SCORPIO GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") is for the six-month period ended June 30, 2014 and is provided as of August 21, 2014. This MD&A is to be read in conjunction with the most recently issued annual consolidated financial statements for the year ended December 31, 2013 and the condensed consolidated interim financial statements of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the six-month period ended June 30, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on the Company's website (www.scorpiogold.com) and filed on SEDAR (www.sedar.com). All dollar amounts are in US dollars unless otherwise indicated.

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

HIGHLIGHTS FOR THE SECOND QUARTER ("Q2") ENDED JUNE 30, 2014

- 9,034 ounces of gold produced compared to 10,769 ounces produced during Q2 of 2013. In late June 2014, an additional carbon column was installed which is expected to increase the rate of processing of pregnant leach solution and thereby bring down leach pad inventory and consequently increase gold production.

- Revenue of $10.6 million compared to $14.8 million during Q2 of 2013, due to a lower number of ounces of gold sold at a lower average gold price.

- Total cash cost per ounce of gold sold[1] of $815 compared to $713 during Q2 of 2013, mainly attributable to mining a lower grade of ore.

- Mine operating earnings [1] of $1.0 million compared to $3.7 million during Q2 of 2013.

- Net earnings of $0.6 million ($0.00 basic and diluted per share) compared to a net loss of $7.8 million ($0.05 basic and diluted per share) following non-cash impairment charges of $9.9 million ($0.06 basic and diluted per share) during Q2 of 2013.

- Adjusted net earnings [1] of $0.5 million ($0.00 basic and diluted per share) compared to $2.7 million ($0.01 basic and diluted per share) during Q2 of 2013.

- Adjusted EBITDA [1] of $3.4 million ($0.02 basic and diluted per share) compared to $8.4 million ($0.05 basic and diluted per share) during Q2 of 2013, as a result of lower revenue and higher cash costs.

- Cash flow from operating activities [1] of $2.2 million, down from $5.4 million during Q2 of 2013, as a result of lower revenue and higher cash costs.

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

HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

- 19,328 ounces of gold produced compared to 18,180 ounces produced during the six months ended June 30, 2013.
- Revenue of $23.9 million compared to $26.5 million during the six months ended June 30, 2013, mainly due to increased production which resulted in a higher number of ounces of gold sold, but at a lower average gold price.
- Total cash cost per ounce of gold sold[1] of $803 compared to $738 during the six months ended June 30, 2013, mainly attributable to a lower head grade.
- Mine operating earnings [1] of $2.4 million compared to $7.2 million during the six months ended June 30, 2013.
- Net earnings of $1.0 million ($0.00 basic and diluted per share) compared to a net loss of $5.7 million ($0.04 basic and diluted per share) following non-cash impairment charges of $9.9 million ($0.06 basic and diluted per share) during the six months ended June 30, 2013.
- Adjusted net earnings [1] of $0.9 million ($0.00 basic and diluted per share) compared to $4.8 million ($0.02 basic and diluted per share) during the six months ended June 30, 2013.
- Adjusted EBITDA [1] of $7.3 million ($0.04 basic and diluted per share) compared to $15.3 million ($0.08 basic and diluted per share) million during the six months ended June 30, 2013 as a result of lower revenue and higher cash costs.
- Cash flow from operating activities [1] of $5.4 million, down from $11.5 million during the six months ended June 30, 2013, as a result of lower revenue and higher cash costs.
- Sale of the Pinon property completed on March 5, 2014, with approximately $5.2 million of the proceeds from such sale being applied to reduce the Company's long-term debt.

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

KEY OPERATING AND FINANCIAL STATISTICS

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	JUNE 30, 2014	JUNE 30, 2013	**JUNE 30, 2014**	JUNE 30, 2013
Mining operations				
Drinkwater pit				
Ore tonnes mined	165,882	209,114	320,834	372,656
Waste tonnes mined	326,304	568,765	724,537	1,181,831
Total mined	492,186	777,879	1,045,371	1,554,487
Strip ratio	2.0	2.7	2.3	3.2
Mary pit				
Ore tonnes mined	79,394	33,644	172,142	68,585
Waste tonnes mined	612,511	444,029	1,027,872	771,044
Total mined	691,905	477,673	1,200,014	839,629
Strip ratio	7.7	13.2	6.0	11.2
Total producing pits				
Ore tonnes mined	245,276	242,758	492,976	441,241
Waste tonnes mined	938,815	1,012,794	1,752,409	1,952,875
Total mined	1,184,091	1,255,552	2,245,385	2,394,116
Strip ratio	3.8	4.2	3.6	4.4
Pits under development				
Mary LC Pit				
Ore tonnes mined	6,915	-	6,915	-
Waste tonnes mined	411,162	-	668,558	-
Total mined	418,077	-	675,473	-
Total mining operation				
Ore tonnes mined	252,191	242,758	499,891	441,241
Waste tonnes mined	1,349,977	1,012,794	2,420,967	1,952,875
Total mined	1,602,168	1,255,552	2,920,858	2,394,116
Processing				
Tonnes processed	247,073	208,262	491,846	414,108
Gold head grade (grams per tonne)	1.80	2.56	1.87	2.49
Availability*	52.4%	59.4%	51.7%	62.2%
Ounces produced				
Gold	9,034	10,769	19,328	18,180
Silver	3,771	4,379	8,884	7,119

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

Financials	**FOR THE THREE MONTHS ENDED**		**FOR THE SIX MONTHS ENDED**	
	JUNE 30, 2014	JUNE 30, 2013	**JUNE 30, 2014**	JUNE 30, 2013
(In thousands of US dollars, except per ounce and per share numbers)	$	$	$	$
Total cash cost per ounce of gold sold[1]	815	713	803	738
Average price of gold				
London PM fix	1,288	1,415	1,291	1,523
Realized	1,269	1,416	1,258	1,494
Net earnings (loss)	608	(7,772)	986	(5,676)
Basic and diluted net earnings (loss) per share	0.00	(0.05)	0.00	(0.04)
Adjusted net earnings [1]	524	2,661	910	4,764
Basic and diluted adjusted net earnings per share [1]	0.00	0.01	0.00	0.02
Adjusted EBITDA[1]	3,392	8,388	7,320	15,255
Basic and diluted adjusted EBITDA per share [1]	0.02	0.05	0.04	0.08
Cash flow from operating activities	2,224	5,392	5,362	11,466

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

MINERAL PROPERTIES

The Company's Chief Executive Officer, Mr. Peter J. Hawley, is 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 Property and related assets, which was a former producing gold mine in Nevada. Mining commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company is currently receiving 80% of cash flows generated, in accordance with project agreements.

General

The Mineral Ridge Property is located about 56 km southwest of Tonopah, Nevada. The property consists of several consolidated claim blocks and historic mining operations dating from the 1860's up through the 1940's. Open pit mining began again in the area in 1989, primarily in the Drinkwater open pit. Gold mineralization is hosted in the lowest unit of the Wyman Limestone formation, typically referred to as the "Mary Limestone". Historic mining properties consolidated by the Mineral Ridge Property include the old Drinkwater, Mary and Brodie underground mines. These properties are the focus of current production plans by both open pit and possibly underground mining methods. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, refuelling and storage facilities and administrative buildings.

Resource and reserve estimates

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

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

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

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

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

Mining activities

Total mine production for second quarter of 2014 was 1,602,168 tonnes compared to 1,255,552 tonnes mined in Q2 of 2013. For the first six months of 2014 total mine production was 2,920,858 tonnes compared to 2,394,116 tonnes mined in the first six months of 2013. Total mining operation in the 2nd quarter was composed of 252,191 tonnes of ore and 1,349,977 tonnes of waste. The ore was mined from the 6520, 6510, 6500, and 6490 benches in the Drinkwater pit and from the 6580, 6570, and 6560 benches in the Mary pit. Ore was also mined from the the Mary LC pit from the 6620, 6610, and 6600 benches. The average gold grade of the mined ore in Q2 of 2014 was 1.59 grams per tonne, which was lower than the 2013 Q2 grade of 2.36 grams per tonne. For the first six months of 2014, the average gold grade of the ore mined was 1.69 grams per tonne, which was lower than the first six months of 2013 grade of 2.42 grams per tonne. Stripping of waste material from the Mary LC pit continued through the second quarter of 2014 and amounted to 411,162 tonnes. For the first six months of 2014, the stripping in the Mary LC pit totalled 668,558 tonnes. During Q2 of 2014, 6,915 tonnes of ore were mined from the Mary LC pit with an average grade of 1.56 grams per tonne. The grade of the ore mined in the third quarter is expected to increase.

The performance of LEDCOR CMI Inc., the mining contractor at the Mineral Ridge mine, continued to improve over the second quarter of 2014. The average production for the second quarter of 2014 was 30,811 tonnes per day ("TPD") which is substantially higher than Q2 of 2013 which was 24,145 TPD. This is substantially above the mine plan at Mineral Ridge, which calls for a daily mining rate of roughly 25,298 TPD, which includes an average of 5,071 tonnes of mineralized material delivered to the crusher on a daily mine schedule basis. 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. Major mining equipment utilized by LEDCOR are two dozers (D10 and D9), two loaders (992G and 988G), three excavators (Cat 6015, EX1200 and EX850), nine haul trucks (777D), one grader (14H), and three blast hole drills (Sandvik DP1500i). LEDCOR'S increased production rates can be attributed to the addition of haulage and loading equipment and also an increased number of man hours worked. The Cat 6015 hydraulic excavator was added to the mining fleet beginning of June as was the ninth haul truck. The increased production was also aided by mining occurring in the Mary LC pit which opened up additional mining faces in conjunction with shorter waste hauls.

The reconciliation of actual results in Q2 of 2014 to the gold grade block model through the 6500 bench at the Drinkwater pit indicates that actual mine ore production was 41 percent greater than that predicted by the model and the mineralized material mined contained 21 percent more ounces than predicted. The reconciliation for the Mary pit during Q2 of 2014 showed that through the 6560 bench, the actual ore mined contained 25 percent more tonnes than predicted by the model but the contained ounces were 10 percent lower than predicted by the model. The mine ore control, based on blast hole assays, versus actual mine production indicates to date a 10.8 percent and 16.4 percent dilution of the mineralized material in the Drinkwater and Mary pits, respectively. Projected dilution was estimated at 10 percent.

Operations activities

Total operations production for Q2 of 2014 was 247,073 tonnes processed compared to 208,262 tonnes processed in Q2 of 2013. Total operations production in the first six months of 2014 was 491,846 tonnes processed compared to 414,108 tonnes processed in the first six months of 2013. This increased production can be attributed to higher plant capacity, resulting from the new crushing facility completed in June 2013, as well as increased ore production levels from the pits. The processed ore was mined from the Drinkwater and Mary pits, as well as the Mary LC pit.

The average crusher throughput per day for Q2 of 2014 was 3,168 tonnes at a head grade of 0.053 opt (1.80 g/t) gold compared to Q2 2013 which had 2,670 tonnes throughput per day at an average head grade of 0.075 opt (2.56 g/t) gold. Year to date for 2014, the average crusher throughput per day was 3,215 tonnes at an average head grade of 0.055 opt (1.87 g/t) compared to the first six months of 2013 which had an average throughput rate of 2,707 tonnes per day at an average head grade of 0.073 opt (2.49 g/t) gold. Estimated recoverable contained ounces of gold crushed and placed on the heap leach pad for Q2 of 2014 were 9,297 compared to 11,126 ounces in Q2 of 2013.

The availability of the crushing facility for the second quarter of 2014 was 52.4% compared to 59.4% for Q2 2013. Processing availability is based on hours of crusher operations versus permitted run time. The 2012 air quality permit allowed for a throughput rate of 272 tonnes per hour and 20 hours of operations per day. In June of 2013, a revision to the air quality permit associated with the newly permitted crushing facility allowed for a throughput rate of 363 tonnes per hour and 24 hours of operation per day.

Application of cyanide leach solution to the freshly stacked mineralized material on the leach pad continues with 167 million gallons in Q2 of 2014 compared with 180 million gallons of leach solution applied during Q2 of 2013. The reduced application of solution was due to the loss of fresh water production from one of the sites two producing water wells. This well is being rehabilitated and flow rates should increase in the third quarter as the well comes online. There were 146 million gallons of pregnant, gold-bearing solution processed through the absorption-desorption-recovery system (“ADR”) carbon column circuit at an average grade of 0.69 ppm gold and 0.41 ppm silver compared with 155 million gallons at an average head grade of 0.60 ppm gold and 0.32 ppm silver in Q2 of 2013. Calculated efficiency for recovery of precious metals from solution processed through the ADR for Q2 of 2014 was 83.1% for gold and 56.0 % for silver compared with 90.1% for gold and 65.4% for silver in Q2 of 2013. 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 2014 was 1,099 gpm (“gallons per minute”) and the carbon efficiency averaged 52.8% of virgin carbon compared to 1,169 gpm and 63% efficiency in Q2 of 2013. 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.

Although the new production fresh water well continues to provide much needed water for the property, the loss of production from the site’s original fresh water well directly impacted solution volumes being processed through the facilities heap leach pad and ADR. This reduction in solution application also had a direct impact on heap leach inventories and metals production from the Mineral Ridge property in Q2. It is expected that upon completion of the rehabilitation of this well in Q3, solution volumes being processed will increase and the pad metal inventories will be reduced.

During Q2 of 2014, the Company produced 9,034 ounces of gold and 3,771 ounces of silver compared to 10,769 ounces of gold and 4,379 ounces of silver produced in Q2 of 2013.

Current Exploration / Permitting

The 2014 exploration drilling program continued to drill around known resources and develop new potential drill targets. This was accomplished by two 1500 Foremost Reverse Circulation (“RC”) track mounted drill rigs and one LF-90 diamond drillhole rig. Drilling results from Q1, 2014 have continued to be used to plan new drill sites, exploration roads, and updating of the 3D geological model. Exploration targeting is using data gathered from the 2013 geochemistry/ geophysical project.

The Q2 2014 exploration drilling campaign continued to complete infill drilling around the satellite target areas of Bluelite and Solberry, prior to commencement of open pit mining. The program has also continued to expand resources around the previously mined Brodie and Wedge pits. The exploration department continues to drill the extension of the Northwest Brodie with encouraging success. Other targets have been a blue-sky area located Southwest of the Brodie pit, from which results are pending. Drilling will commence or continue in the target areas of the Northwest Brodie extension, State Bank, Chieftain which is the Northwest extension of the Drinkwater pit located on the overall mineralization strike of the Drinkwater/ Mary pit and the down dip extension of the Mary LC pit over the next quarter.

The two 1500 Foremost track mounted RC drill rigs and one LF-90 diamond drillhole track rig have completed 15,234 meters in Q2, 2014. The two RC rigs have drilled 13,141 meters for Q2 of 2014, which was 7.8% above the number of planned meters for the campaign. MRG contracted a diamond hole rig for twelve holes but drilled fourteen holes. The program completed 2,092 meters, which is included in the overall Q2 total. All diamond holes were planned and drilled to gain knowledge of the geology and structures of the known mineralization in known resources and target areas of likely mineralization.

Drilling assay results from Q1 of 2014 have continued to be used in updating mineralization models in the Bluelite and Solberry pits, and other potential target areas. Mineralization models are drawn around drillhole intervals equal to or greater than 0.34 grams per tonne (0.010 OPT). The process aids in planning new drillholes for infill and resource development of known targets, along with following new potential mineralization trends.

On June 26, 2014, a plan of operations amendment seeking authorization for mining of the expanded Brodie pit and Wedge B pit, as well development of the Bluelite and Solberry satellite pits, and further expansion of the Mary LC pit was submitted to the Bureau of Land Management and the Nevada Division of Environmental Protection. The plan amendment is currently under review by the agencies.

Other properties

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

Goldwedge

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

In Q2 of 2014 the Company's exploration department continued compiling all historical data within the Goldwedge land package. The objective is to optimize and focus its exploration plan for a four hole diamond drilling program, which is expected to be completed in Q3 of 2014. Also in Q2 of 2014, the department has continued exploration in areas of likely mineralization and analysis of local geology and mineralization. Upon completion of drilling, the department will utilize the knowledge for plans of future surface and underground exploration targets.

Testing of the milling circuit commenced in Q2 of 2014 with high grade ore from Mineral Ridge being batch processed through the Goldwedge mill. Batch processing of this material is allowing for optimization of the milling circuit to ensure optimal recoveries of coarse gold from the ore. Initial results from testing of this ore indicate that the milling circuit is duplicating expected metallurgical recoveries for coarse gold recovery.

Lac Arseneault Property

The Lac Arseneault property is located in Bonaventure County, 36 km north of the town of Paspebiac on the south coast of the Gaspe Peninsula, Quebec. The property consists of 30 contiguous unpatented claims covering approximately 480 hectares. Scorpio Gold holds a 100% interest in the property, subject to a 2% NSR royalty payable to the previous owner. The Company has written down the value of the property in prior years.

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 other than per share amounts are reported in thousands of US dollars.

Scorpio Gold reported net earnings of $0.6 million for the three months ended June 30, 2014, compared to a net loss of $7.8 million for the three months ended June 30, 2013. Net earnings attributable to the shareholders of the Company were $0.3 million ($0.00 per share) for the three months ended June 30, 2014, compared to a net loss of $5.8 million ($0.05 per share) for the three months ended June 30, 2013. Net earnings attributable to the non-controlling interest were $0.3 million for the three months ended June 30, 2014 compared to a net loss attributable to non-controlling interest of $1.9 million for the three months ended June 30, 2013.

Scorpio Gold reported net earnings of $1.0 million for the six months ended June 30, 2014 compared to a net loss of $5.7 million for the six months ended June 30, 2013. Net earnings attributable to the shareholders of the Company were $0.4 million ($0.00 per share) for the six months ended June 30, 2014 compared to a net loss of $4.7 million ($0.04 per share) for the six months ended June 30, 2013. Net earnings attributable to the non-controlling interest were $0.6 million for the six months ended June 30, 2014 compared to a net loss of $1.0 million for the six months ended June 30, 2013.

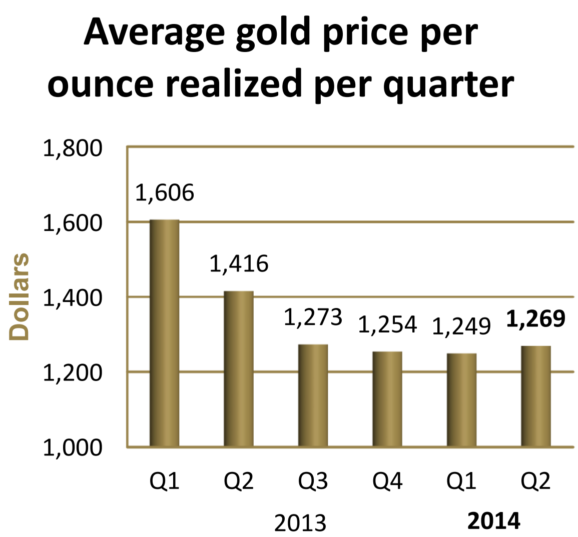
The major differences between the three and six month period ended June 30, 2014 and June 30, 2013 results are explained below.

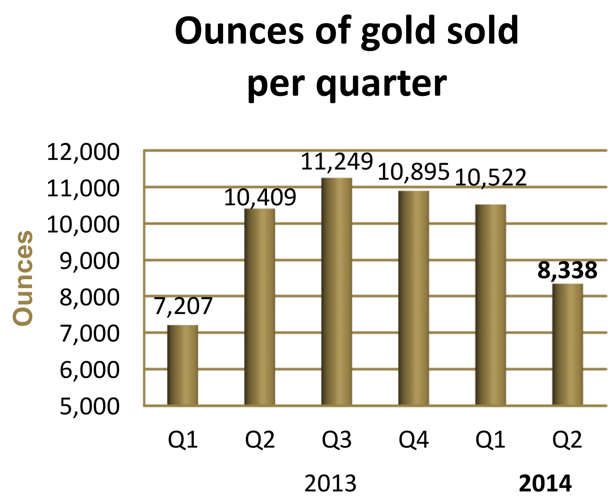
Revenue

During Q2 of 2014, the Company sold 8,338 ounces of gold and 3,375 ounces of silver for total revenue of $10.6 million. During Q2 of 2013, the Company sold 10,409 ounces of gold and 4,158 ounces of silver for total revenue of $14.8 million. During Q2 of 2014, gold ounces were sold at an average price of $1,269 ($1,416 in 2013) and silver ounces at an average price of $19 ($23 in 2013).

During the six-month period ended June 30, 2014, the Company sold 18,860 ounces of gold and 8,716 ounces of silver for total revenue of $23.9 million. During the six-month period ended June 30, 2013, the Company sold 17,616 ounces of gold and 7,218 ounces of silver for total revenue of $26.5 million. During the six-month period ended June 30, 2014, gold ounces were sold at an average price of $1,258 ($1,494 in 2013) and silver ounces at an average price of $20 ($26 in 2013). Revenue for the six-month period ended June 30, 2013 was negatively impacted by 1,878 ounces of gold and 759 ounces of silver sold in December of 2012 under a carbon sale agreement entered into with Waterton Global Value, L.P., which had accelerated sales in Q4 of 2012.

The Company's realized average gold price is lower than the average London PM fix mainly because of timing of sales as well as the terms of the Company's gold and silver supply agreement. As of June 30, 2014, the Company had inventories including 1,613 ounces of gold available for sale compared to 1,210 ounces of gold as at December 31, 2013.





Mine operating earnings

Cost of sales excluding depletion and amortization increased from $6.1 million for Q2 of 2013 to $6.9 million for Q2 of 2014.

Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $816 for Q2 of 2014 compared to $675 in Q2 of 2013. Total cash cost per ounce sold [(1)], after silver by-product credits, was $815 for Q2 of 2014 compared to $713 in Q2 of 2013. Unit production cost increased for Q2 of 2014 compared to same period in 2013, which is mainly attributable to lower head grades. Lower production levels also impacted the cash cost per ounce sold due to the relatively fixed nature of some of the associated costs.

During Q2 of 2014, the Company processed 19% more tonnes than Q2 of 2013 and produced 16% less gold ounces.

Cost of sales excluding depletion and amortization increased from $10.3 million for the six-month period ended June 30, 2013 to $15.7 million for the six-month period ended June 30, 2014.

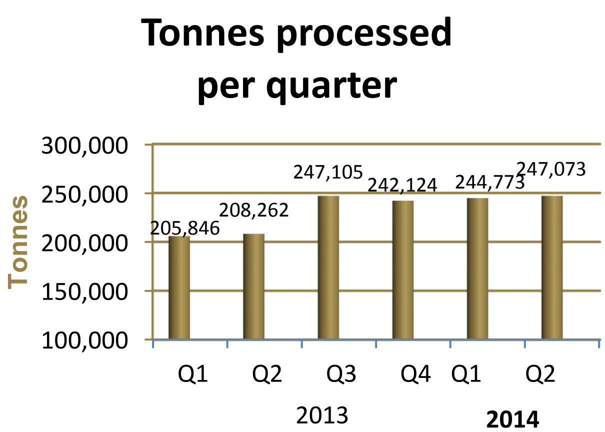
Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $793 for the first half of 2014 compared to $696 in the same period of 2013. Total cash cost per ounce sold [(1)], after silver by-product credits, was $803 for the first half of 2014 compared to $738 for the same period of 2013. Unit production cost increased for the first half of 2014 compared to same period in 2013, for the same reasons as explained above.

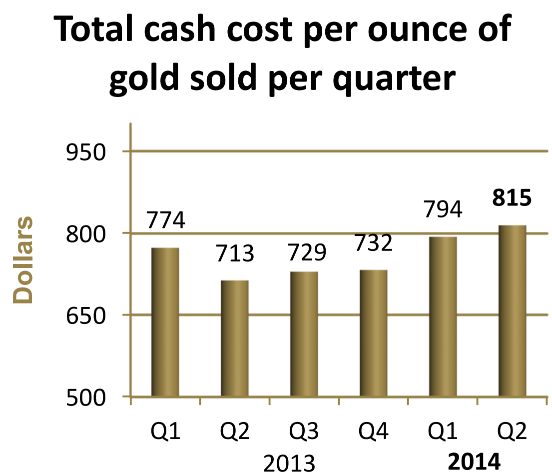
During the first six months of 2014, the Company processed 19% more tonnes than during the first six months of 2013 and produced 6% more gold ounces than during the first six months of 2013. Q1 of 2013 production was negatively impacted by 1,878 ounces of gold and 759 ounces of silver sold in December of 2012 under a carbon sale agreement entered into with Waterton Global Value, L.P., which had accelerated sales in Q4 of 2012.

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

The depletion and amortization expense was $2.8 million for Q2 of 2014 compared to $5.1 million in Q2 of 2013 and $5.9 million for first half of 2014 compared to $8.9 million for same period in 2013. These decreases resulted from the impairment charges accounted for in June 2013 as well as the depletion base change. Even though the Company processed 19% more tonnes in the three and six-month periods ended June 30, 2014 compared to same periods in 2013, the net effect of these changes has resulted in lower depletion and amortization costs in 2014 compared to 2013.

Mine operating earnings(1) were therefore $1.0 million for the second quarter of 2014 compared to $3.7 million for the comparative period of 2013. Mine operating earnings(1) were $2.4 million for the first half of 2013 compared to $7.2 million for the comparative period of 2013.





General and administrative

General and administrative expenses totalled $0.5 million for Q2 of 2014 compared to $0.9 million for the same period of 2013 and totalled $1.0 million for the first half of 2014 compared to $1.5 million for the same period of 2013. The main variance between those periods relates to share-based compensation, which is non-cash in nature and totalled $0.3 million for 2013, compared to close to nil during 2014. An aggregate of 2,545,000 stock options were granted to directors, officers, employees and consultants of the Company during Q2 of 2013 while none were granted in Q2 of 2014.

Impairments

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

Based on its assessment during the second quarter of 2013, the Company recorded a non-cash impairment charge of $9.4 million as at June 30, 2013 to its assets related to Mineral Ridge mine. For the June 30, 2013 assessments, a discounting rate of 12.5% was used along with a weighted average gold price assumption of $1,390 over the life of mine.

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

Finance costs

Finance costs totalled $0.1 million during Q2 of 2014, compared to $0.3 million for the comparative period of 2013 and totaled $0.3 million for the first half of 2014 compared to $0.6 million for the same period of 2013. These decreases were caused by the $5.2 million principal prepayment of the Company's long-term debt in March 2014.

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

Current income tax expense

During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified the amounts previously recognized as cost of sales in Q2 of 2013 and for the six-month period ended June 30, 2013 as an income tax expense. For Q2 of 2014, the Nevada net proceeds tax recovery was close to nil compared to an expense of $0.4 million for the same period of 2013. For the six-month period ended June 30, 2014, the Nevada net proceeds tax expense was $0.2 million compared to $0.7 million in the comparative period.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2014, the Company had $1.8 million in cash compared to $2.8 million as of December 31, 2013.

Working capital was $16.8 million as of June 30, 2014 compared to $19.8 million as of December 31, 2013.

On March 5, 2014, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard Ventures Corp. ("Gold Standard") for consideration consisting of $5.4 million (CAD$6.0 million) in cash paid at or before closing, a $2.3 million (CAD$2.5 million) promissory note receivable and 5.5 million common shares of Gold Standard. Of the cash consideration, $5.2 million (CAD$5.75 million) was applied to the Company's long-term debt. The promissory note bears interest at 3% and is to be paid a maximum of one year after closing. The sale agreement provides for bonus consideration to be paid to the Company if certain levels of mineral resources are established on the Pinon property or if Gold Standard or its properties are sold for certain minimum amounts. Any proceeds from the sale of the common shares of Gold Standard or payment of the CAD$2.5 million amount is required to be applied against the then outstanding debt balance owed to Waterton, if any.

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

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at June 30, 2014, included in the in process inventories, are inventories on the leach pad for a total cost of $10.8 million. The ultimate recovery of gold from the heap leach pad will not be known until the leaching process is concluded.

The primary factors that will affect the future financial condition of the Company include the ability to continue to generate positive cash flows, the ability to raise equity financing, or other types of financing as and when required and the level of exploration, development and capital expenditures required to meet its commitments.

INVENTORIES

Inventories increased from $15.5 million as of December 31, 2013 to $16.1 million as of June 30, 2014.

Finished goods inventory increased by $0.5 million to $1.8 million during the six-month period ended June 30, 2014, due mainly by the timing of the Company's gold sales.

PRODUCING MINING ASSETS

Producing mining assets stood at $18.1 million as of June 30, 2014, compared to $21.9 million as at December 31, 2013. This includes all producing assets related to the Mineral Ridge mine. During the first half of 2014, the Company added $2.0 million of producing mining assets which mainly consisted of $1.0 million related to stripping activities and $0.9 million related to assets under construction as at June 30, 2014. Included in the $0.9 million assets under construction is $0.5 million related to an additional carbon column, which was installed in late June 2014 and is expected to increase the rate of processing of pregnant leach solution and thereby bring down leach pad inventory and consequently increase gold production. During the first half of 2014, an amount of $5.9 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 $22.9 million as of June 30, 2014, compared to $18.0 million as at December 31, 2013. During the first half of 2014, the Company added $5.0 million of non-producing mining assets. This increase is mainly constituted of $2.0 million related to Mary LC pit development costs and $1.9 million of exploration costs related to exploration targets surrounding the areas currently in development and production at the Mineral Ridge mine. During the first half of 2014, the Company also incurred $0.6 million in capitalized exploration and development expenditures on the Goldwedge property and $0.5 million on plant and equipment and construction in progress at Goldwedge.

RECLAMATION BONDS

The Company's reclamation bonds book balance went down by $1.3 million, from $6.4 million as of December 31, 2013 to $5.1 million as at June 30, 2014.

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

During Q2 of 2014 and following the sale of the Pinon property, the Company reduced its related reclamation bonds by $0.1 million.

The remaining reduction in bonds relates to the Goldwedge property.

CURRENT LIABILITIES

Total current liabilities were $8.3 million as at June 30, 2014, compared to $10.5 million at December 31, 2013. Trade and other payables slightly increased from $5.0 million as at December 31, 2013 to $5.2 million as at June 30, 2014.

The current portion of long-term debt decreased from $5.2 million as at December 31, 2013 to $3.0 million as at June 30, 2014 following the pre-payment made as part of the disposal of the Pinon assets in March 2014. The long-term portion of the long-term debt was reduced as well from $5.9 million as at December 31, 2013 to $1.9 million as at June 30, 2014 essentially for the same reason.

EQUITY

Total equity slightly increased by $0.9 million during the first half of 2014, from $54.9 million at December 31, 2013 to $55.8 million at June 30, 2014. Most of this increase is attributable to the $0.6 million change in fair value of available-for-sale investments consisting of common shares in Gold Standard.

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ending	Revenues $	Net earnings (loss) $	Basic earnings (loss) per share[(1)] $	Diluted earnings (loss) per share[(1)] $
June 30, 2014	10,646	608	0.00	0.00
March 31, 2014	13,249	378	0.00	0.00
December 31, 2013	13,739	(1,976)	(0.02)	(0.02)
September 30, 2013	14,406	810	0.00	0.00
June 30, 2013	14,835	(7,772)	(0.05)	(0.05)
March 31, 2013	11,666	2,096	0.01	0.01
December 31, 2012	15,498	3,673	0.02	0.02
September 30, 2012	11,725	3,258	0.02	0.02

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

CASH FLOWS

Cash flows generated from operating activities was $2.2 million for Q2 of 2014, compared to $5.4 million for the same period of 2013. This variance is mostly due to the lower number of ounces of gold sold, lower metals prices and higher cash cost per ounces of gold sold compared to same period of prior year.

For the six-month period ended June 30, 2014, cash flows generated from operating activities were $5.4 million, compared to $11.5 million for the same period of 2013. Even though the Company sold a higher number of gold ounces during the first half of 2014 compared to same period of 2013, lower metals prices and higher cash cost per ounce of gold sold compared to same period of the prior year explain most of the variance in cash flow from operations.

Cash outflows used in investing activities was $3.0 million for the three months ended June 30, 2014. During Q2 of 2014, investing activities related to producing mining assets totalled $1.4 million and were mainly related to stripping activities and construction in progress costs related to various projects. Non-producing mining asset additions totaling $2.1 million and mainly relate to development costs of Mary LC pit and exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine. As discussed above, the Company also received $0.5 million related to the reclamation bonds related to the Goldwedge and Pinon properties.

During Q2 of 2013, investing activities related to producing mining assets totalled $1.9 million and were mainly related to construction in progress costs related to a new production water well and a new crushing system. Non-producing mining asset additions totaling $0.7 million in Q2 of 2013 mainly relate to exploration costs related to exploration targets surrounding the areas in development or production at the Mineral Ridge mine.

During the six-month period ended June 30, 2014, cash flows from investing activities were $0.9 million. During the first half of 2014, investing activities related to producing mining assets totalled $1.8 million and were mainly related to stripping activities and construction in progress costs related to various projects. Non-producing mining asset additions totaling $3.9 million and mainly relate to development costs of Mary LC pit and exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine. During the first half of 2014, the Company completed the sale of its Pinon non-producing asset for consideration of $7.7 million (CAD$8.5 million) in cash. Of the cash consideration, $5.4 million (CAD$6.0 million) was paid at closing. As discussed above, the Company also received $1.3 million related to the reduction in its reclamation bonds.

During the six-month period ended June 30, 2013, cash outflows used in investing activities were $6.9 million, of which $4.2 million mainly related to construction in progress costs related to a new production water well and a new crushing system. Non-producing mining asset additions totaling $2.6 million mainly relate to exploration costs related to exploration targets surrounding the areas in development or production at the Mineral Ridge mine.

Cash outflows used for investing activities were $1.1 million for Q2 of 2014 compared to $2.2 million for Q2 of 2013. Those outflows relate to service the Company's long-term debt and also include distributions to the non-controlling interest in the amount of $0.3 million during Q2 of 2014 compared to $0.6 million for same period of 2013.

Cash outflows used for investing activities were $7.2 million for the first half of 2014 compared to $4.2 million for same period of 2013. Those outflows relate to service of the Company's long-term debt and also include distributions to the non-controlling interest in the amount of $0.6 million for the first half of 2014 compared to $1.0 million for same period of 2013. Included in the first half of 2014 repayment of long-term debt is the cash amount of $5.2 million paid to the lender following the sale of Pinon assets.

NON-IFRS PERFORMANCE MEASURES

Non-IFRS performance measures are furnished to provide additional information to readers to supplement the Company's financial statements, which are presented in accordance with IFRS. The Company believes that these measures, together with the measures determined in accordance with IFRS, provide investors with an ability to evaluate the underlying performance of the Company. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation or as a substitute for measures of performance presented in accordance with IFRS.

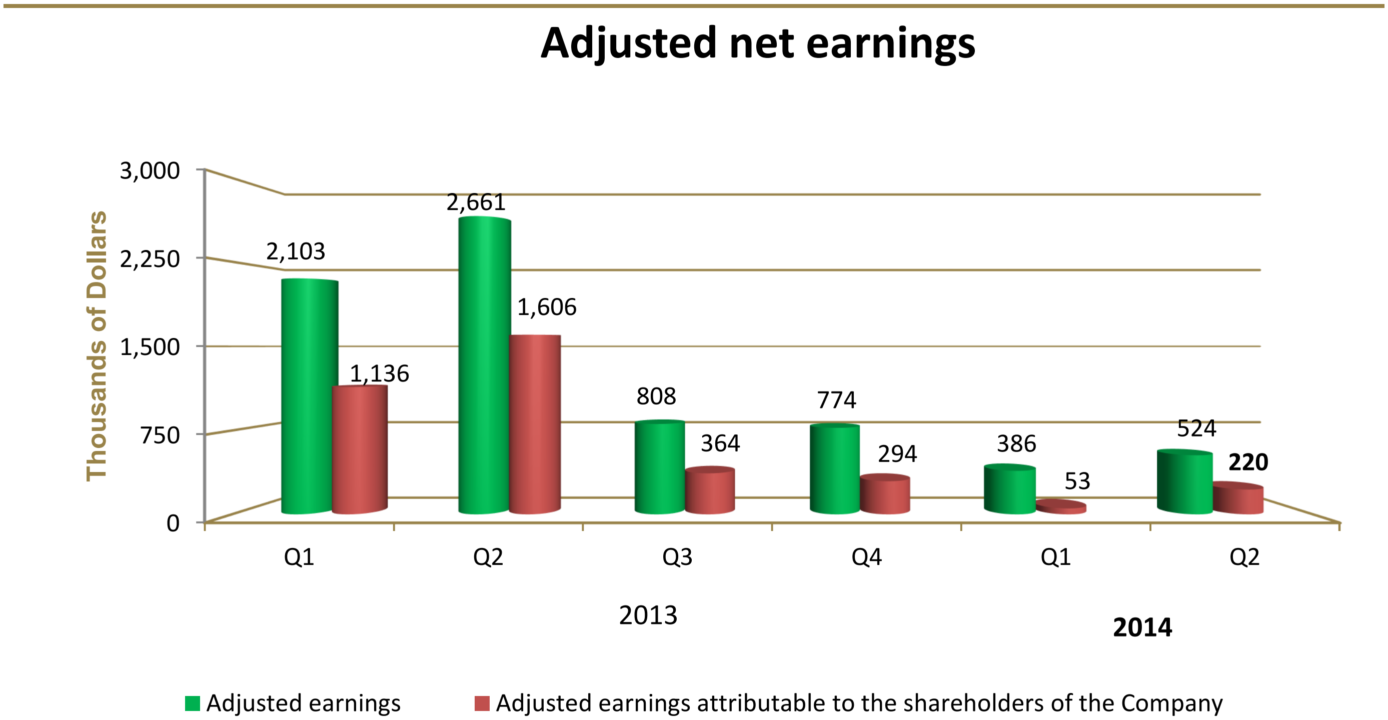
Adjusted earnings

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

The term "Adjusted 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 net earnings to the financial statements:

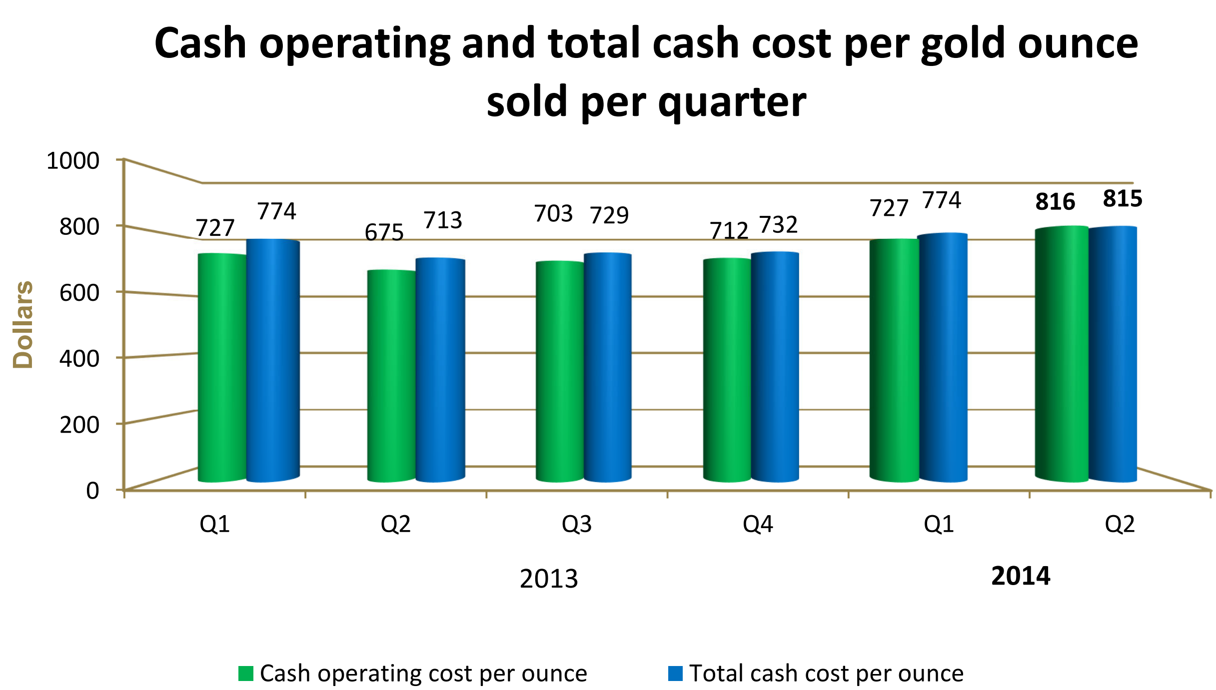
	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Net earnings (loss) for the periods	608	(7,772)	986	(5,676)
Share-based compensation	-	540	3	544
Impairments and loss on disposal of mining assets	-	9,896	-	9,901
Foreign exchange loss (gain)	(84)	(3)	(79)	(5)
Adjusted net earnings for the periods	524	2,661	910	4,764
Non-controlling interest	(304)	(1,055)	(637)	(2,022)
Adjusted net earnings for the periods attributable to the shareholders of the Company	220	1,606	273	2,742
Adjusted basic and diluted net earnings per share	0.00	0.01	0.00	0.02



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

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	6,871	6,109	15,657	10,349
Share-based compensation	-	(271)	-	(275)
Inventory adjustment	(5)	1,282	(532)	2,377
By-product silver sales	(65)	(98)	(171)	(188)
Cash operating costs	6,801	7,022	14,954	12,263
Nevada net proceeds tax	(4)	399	197	738
Total cash cost	6,797	7,421	15,151	13,001
Divided by ounces of gold sold	8,338	10,409	18,860	17,616
Cash operating cost per gold ounce sold	816	675	793	696
Total cash costs per gold ounce sold	815	713	803	738



Adjusted EBITDA

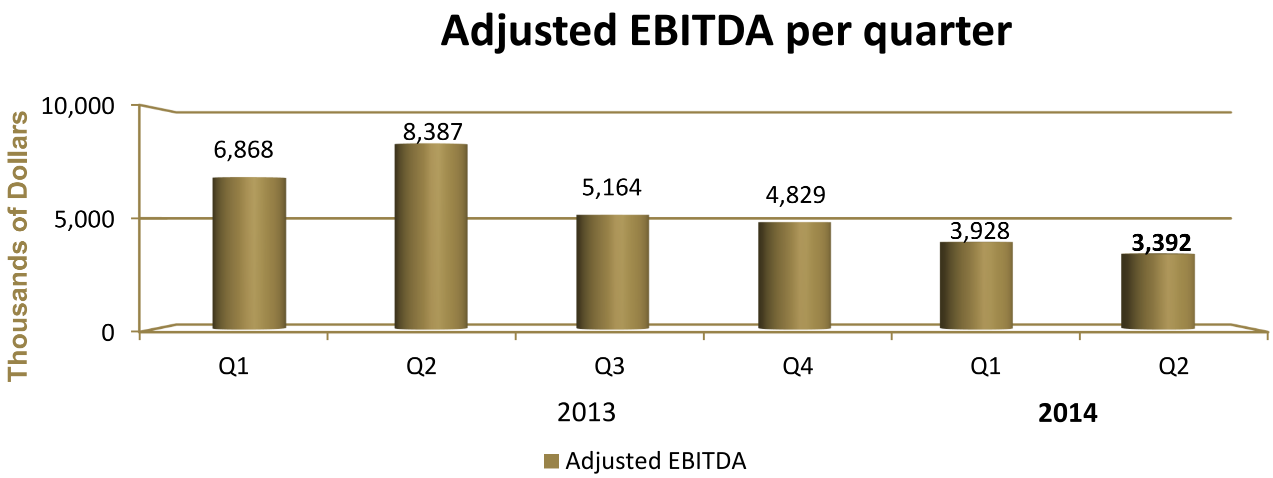
EBITDA is a non-IRFS financial measure, which excludes the following from net earnings:

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

Management believes that EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations and fund capital expenditures. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on observed values to determine the approximate total enterprise value of a company. Adjusted EBITDA removes the effects of "impairment charges", "gain or loss on disposal of mining assets" as well as "share-based compensation". These charges are not reflective of the Company's ability to generate liquidity by producing operating cash flow and therefore these adjustments will result in a more meaningful valuation measure for investors and analysts to evaluate the Company's performance in the period and assess future ability to generate liquidity. EBITDA and adjusted EBITDA are intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently.

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Net earnings (loss) for the period	608	(7,772)	986	(5,676)
Finance costs	129	311	340	641
Depletion and amortization	2,730	5,067	5,865	8,925
Income tax (recovery) expense	(75)	346	126	920
Standardized EBITDA	3,392	(2,048)	7,317	4,810
Impairments and loss on disposal of mining assets	-	9,896	-	9,901
Share-based compensation	-	540	3	544
Adjusted EBITDA	3,392	8,388	7,320	15,255
Non-controlling interest	(1,129)	(2,699)	(2,468)	(4,929)
Adjusted EBITDA attributable to the shareholders of the Company	2,263	5,689	4,852	10,326
Adjusted basic and diluted EBITDA per share	0.02	0.05	0.04	0.08



Additional measures

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

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

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

SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED

	MARCH 2013	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014
Mining operations						
Drinkwater pit						
Ore tonnes mined	163,542	209,114	134,147	100,732	154,952	165,882
Waste tonnes mined	613,066	568,765	478,927	441,244	398,233	326,304
Total mined	776,608	777,879	613,074	541,976	553,185	492,186
Strip ratio	3.7	2.7	3.6	4.4	2.6	2.0
Mary pit						
Ore tonnes mined	34,941	33,644	80,212	136,891	92,748	79,394
Waste tonnes mined	327,015	444,029	652,326	563,368	415,361	612,511
Total mined	361,956	477,673	732,538	700,259	508,109	691,905
Strip ratio	9.4	13.2	8.1	4.1	4.5	7.7
Total producing pits						
Ore tonnes mined	198,483	242,758	214,359	237,623	247,700	245,276
Waste tonnes mined	940,081	1,012,794	1,131,253	1,004,612	813,594	938,815
Total mined	1,138,564	1,255,552	1,345,612	1,242,235	1,061,294	1,184,091
Strip ratio	4.7	4.2	5.3	4.2	3.3	3.8
Pits under development:						
Ore tonnes mined	-	-	-	-	-	6,915
Waste tonnes mined	-	-	62,079	151,332	257,396	411,162
Total mined	-	-	62,079	151,332	257,396	418,077
Total mining operations						
Ore tonnes mined	198,483	242,758	214,359	237,623	247,700	252,191
Waste tonnes mined	940,081	1,012,794	1,193,332	1,155,944	1,070,990	1,349,977
Total mined	1,138,564	1,255,552	1,407,691	1,393,567	1,318,690	1,602,168

	MARCH 2013	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014
Processing						
Tonnes processed	205,846	208,262	247,105	242,124	244,773	247,073
Gold head grade (grams per tonne)	2.42	2.56	2.08	2.28	1.95	1.80
Availability	65,2%	59.4%	50.1%	51.9%	51.1%	52.4
Throughput (tonnes per day)	2,745	2,670	2,686	2,632	3,264	3,168
Ounces produced						
Gold	7,411	10,769	9,632	11,348	10,294	9,034
Silver	2,740	4,379	3,702	4,154	5,113	3,771
Precious Metal Sales (ounces)						
Gold	7,207	10,409	11,249	10,895	10,522	8,338
Silver	3,060	4,158	4,268	4,154	5,341	3,375
Exploration Drillings						
Holes	-	57	108	91	64	164
Meters	-	5,061	8,871	9,940	6,582	15,234

	MARCH 2013	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014
Financial results						
	$	$	$	$	$	
Cash operating cost per ounce of gold sold (1)	727	675	703	712	775	816
Total cash cost per ounce of gold sold(1)	774	713	729	732	794	815
Average price of gold						
London PM fix	1,632	1,415	1,287	1,276	1,291	1,288
Realized	1,606	1,416	1,273	1,254	1,249	1,269
Net earnings (‘000)	2,096	(7,772)	810	(1,976)	378	608
Earnings per share	0.01	(0.05)	0.00	(0.02)	0.00	0.00
Adjusted net earnings(1) (‘000)	2,098	2,661	808	774	386	524
Adjusted basic and diluted net earnings per share(1)	0.01	0.01	0.00	0.00	0.00	0.00
Adjusted EBITDA(1) (‘000)	6,862	8,388	5,164	4,829	3,928	3,392
Adjusted EBITDA per share(1)	0.04	0.05	0.03	0.03	0.02	0.02

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

CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal matters are outstanding from time to time. In the opinion of management, there are no matters that could have a material effect on the Company's consolidated financial position or results of operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at June 30, 2014.

TRANSACTIONS WITH RELATED PARTIES

a) Compensation of key management personnel and directors

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

The remuneration of directors and key management personnel during the three and six-month periods ended June 30, 2014 and June 30, 2013 is as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	**Six months ended June 30, 2014**	Six months ended June 30, 2013
	$	$	**$**	$
Salaries and directors fees	**283**	239	**578**	490
Consulting fee with a director	**47**	-	**70**	-
Share-based compensation (1)	**-**	269	**-**	271
	330	508	**648**	761

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

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

During the three and six months ended June 30, 2014, the Company incurred consulting fees of $47 and $70, respectively, with Brigill Investmens Ltd, a firm controlled by Brian Lock, a director of the Company. These services were incurred in the normal course of operations for a study on a potential capital project.

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

b) Waterton Global Value, L.P. (“Waterton”)

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

Transactions entered into with Waterton during the three and six-month periods ended June 30, 2014 and June 30, 2013 are as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	**Six months ended June 30, 2014**	Six months ended June 30, 2013
	$	$	**$**	$
Sales	**10,369**	14,669	**23,397**	26,335
Interest on long-term debt	**107**	295	**297**	609

As at June 30, 2014, $nil (2013, $6) resulting from these transactions is included in trade and other payables.

FINANCIAL INSTRUMENTS

a) Financial risk factors

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

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is attributable to cash, trade and other receivables, promissory note and reclamation bonds. The credit risk on cash and reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. Trade receivables on regular precious metal sales are generally received within a week after delivery. The Company has no past due accounts and has not recorded a provision for doubtful accounts. The promissory note for a book value of $2.3 million is secured against title to the Pinon property.

(ii) Liquidity risk

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

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

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	$	$	$	$	$
Trade and other payables	5,228	5,228	-	-	-
Long-term debt(1)	4,900	3,038	1,862	-	-
Provision for environmental rehabilitation	5,736	-	411	2,650	2,675

(1) Any proceeds from the sale of the 5.5 million common shares of Gold Standard Ventures Corp. or payment of the CAD$2.5 million promissory note received as part of the sale of the Pinon property is required to be applied against the then outstanding long-term debt balance, if any. Such transactions were not reflected in the table above.

(iii) Market risk

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

1) Interest rate risk

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

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

2) Currency Risk

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

	$
Cash	**154**
Value added tax and other receivables	**11**
Promissory note receivable	**2,342**
Trade and other payables	**(204)**

A sensitivity analysis as at June 30, 2014, using a reasonably possible change in the USD/CAD exchange rate of 10%, returns an approximate impact on net loss and comprehensive loss of $0.2 million. As of June 30, 2014 the USD/CAD exchange rate was 1.06758.

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

3) Price Risk

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

a) Fair Value

The fair value of cash, promissory note, reclamation bonds, trade and other payables approximate their carrying amount due to their short-term nature. Investments, which are designated as available-for-sale, are recorded at fair value. Fair value of long-term debt is not significantly different from its carrying amount since interest rates in the market have not materially changed since the Company assumed the debt in December 2012.

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

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

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mineral exploration and development company, Scorpio Gold's performance is affected by a number of industry and economic factors and exposure to certain environmental risks, and other regulatory requirements. These have been detailed in the Company's December 31, 2013 annual MD&A available under the Company's profile on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Except as set out below, the preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the Company's audited consolidated financial statements as at December 31, 2013. The accompanying condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

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

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

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

b) Levies ("IFRIC 21")

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

During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified $0.399 million and $0.738 million, respectively, previously recognized as cost of sales during the three-month and six-month periods ended June 30, 2013 as an income tax expense. There is no impact on the overall earnings per share or the Company's statement of financial position as a result of this change.

Management judgments and estimates

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3(e) of the Company's audited consolidated financial statements for the year ended December 31, 2013.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain amendments and new standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") and are mandatory for annual accounting periods beginning on or after January 1, 2015, unless otherwise indicated. Those not applicable to or that do not have a significant impact on to the Company have been excluded from the list below. The following is a description of the new or amended standards that have not yet been adopted by the Company.

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

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

ii) Joint arrangements: Accounting for acquisitions of interests in joint operations ("IFRS 11")

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

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

   The core principle of this new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. These amendments are effective for annual periods beginning after January 1, 2017. The Company is currently assessing the impact of this new standard on its financial statements.

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 Canadian Generally Accepted Accounting Principles. 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, 2014, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

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

OUTLOOK

Looking forward, the Company anticipates continued strong production from the Mineral Ridge mine with the Mary pit contributing an increasing proportion of ore tonnes to be mined in 2014 as the Drinkwater pit nears the end of its productive life, expected late Q3 2014. Aggressive exploration and in-fill drilling around the satellite pits will continue to be a priority for the exploration team.

With the updated Life of Mine ("LOM") plan and resource and reserve estimates for Mineral Ridge now published, the continued drilling will focus on expanding the resources and upgrading known resources to reserves to lengthen the LOM. In addition, blue sky drilling of high priority targets will begin in Q3 of 2014 with diamond core drilling of the targeted areas for a first pass evaluation of the potential of the targets to contain gold.

Refurbishment work at the Goldwedge mill and gravity circuit is nearing completion and small scale test milling will continue into the third quarter. The geology team has completed its review of all geological data at Goldwedge and continues with a comprehensive exploration program that involves mapping the geological structure and mineralization prior to commencing an underground and surface drill program, subject to financing. The first phase of oriented-core diamond drilling began in Q2 and will continue into Q3, twinning or off-setting 4 historic reverse circulation holes that require further grade confirmation and structural orientation. This data will then be used to as a template to guide the second phase of drilling with the plan of resource definition and expansion of the drill program both on surface and underground. Additionally, two small pits that were previously mined in the 1980's, the Keystone and Jumbo, will require early stage exploration that could lead to a drill program.

If the Goldwedge exploration is successful, resulting in at least a modest mineral resource, the Company feels that with the upgraded surface and underground infrastructure already in place, along with all the required permits to mine and mill, a decision to restart mining in 2015 could be made.

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

DISCLOSURE OF OUTSTANDING SECURITIES AS AT AUGUST 21, 2014

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

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, including all statements that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under "Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2013 which is available at www.sedar.com under the Company's name.