. In the Goldwedge area, soil sampling will be used to augment drillhole targeting in the vicinity of the Goldwedge mine and to understand the mineralization controls in the collapsed caldera to the North of the Goldwedge mine. In the Keystone – Jumbo area this program will be targeting structural intersections between East-West to East-Northeast structures and Northwest structures which have been identified as the main controls on mineralization in the Keystone and Jumbo pits in order to generate drill targets to include in future drill permit applications. The geophysical surveys will help to understand geological and structural controls in the area, especially where ground cover is present. The estimated cost for this program is US$33,000. After completion of the above analysis, target selection and prioritization for drilling within the current approved PoO boundary will be compiled with respect to a potential drill program in 2017.

Environmental Regulation

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

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

RESULTS OF OPERATIONS

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

Scorpio Gold reported net earnings of $1.2 million for the three months ended June 30, 2016, compared to $1.7 million for the three months ended June 30, 2015. Net earnings attributable to the shareholders of the Company were $0.6 million ($0.00 per share) for the three months ended June 30, 2016, compared to $1.0 million ($0.01 per share) for the three months ended June 30, 2015. Net earnings attributable to the non-controlling interest were $0.6 million for the three months ended June 30, 2016, compared to $0.7 million for the three months ended June 30, 2015.

Scorpio Gold reported net earnings of $2.3 million for the six months ended June 30, 2016, compared to $2.5 million for the six months ended June 30, 2015. Net earnings attributable to the shareholders of the Company were $1.2 million ($0.01 per share) for the six months ended June 30, 2016, compared to $1.1 million ($0.01 per share) for the six months ended June 30, 2015. Net earnings attributable to the non-controlling interest were $1.1 million for the six months ended June 30, 2016, compared to $1.4 million for the six months ended June 30, 2015.

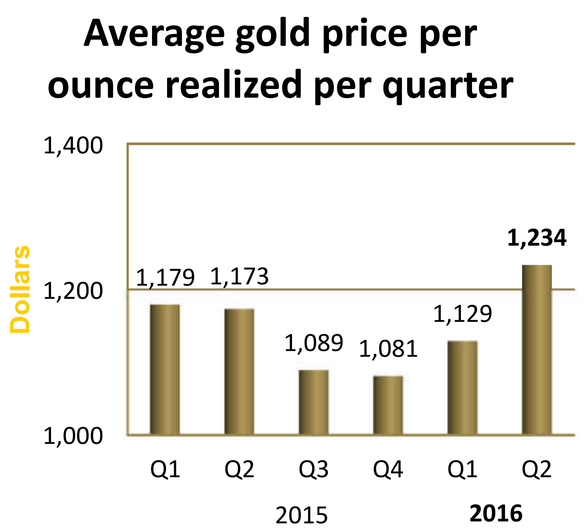
The major differences between the three and six-month periods ended June 30, 2016 and June 30, 2015 results are explained below.

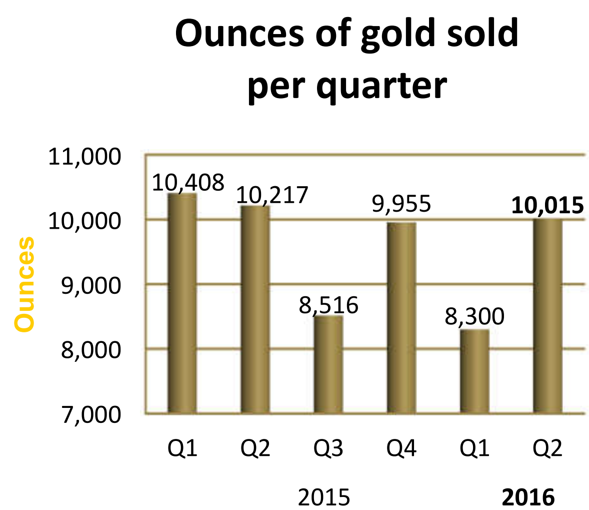
Revenue

During Q2 of 2016, the Company sold 10,015 ounces of gold and 4,425 ounces of silver for total revenue of $12.4 million. During Q2 of 2015, the Company sold 10,217 ounces of gold and 6,090 ounces of silver for total revenue of $12.1 million. During Q2 of 2016, gold ounces were sold at an average price of $1,234 ($1,173 in Q2 of 2015) and silver ounces at an average price of $16 ($16 in Q2 of 2015).

During the six-month period ended June 30, 2016, the Company sold 18,315 ounces of gold and 8,425 ounces of silver for total revenue of $21.9 million at an average price of $1,187 for gold and $15 for silver, whereas during the six-month period ended June 30, 2015, the Company sold 20,625 ounces of gold and 10,322 ounces of silver for total revenue of $24.4 million at an average price of $1,176 for gold and $16 for silver.

The Company’s realized average gold price is lower than the average London PM fix mainly because of the timing of the sales as well as the terms of the Company’s gold and silver supply agreement. As of June 30, 2016, the Company had inventories including 901 ounces of gold available for sale, compared to 627 ounces of gold as at December 31, 2015.





Mine operating earnings

Cost of sales excluding depletion and amortization increased from $8.6 million for Q2 of 2015 to $9.2 million for Q2 of 2016. This increase is explained by the increase in cash operating cost per gold ounce sold [(1)]offset by the lower number of ounces sold.

Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $856 for Q2 of 2016, compared to $796 in Q2 of 2015. Total cash cost per ounce sold [(1)], after silver by-product credits, was $879 for Q2 of 2016, compared to $800 in Q2 of 2015. Average head grade was 2.9% lower during Q2 of 2016 compared to Q2 of 2015, which negatively impacted cash operating cost per ounce sold and cost of sales along with the strip ratio that was significantly higher in Q2 of 2016 compared to Q2 of 2015. In addition, cash cost per ounce during Q2 of 2015 benefited from inventory adjustments. These factors were partially offset by cost savings realized during Q2 of 2016 while increasing tonnage processed compared to Q2 of 2015.

Depletion and amortization was $0.2 million during Q2 of 2016, compared to $1.0 million during Q2 of 2015. Following the 2015 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 Q2 of 2016 is essentially related to 2016 capitalized stripping activities on producing mining interest.

Mine operating earnings[(1)] were $3.1 million for the second quarter of 2016, compared to $2.4 million for the comparative period of 2015.

Cost of sales excluding depletion and amortization decreased from $18.2 million for the six-month period ended June 30, 2015 to $16.6 million for the six-month period ended June 30, 2016. This decrease is mostly explained by the increase in cash operating cost per gold ounce sold [(1)] offset by the decrease in the number of gold ounces sold.

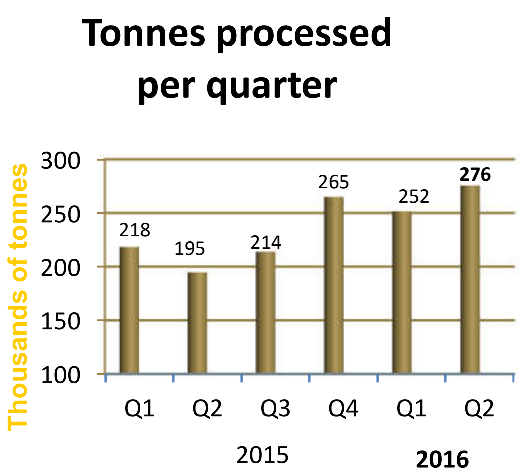
Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $825 for the first half of 2016 compared to $792 in the same period of 2015. Total cash cost per ounce sold [(1)], after silver by-product credits, was $844 for the first half of 2016, compared to $798 for the same period of 2015. Strip ratio was higher for the six-month period ended June 30, 2016 compared to the corresponding period of 2015 which negatively impacted cash operating cost per ounce sold and cost of sales. In addition, cash cost per ounce during the first half of 2015

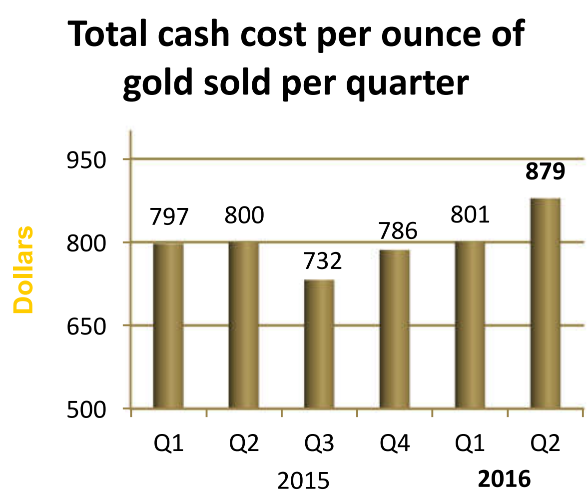
(1) This is a non-IFRS financial performance measure. Please see Non-IFRS performance measures section.

benefited from inventory adjustments. These factors were partially offset by an increase in head grade as well as by cost savings realized while increasing tonnage processed during the first half of 2016 compared to the first half of 2015.

Depletion and amortization was $0.4 million during the first half of 2016, compared to $1.8 million during the first half of 2015. As discussed above, following the 2015 impairment on assets at the Mineral Ridge mine which significantly decreased the carrying value of the assets being depleted, the depletion and amortization recorded in the first half of 2016 is essentially related to 2016 capitalized stripping activities on the producing mining assets.

Mine operating earnings(1) were $4.9 million for the six-month period ended June 30, 2016, compared to $4.5 million for the comparative period of 2015.





General and administrative

General and administrative expenses totalled $0.3 million for Q2 of 2016, compared to $0.6 million for the same period of 2015. The decrease in salaries and benefits for the three and six-month periods ended June 30, 2016 compared to same periods of 2015 is related to severance accounted for as a result of the termination of a senior member of management during Q2 of 2015 as well as a more favorable USD/CAD exchange rate for both the three and six-month periods ended June 30, 2016 compared to comparative periods of 2015.

General and administrative expenses totalled $0.5 million for the first half of 2016, compared to $1.7 million for the same period of 2015. On March 6, 2015, the Company announced a strategic financing to raise $15 million from the issuance of equity to an affiliate of Coral Reef Capital LLC. This financing was thereafter terminated and as such the Company was obligated to pay a $0.5 million break fee along with approximately $0.1 million of related due diligence and legal costs.

During the first half of 2015, an aggregate of 2,925,000 stock options were granted to directors, officers, employees and consultants of the Company, while none were granted in the same period of 2016.

Care and maintenance

Starting in Q3 of 2015, the Goldwedge property and mill facility was placed on temporary care and maintenance. The Company incurred $0.2 million care and maintenance costs including amortization during Q2 of 2016 and $0.4 million during the first half of 2016.

Write-off of mining assets

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

Other (expenses) income

Finance costs totalled $0.2 million during Q2 of 2016, compared to $0.03 million for the comparative period of 2015 and totalled $0.3 million during the first half of 2016 compared to $0.06 million for the comparative period of 2015. On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton Global Value L.P. ("Waterton Global"). In August 2015, the Company entered into a new senior secured non-revolving credit facility with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"). During Q2 and the first half of 2016, the Company incurred $0.2 million and $0.3 million respectively, interest related to this loan. See "Long-Term Debt".

As of December 31, 2014, the Company held 6,750,000 shares of Gold Standard having a book value of $3.1 million. During Q1 of 2015, all of these shares were sold for net proceeds of $3.3 million and as a result a gain on disposal of investments of $0.2 million was recorded.

Income tax expense

For Q2 of 2016, current income tax expense which relates to the Nevada net proceeds tax amounted to $0.2 million, compared to $0.04 million for the same period of 2015. For the first half of 2016, the Nevada net proceeds tax amounted to $0.3 million, compared to $0.1 million for the same period of 2015.

Due to the different reversal periods of the accounting value and tax value of assets, mainly inventories, there is a future taxable temporary difference in respect of the Nevada net proceeds tax for which the Company recognized a deferred income tax liability and expense. During Q2 of 2016, due to the decrease in gold inventories, the Company recorded a corresponding decrease in deferred income tax liability during the period. During the first half of 2016, the decrease in gold inventories was offset by temporary difference with respect to stripping activity assets, which lead to a slight increase in deferred income tax liability.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016, the Company had $3.5 million in cash, compared to $2.2 million as of December 31, 2015.

Working capital was $8.5 million as of June 30, 2016, compared to $8.0 million as of December 31, 2015.

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

INVENTORIES

Inventories decreased from $10.5 million as of December 31, 2015 to $9.0 million as of June 30, 2016 mostly as a result of the Company having fewer ounces in inventory as at June 30, 2016 compared to December 31, 2015.

Ore stockpile decreased by $2.0 million during the first half of 2016 as the Company processed 98,726 more tonnes of ore than those hauled from the mine during the same period.

Metal in process increased by $0.1 million during the first half of 2016.

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at June 30, 2016, included in the metal in process inventories, are inventories on the leach pad for a total cost of $4.6 million ($4.4 million as at December 31, 2015). The ultimate recovery of gold from the heap leach pad will not be known until the total leaching process is concluded.

Finished goods inventory increased by $0.3 million during the first half of 2016 to $0.9 million, due mainly to the timing of the Company's gold sales.

PRODUCING MINING ASSETS

Producing mining assets stood at $6.4 million as of June 30, 2016, compared to $5.0 million as at December 31, 2015.

During the first half of 2016, the Company added $1.5 million to producing mining assets, which mainly consisted of $1.0 million related to stripping activities and $0.5 million related to mobile equipment at Mineral Ridge.

Management concluded that the Missouri pit commenced commercial production during the first half of 2016 and therefore its related book value of $0.4 million was transferred from non-producing mining assets to producing mining assets.

During the first half of 2016, an amount of $0.4 million has been recorded as depletion and amortization of producing mining assets.

NON-PRODUCING MINING ASSETS AND OTHER

Non-producing mining assets and other stood at $3.9 million as of June 30, 2016, compared to $3.0 million as at December 31, 2015.

During the first half of 2016, the Company added $2.4 million to non-producing mining assets. Of this amount, $2.2 million relates to Mineral Ridge and is mainly constituted of exploration costs related to exploration targets surrounding the areas currently in production at the Mineral Ridge mine.

As discussed above, management concluded that the Missouri pit commenced commercial production during the first half of 2016 and therefore its related book value of $0.4 million was transferred from non-producing mining assets to producing mining assets.

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

CURRENT LIABILITIES

Total current liabilities were $4.5 million as at June 30, 2016, compared to $5.7 million at December 31, 2015.

Trade and other payables decreased from $5.6 million as at December 31, 2015 to $4.1 million as at June 30, 2016. The decrease is mainly related to the reduction in mining levels at the Mineral Ridge mine.

LONG-TERM DEBT

On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman LP (“Waterton Fund”), an affiliate of Elevon, LLC, for a loan in the principal amount of $6 million (the “Loan”). The Loan provides non-dilutive financing to the Company, and has 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. There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company’s trade payables not exceed $8.0 million. The Company has complied with all restrictions pursuant to the Loan as at June 30, 2016.

Change to the Mineral Ridge operating agreement

In connection with the Loan with Waterton Fund completed in 2015 described above, the Company has modified the Mineral Ridge operating agreement so that the Company’s wholly owned subsidiary that holds the interest in Mineral Ridge will owe and accrue to Elevon, LLC an amount equal to 10% of aggregate amounts actually distributed to the partners in the Mineral Ridge mine (the “Accrued Distribution Amount”). The Accrued Distribution Amount shall become due and payable upon a change of control of the Company, or if the settlement price of gold on the LBMA PM fix is equal to or exceeds US$1,350 per ounce (the “Accrual Payment Date”).

The Company holds a 70% interest in the Mineral Ridge mine, but was previously entitled to 80% of cash distributions from the mine. As a result of the foregoing amendment, the Company has effectively reverted to being entitled to 70% of cash flows distributed from the Mineral Ridge mine, but this change does not affect its cash position until the Accrual Payment Date, at which time the Accrued Distribution Amount must be paid in full. The accrual of the Accrued Distribution Amount will terminate in certain circumstances, including in the event of a sale by Scorpio or by Elevon, LLC its Mineral Ridge partner of their respective ownership interests in Mineral Ridge, however those events will not change the ongoing 70%/30% distribution of mine cash flows.

In early July 2016, the settlement price of gold on the LBMA PM fix exceeded US$1,350 per ounces and as such the Company paid Elevon $35,714, corresponding to 10% of the aggregate amounts actually distributed after August 2015.

EQUITY

Total equity increased by $2.5 million during the first half of 2016, from $10.1 million at December 31, 2015 to $12.6 million at June 30, 2016. This increase is attributable to the $2.3 million net earnings for the first half of 2016 as well as a $0.2 million net cash contribution by the non-controlling interest, being Elevon, LLC, the Company’s partner in the Mineral Ridge mine.

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 and diluted earnings (loss) per share $
June 30, 2016	12,434	1,199	0.00
March 31, 2016	9,428	1,079	0.00
December 31, 2015	10,828	(4,665)	(0.03)
September 30, 2015	9,333	(15,823)	(0.11)
June 30, 2015	12,083	1,747	0.01
March 31, 2015	12,343	755	0.00
December 31, 2014	13,377	(28,675)	(0.16)
September 30, 2014	14,754	275	(0.00)

CASH FLOWS

Cash flows generated from operating activities were $4.9 million for Q2 of 2016, compared to $4.6 million for the same period of 2015.

For the six-month period ended June 30, 2016, cash flows generated from operating activities were $4.5 million, compared to $9.0 million for the same period of 2015. This variance is mostly due to changes in working capital items.

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

Cash outflows used in investing activities were $6.2 million for the three months ended June 30, 2015. During Q2 of 2015, investing activities related to producing mining assets totalled $0.8 million and were mainly related to stripping activities and payments related to fixed assets. Non-producing mining asset payments totalled $5.0 million and mainly related to development costs of the Mary LC and satellite pits development, exploration related to targets surrounding the areas in development and production at the Mineral Ridge mine and various construction in process projects. The Company also paid $0.4 million in cash collateral related to the reclamation bonds.

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

During the six-month period ended June 30, 2015, cash outflows used in investing activities were $5.3 million. Payments related to non-producing mining asset additions during the first half of 2015 totalled $8.5 million and mainly related to development costs of the Mary LC and satellite pits, exploration related to targets surrounding the areas in development and production at the Mineral Ridge mine and various construction in process projects. The Company disposed of its 6,750,000 shares in Gold Standard and received payment of the debt represented by a promissory note, for total proceeds of $5.3 million. During the first half of 2015, investing activities related to producing mining assets were mainly related to stripping activities and payments related to fixed asset acquisitions.

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

Cash outflows used for financing activities during Q2 of 2015 were limited to repayment of the long-term debt on mobile equipment.

Cash outflows used for financing activities were $0.1 million for the first half of 2016. During the first half of 2016, the Company paid $0.3 million interest on the long-term debt and financing lease. Also during this period, the Company paid $0.1 million of distributions and received $0.3 million of cash contributions from Elevon, LLC.

Cash outflows used for financing activities were $3.0 million for the first half of 2015. During the first half of 2015, the Company fully repaid the long-term debt with Waterton Global for an amount of $3.4 million. Also during this period, the Company paid $0.1 million of distributions and received $0.6 million of cash contributions from Elevon, LLC.

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.

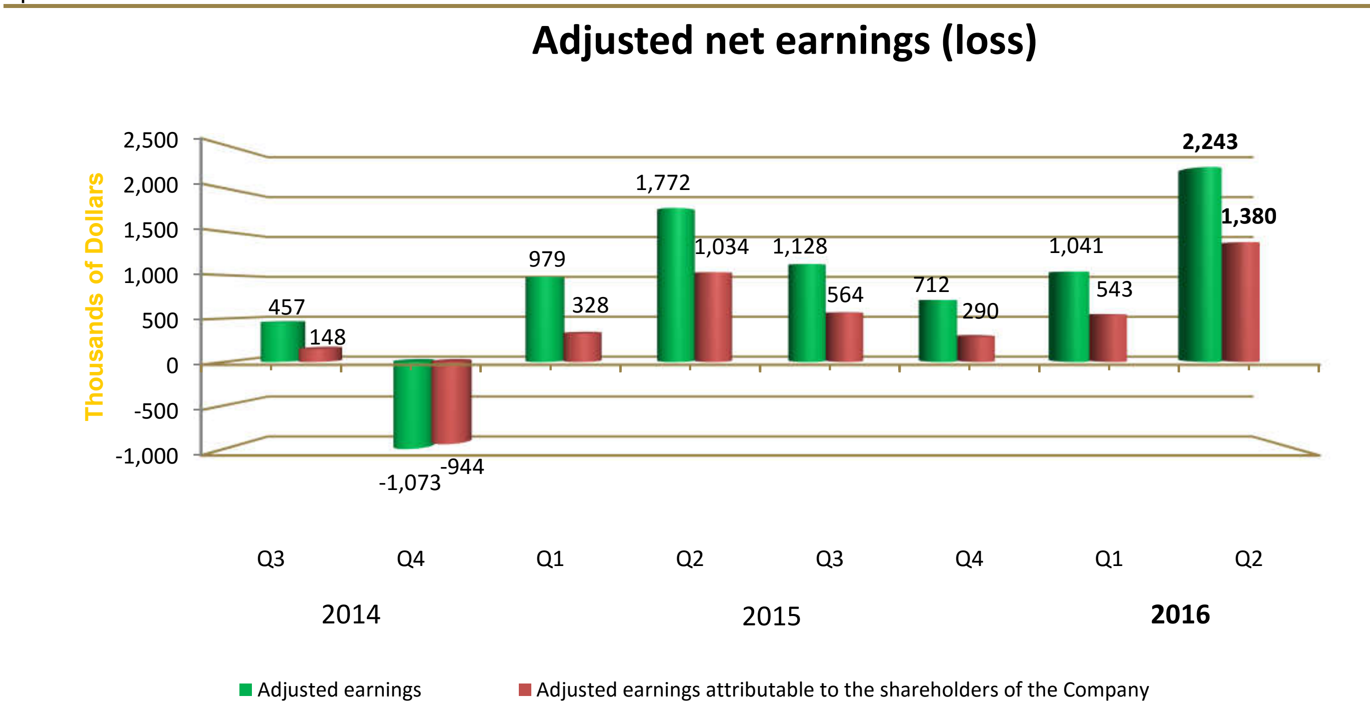
Adjusted earnings

The Company uses the financial measure "Adjusted 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 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 Earnings provides useful information to investors because it excludes non-cash and other charges and is a better indication of the Company's profitability from core operations. The items excluded from the computation of Adjusted 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 earnings to the condensed interim consolidated financial statements:

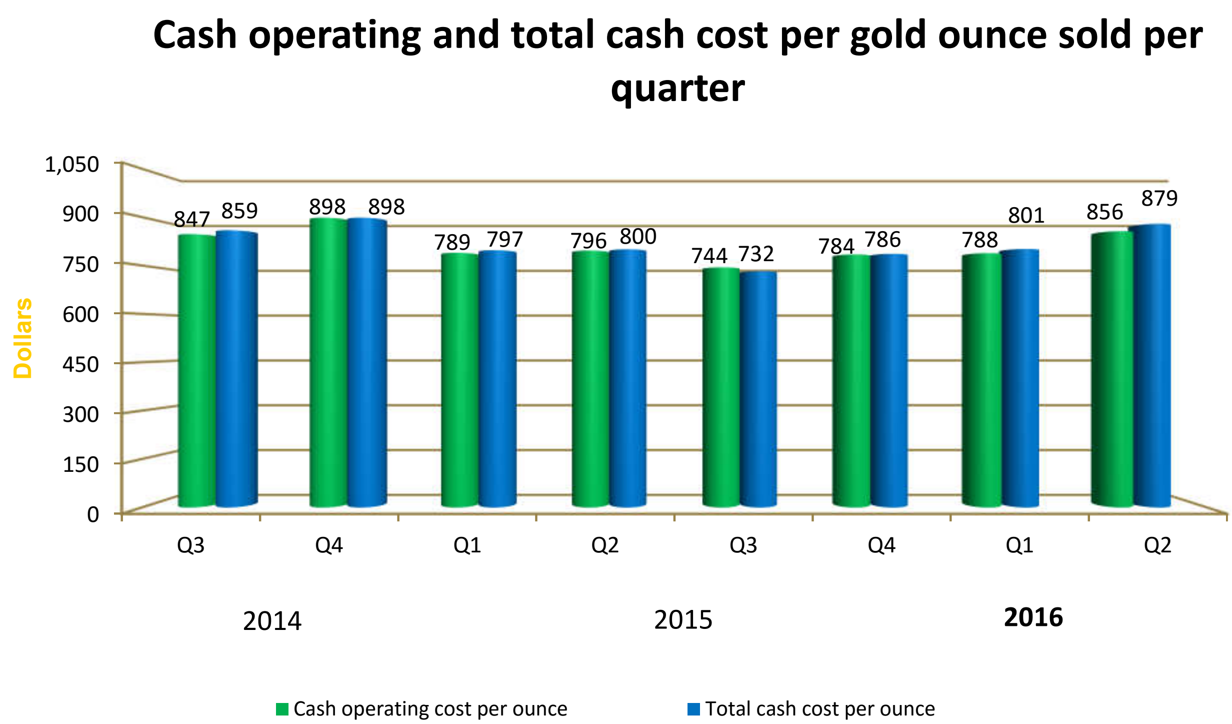
	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
	$	$	**$**	$
Net earnings for the periods	**1,199**	1,747	**2,278**	2,502
Write-off of mining assets	**1,048**	-	**1,048**	-
(Gain) loss on disposal of mining assets	**-**	38	**(39)**	38
Foreign exchange (gain) loss	**(4)**	(13)	**(3)**	206
Share-based compensation	**-**	-	**-**	177
Gain on disposal of investments	**-**	-	**-**	(172)
Adjusted net earnings for the periods	**2,243**	1,772	**3,284**	2,751
Non-controlling interest	**(863)**	(738)	**(1,361)**	(1,389)
Adjusted net earnings for the periods attributable to the shareholders of the Company	**1,380**	1,034	**1,923**	1,362
Adjusted basic and diluted net earnings per share	**0.01**	0.01	**0.02**	0.01



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 June 30, 2016	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
	$	$	**$**	$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	**9,164**	8,640	**16,580**	18,195
Share-based compensation	**-**	-	**-**	(98)
Inventory adjustment	**(458)**	(396)	**(1,222)**	(1,574)
By-product silver sales	**(71)**	(99)	**(128)**	(166)
Royalties	**(60)**	(17)	**(120)**	(17)
Cash operating costs	**8,575**	8,128	**15,110**	16,340
Nevada net proceeds tax	**230**	44	**339**	124
Total cash cost	**8,805**	8,172	**15,449**	16,464
Divided by ounces of gold sold	**10,015**	10,217	**18,315**	20,625
Cash operating cost per gold ounce sold	**856**	796	**825**	792
Total cash costs per gold ounce sold	**879**	800	**844**	798



Adjusted EBITDA

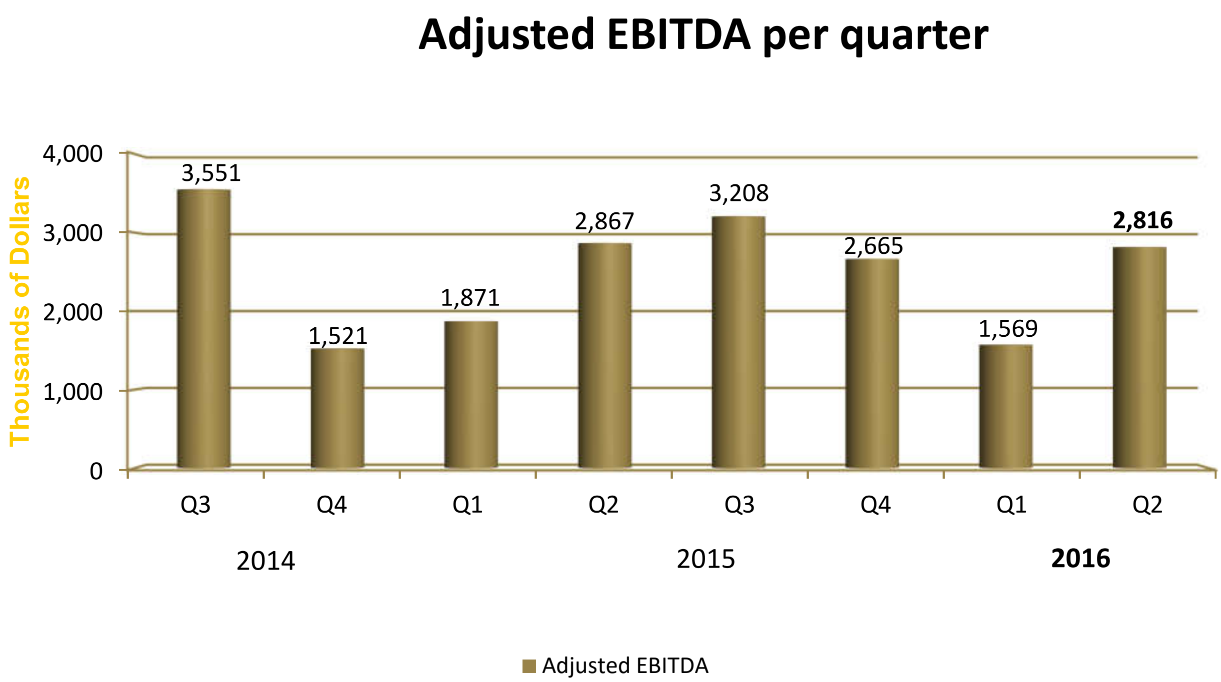
EBITDA is a non-IRFS financial measure, which excludes the following from net earnings:

- 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 analyst for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on an observed values to determine the approximate total enterprise value of a company. Adjusted EBITDA removes the effects of "write-off of mining assets', "share-based compensation", "gain on disposal of investments", "(gain) loss on disposal of mining assets" as well as "foreign exchange (gain) loss". 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 analyst 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 analyst 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 are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently.

The following table provides a reconciliation of adjusted and standardized EBITDA to the condensed interim consolidated financial statements:

	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
	$	$	**$**	$
Net earnings for the period	**1,199**	1,747	**2,278**	2,502
Finance costs	**195**	25	**388**	102
Depletion and amortization	**208**	1,026	**359**	1,761
Income tax expense	**170**	44	**354**	124
Standardized EBITDA	**1,772**	2,842	**3,379**	4,489
Write-off of mining assets	**1,048**	-	**1,048**	-
Share-based compensation	**-**	-	**-**	177
Gain on disposal of investments	**-**	-	**-**	(172)
(Gain) loss on disposal of mining assets	**-**	38	**(39)**	38
Foreign exchange (gain) loss	**(4)**	(13)	**(3)**	206
Adjusted EBITDA	**2,816**	2,867	**4,385**	4,738
Non-controlling interest	**(981)**	(1,062)	**(1,585)**	(1,959)
Adjusted EBITDA attributable to the shareholders of the Company	**1,835**	1,805	**2,800**	2,779
Adjusted basic and diluted EBITDA per share	**0.02**	0.01	**0.02**	0.02


Adjusted EBITDA per quarter
Thousands of Dollars
4,000
3,000
2,000
1,000
0
3,551
1,521
1,871
2,867
3,208
2,665
1,569
2,816
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
2014
2015
2016
Adjusted EBITDA

SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY

	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016
Mining operations						
Producing pits						
Mary LC pit						
Ore tonnes mined	-	-	83,577	119,891	146,872	138,795
Waste tonnes mined	-	-	941,334	743,394	703,030	919,453
Total mined	-	-	1,024,911	863,285	849,902	1,058,248
Strip ratio	-	-	11.3	6.2	4.8	6.6
Satellite pits						
Ore tonnes mined	58,073	56,046	127,546	245,569	103,252	39,493
Waste tonnes mined	172,352	113,521	990,728	769,186	227,056	139,664
Total mined	230,425	169,567	1,118,274	1,014,755	330,308	179,157
Strip ratio	3.0	2.0	7.8	3.1	2.2	3.5
Mary pit						
Ore tonnes mined	117,964	78,343	5,695	-	-	-
Waste tonnes mined	744,977	298,704	10,311	-	-	-
Total mined	862,941	377,047	16,006	-	-	-
Strip ratio	6.3	3.8	1.8	-	-	-
Total producing pits						
Ore tonnes mined	176,037	134,389	216,818	365,460	250,124	178,288
Waste tonnes mined	917,329	412,225	1,942,373	1,512,580	930,086	1,059,117
Total mined	1,093,366	546,614	2,159,191	1,878,040	1,180,210	1,237,405
Strip ratio	5.2	3.1	9.0	4.1	3.7	5.9
Pits under development:						
Ore tonnes mined	38,882	53,264	-	-	-	-
Waste tonnes mined	804,549	1,190,883	-	-	55,622	67,732
Total mined	843,431	1,244,147	-	-	55,622	67,732

	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016
Total mining operations						
Ore tonnes mined	214,919	187,653	216,818	365,460	250,124	178,288
Waste tonnes mined	1,721,878	1,603,108	1,942,373	1,512,580	985,708	1,126,849
Total mined	1,936,797	1,790,761	2,159,191	1,878,040	1,235,832	1,305,137
Processing						
Tonnes processed	218,372	194,651	213,957	265,017	251,587	275,551
Gold head grade (grams per tonne)	1.41	1.37	1.59	1.66	1.65	1.33
Availability	52.0%	43.3%	45.0%	59.3%	59.1%	58.9%
Throughput (tonnes per day)						
Ounces produced						
Gold	11,952	8,738	9,497	9,503	8,508	10,089
Silver	6,319	3,591	4,927	4,905	3,921	4,325
Precious Metal Sales (ounces)						
Gold	10,408	10,217	8,516	9,955	8,300	10,015
Silver	4,232	6,090	4,168	4,755	4,000	4,425
Exploration Drilling						
Holes	112	253	204	111	116	32
Meters	8,908	27,796	18,163	9,612	16,465	3,353

	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016
Financial results						
	$	$	$	$	$	$
Cash operating cost per ounce of gold sold [1]	789	796	744	784	788	856
Total cash cost per ounce of gold sold[1]	797	800	732	786	801	879
Average price of gold						
LONDON PM FIX	1,218	1,193	1,124	1,107	1,183	1,260
Realized	1,179	1,173	1,089	1,081	1,129	1,234
Net earnings (loss)	755	1,747	(15,823)	(4,665)	1,079	1,199
Earnings (loss) per share	0.00	0.01	(0.11)	(0.03)	0.00	0.00
Adjusted net earnings (loss)[1]	979	1,772	1,128	712	1,041	2,243
Adjusted basic and diluted net earnings (loss) per share[1]	0.00	0.01	0.01	0.00	0.00	0.01
Adjusted EBITDA[1]	1,871	2,867	3,208	2,665	1,569	2,816
Adjusted basic and diluted EBITDA per share [1]	0.01	0.01	0.02	0.01	0.01	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

On August 3, 2016, the Second Judicial District Court of Washoe County, Nevada issued an oral ruling for summary judgment awarding a drilling company, National EWP, Inc. ("National"), $2.3 million in its lawsuit against Mineral Ridge Gold, LLC. The dispute centers on a 2012 contract in which National agreed to drill a water production well for the Mineral Ridge mine at an original contract price of $1.145 million. National was ultimately paid more than $1.2 million based on the contract and three approved change orders. At the conclusion of drilling, National sent a letter requesting additional compensation for the well and proposing that Mineral Ridge pay $2.3 million for the well. The District Court concluded that the letter constituted a change order request which, based on the Court's interpretation of Nevada's Prompt Payment Act, automatically became part of the contract because, the Court concluded, Mineral Ridge's responses to the request were insufficient to reject the request. The Court did not directly address the fact that Mineral Ridge had already paid National $1.2 million under the contract.

National has been tasked with preparing a written judgment consistent with the District Court's oral ruling, which has not yet been done, and thus no formal judgment has been entered by the Court. The Company and its legal advisors strongly disagree with both the Court's legal conclusions and its factual findings, and it is currently evaluating its options to contest the ruling and stay execution of the judgment, once entered. The Company remains confident that it has satisfied its obligations under the contract with National and as such believes it will ultimately not have to pay any additional amount.

Should developments cause a change in the Company's determination as to an unfavorable outcome, or result in a final adverse judgment or a settlement for a significant amount, there could be a material adverse effect on the Company's results of operations, cash flows and financial position in the period in which such change in determination, judgment or settlement occurs. The amount or timing of any outflow is uncertain.

Furthermore, due to the complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the condensed interim consolidated financial statements of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at June 30, 2016.

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 six-month periods ended June 30, 2016 and June 30, 2015 is as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
	$	$	**$**	$
Salaries and directors fees	**202**	220	**406**	485
Severance	**-**	250	**-**	250
Consulting fee paid to a director	**-**	12	**-**	44
Share-based compensation [(1)]	**-**	-	**-**	80
	202	482	**406**	859

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

During the three and six months ended June 30, 2015, the Company incurred consulting fees of $11,781 and $44,216, 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 to a scoping study on the design and construction of a potential gold/silver processing and refining facility at the Mineral Ridge mine in Nevada and for corporate financing work.

As at June 30, 2016, $107,261 resulting from transactions with key management is included in trade and other payables.

Other than the severance payment indicated above, key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended June 30, 2016 and June 30, 2015.

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 and Elevon are a related parties of the Company.

Related party transactions entered into with Waterton Fund during the three and six months periods ended June 30, 2016 and June 30, 2015 are as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
	$	$	**$**	$
Interest on long-term debt	**149**	-	**298**	-

c) Elevon

In connection with the Loan with Waterton Fund completed in 2015 (Note 12a)), on August 14, 2015, the Company modified the Mineral Ridge operating agreement so that the Company would owe and accrue to Elevon an amount equal to 10% of aggregate amounts actually distributed to the Company and Elevon by Mineral Ridge Gold, LLC (the "Accrued Distribution Amount"). The Accrued Distribution Amount shall become due and payable by the Company upon a change of control of the Company, or if the settlement price of gold on the LBMA PM fix is equal to or exceeds US$1,350 per ounce. The Company and Elevon also agreed that following payment of the Accrued Distribution Amount, Elevon will remain entitled to receive 30% of all further distributions by Mineral Ridge Gold, LLC.

As at June 30, 2016, an amount of $35,714 is owed and accrued to Elevon as the Accrued Distribution Amount. The Accrued Distribution Amount was paid in early July 2016 after the settlement price of gold on the LBMA PM exceeded US$1,350 per ounce. As a consequence, Elevon, LLC is entitled to receive 30% of cash distributions from Mineral Ridge Gold, LLC. See "Long-Term Debt-Change to the Mineral Ridge Operating Agreement".

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	4,091	4,091	-	-	-
Long-term debt and financing lease	383	158	116	109	-
Provision for environmental rehabilitation	5,848	-	4005	1,371	472

b) *Fair Value*

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

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mineral exploration and development company, Scorpio Gold's performance is affected by a number of industry and economic factors and exposure to certain environmental risks, and other regulatory requirements. These have been detailed in the Company's December 31, 2015 annual MD&A available under the Company's profile on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of financial data is based on accounting principles, judgments and practices consistent with those used in the preparation of the annual audited consolidated financial statements as at December 31, 2015. 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, 2015.

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, 2015 except for the following:

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

CONTROLS AND PROCEDURES CERTIFICATION

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

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal controls over financial reporting during the six-month period ended June 30, 2016, 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.

DISCLOSURE OF OUTSTANDING SECURITIES AS AT AUGUST 25, 2016

Outstanding common shares	124,948,235
Stock options	6,760,000
Fully diluted	131,708,235

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 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, 2015 and available at www.sedar.com under the Company's name.