MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") is for the three-month period ended March 31, 2014 and is provided as of May 16, 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 three-month period ended March 31, 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 FIRST QUARTER ("Q1") ENDED MARCH 31, 2014

- 10,294 ounces of gold were produced at the Mineral Ridge mine during Q1 of 2014, compared to 7,411 ounces during Q1 of 2013. This 39% increase is primarily caused by the fact production numbers for Q1 of 2013 were negatively impacted by the prior sale of approximately 1,878 ounces of gold and 759 ounces of silver as part of a sale of loaded carbon that accelerated production and revenue in Q4 of 2012.

- Increased revenues of $13.2 million compared to $11.7 million during Q1 of 2013, due to a 46% increase in ounces of gold sold offset by a lower average gold price during Q1 of 2014.

- Total cash cost per ounce of gold sold(1) of $794 compared to $774 during Q1 of 2013 representing a 3% increase.

- Higher production levels during Q1 of 2014 did not completely offset the decrease in the average gold price which consequently negatively impacted the following:

  - Mine operating earnings (1) of $1.3 million compared to $3.6 million during Q1 of 2013, mainly due to the lower average gold price during Q1 of 2014.

  - Net earnings and adjusted net earnings(1) of $0.4 million ($0.00 basic and diluted per share), compared to net earnings and adjusted net earnings of $2.1 million ($0.01 basic and diluted per share) during Q1 of 2013.

  - Adjusted EBITDA (1) of $3.9 million ($0.02 basic and diluted per share) compared to $6.9 million ($0.04 basic and diluted per share) during Q1 of 2013.

- Receipt of approval for the new plan of operations at the Mineral Ridge mine in February 2014, which allows for the planned expansion of the Mary pit.

- Sale of the Pinon property 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 to less than $6 million as at March 31, 2014.

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

.

KEY OPERATING AND FINANCIAL STATISTICS FOR THE THREE MONTHS ENDED

	MARCH 31, 2014	MARCH 31, 2013
Mining operations		
Drinkwater pit		
Ore tonnes mined	154,952	163,542
Waste tonnes mined	398,233	613,066
Total mined	553,185	776,608
Strip ratio	2.6	3.7
Mary pit		
Ore tonnes mined	92,748	34,941
Waste tonnes mined	415,361	327,015
Total mined	508,109	361,956
Strip ratio	4.5	9.4
Total producing pits		
Ore tonnes mined	247,700	198,483
Waste tonnes mined (pre-stripping)	813,594	940,081
Total mined	1,061,294	1,138,564
Strip ratio	3.3	4.7
Pits under development		
Waste tonnes mined (pre-stripping)	257,396	-
Total mining operation		
Ore tonnes mined	247,700	198,483
Waste tonnes mined	1,070,990	940,081
	1,318,690	1,138,564
Processing		
Tonnes processed	244,773	205,846
Gold head grade (grams per tonne)	1.95	2.42
Availability*	51.1%	65.2%
Ounces produced		
Gold	10,294	7,411
Silver	5,113	2,740

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

	MARCH 31, 2014	MARCH 31, 2013
Financials		
(In thousands of US dollars, except per ounce numbers)	$	$
Total cash cost per ounce of gold sold[(1)]	794	774
Average price of gold		
London PM fix	1,291	1,632
Realized	1,249	1,606
Net earnings (‘000)	378	2,096
Adjusted net earnings [(1)] (‘000)	386	2,098
Adjusted EBITDA[(1)] (‘000)	3,928	6,864
Cash flow from operating activities (‘000)	3,363	6,074

MINERAL PROPERTIES

The Company’s 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 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, and 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 World War II. 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.

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

Resource and reserve estimates

AMEC Engineering of Reno, Nevada ("AMEC") completed a mineral resource and reserve estimate and NI 43-101-compliant technical report for the project dated July 15, 2012. The technical report was filed by the Company on SEDAR on October 15, 2012. Both the resource and reserve estimates have an effective date of April 30, 2012. AMEC reported an indicated resource of 2,931,163 tonnes grading 2.02 g/t gold for a total of 190,800 contained ounces of gold and an inferred resource estimated at 80,741 tonnes grading 1.47 g/t gold for a total of 3,800 contained ounces of gold. Included within this indicated resource AMEC estimated a probable reserve of 1,906,027 tonnes grading 2.12 g/t gold for a total of 131,000 contained ounces of gold. The estimated amount of waste material is 9,094,680 tonnes equating to a strip ratio of 4.8. See the Company's news release dated October 1, 2012 for further details of the resource and reserve estimates.

On November 16, 2012, Scorpio Gold Corporation engaged Telesto Nevada, Inc., a Welsh Hagen Company (Telesto) to undertake the preparation of a Technical Report on the Mineral Ridge Satellite Deposits Esmeralda County, Nevada, USA. The Satellite Deposits consist of 5 separate gold deposits: the Brodie, Bluelite, Oromonte, Solberry and Wedge Deposits. With an effective date of June 1, 2013, Tolesto reported an inferred resource of 513,000 tons grading 0.078 ounce per ton for a total of 40,200 ounces using a cut-off grade of 0.024 ounce per ton. The estimated amount of waste material is 2,259,000 tons equating to a strip ratio of 4.4.

Additional drilling has been conducted after the effective date of the AMEC and Tolesto reports and new resource and reserve estimates are currently being prepared by the Company.

Mining activities

Total mine production during the first quarter of 2014 was 1,318,690 tonnes compared to 1,138,564 tonnes mined in Q1 2013. The mine production is composed of 247,700 tonnes of ore and 1,070,990 tonnes of waste. The ore was mined from the 6550, 6540, and 6530 benches in the Drinkwater Pit and from the 6610, 6600, and 6590 benches in the Mary Pit. Pre-stripping of waste material from the Mary LC-Expansion pit in preparation for commercial production began in the first quarter and amounted to 257,396 tonnes. The current exploitation of the Mary pit is in full production and during the first quarter 92,748 ore tonnes were mined with an average grade of 1.62 grams per tonne. This compares to the first quarter 2013 where 34,941 ore tonnes were mined with an average grade of 2.29 grams per tonne. Mining in the Solberry and Bluelite satellite pits will commence once all mining plans, economic evaluations and permits are completed. This process, which is already underway, includes amending the Plan of Operations and completing an Environmental Assessment of the areas to be mined.

The mining contractor, LEDCOR CMI Inc.'s performance has stabilized as personnel and equipment availabilities remain on schedule. The average production in tonnes per day ("TPD") for the first quarter of 2014 was 26,374 TPD which is substantially higher than Q1 of 2013 which was 22,325 TPD. This is just slightly above the 2014 mine plan at Mineral Ridge which calls for a daily mining rate of roughly 25,855 TPD with an average of 4,694 tonnes of mineralized material delivered to the crusher on a daily 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.

The reconciliation of Q1 2014 actual results to the Company's current model for the 6550 through 6530 benches at the Drinkwater pit indicates that actual mine ore production was 34% greater than that predicted by the model and the mineralized material mined contained 39 % more ounces than predicted. The reconciliation for the Mary Pit during Q1 for the 6610 through 6590 benches showed that the actual ore mined contained 27% more ore tonnes than predicted by the model and the contained ounces were 9% higher than predicted by the model. The mine ore control, based on blast hole assays, versus actual mine production shows to date a 10.4 % and 15.0 % dilution of the mineralized material in the Drinkwater and Mary Pits, respectively. Projected dilution was estimated at 10 %. The mine reconciliation, through the end of the first quarter 2014, compared to the current mine model, which was developed with oversight from AMEC, shows through the completion of the 6530 bench in the Drinkwater pit that actual mine ore production was 12.6% higher than was predicted by the model and that the ore mined contained approximately 23% more gold ounces than predicted. The mine reconciliation for the Mary pit through the 6590 bench shows that actual ore production was 20.5% higher than predicted by the model and the ore mined contained approximately 30% more gold ounces than predicted.

As mining progresses in the Mary pit, the Company has noted that there appears to be a tightening in the discrepancy between the modeled grade and tonnes and the actual mined grade and tonnes. The Company will continue to monitor this aspect of the reconciliation and will address it in the upcoming Life of Mine plan due in the second quarter.

Operations activities

Total operations production for Q1 of 2014 was 244,773 tonnes compared to 205,846 tonnes processed in Q1 of 2013. The processed ore was mined from the Drinkwater and Mary pits. The average crusher throughput per day for Q1 2014 was 2,720 tonnes at a head grade of 0.057 opt (1.95 g/t) gold compared to Q1 2013 which had 2,745 tonnes throughput per day at a head grade of 0.071 opt (2.42 g/t) gold. Estimated contained recoverable gold ounces crushed and placed on the heap leach pad for Q1 2014 were 9,966 compared to 10,401 ounces in Q1 2013.

The availability of the crushing facility for the first quarter of 2014 was 51.1% (Q1 of 2013, 65.2%). Processing availability is based on hours of crusher operations versus permitted run time. The 2012 Air Quality permit allowed for a 272 tonnes per hour throughput rate 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. For Q1 of 2014, the crusher's availability was 51.1% thereby operating roughly 12 hours per day.

Application of cyanide leach solution to the freshly stacked mineralized material on the leach pad continues with 175,067,500 gallons applied in Q1 2014 compared with 154,399,656 gallons of leach solution applied during Q1 2013. There were 148,414,511 gallons of pregnant, gold-bearing solution processed through the ADR's carbon column circuit at an average grade of 0.57 ppm gold and 0.37 ppm silver compared with 125,480,897 gallons at an average head grade of 0.72 ppm gold and 0.37 ppm silver in Q1 2013. Calculated efficiency for recovery of precious metals from solution processed through the ADR for Q1 2014 was 89.5% for gold and 67.9% for silver compared with 95.8% for gold and 75.9% for silver in Q1 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 Q1 2014 was 1,145 gallons per minute ("gpm") and the carbon efficiency averaged 67% of virgin carbon compared to 968 gpm and 60% efficiency in Q1 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.

For Q1 2014, the Company produced 10,294 ounces of gold and 5,113 ounces of silver compared to 7,411 ounces of gold and 2,740 ounces of silver produced in Q1 2013.

The new crushing facility began processing ore from the Drinkwater and Mary pits during Q2 of 2013. Upon commencement of production from the new crushing facility the portable crushing circuit on the pad was dismantled and is awaiting possible utilization at the Company's Goldwedge property or that equipment not needed will be sold.

Further information on the Mineral Ridge project is available at SEDAR (www.sedar.com). NI 43-101 technical report entitled "Mineral Ridge Project, Esmeralda County, Nevada, USA, NI 43-101 Technical Report on Life of Mine Plan." by AMEC E&C Services Inc., dated July 15, 2012 and the "Amended and Restated NI 43-101 Technical Report on The Mineral Ridge Satellite Deposits, Esmeralda County, Nevada USA" by Telesto Nevada, Inc., a Welsh Hagen Company dated April 4, 2014.

Current Exploration / Permitting

In the first quarter of 2014 the Company released the final drill results from the 255 hole – 23,900 meter 2013 drill program. The 2013 program targeted infill and resource expansion drilling around the Mary LC pit area and the satellite deposits with the focus on replacing ounces produced and extending mine life. The program was a success and the results from it are being incorporated into the new Life of Mine plan and updated resource and reserve estimates expected in Q2.

Prior to the start-up of 2014 drill campaign, drill sites and exploration roads were built and updates were made to the 3D geologic model with information obtained during the 2013 drill program and the data from geochemistry/ geophysical field surveys plus all prospecting data. Drilling commenced in early February 2014, with the use of two reverse circulation (RC) drill rigs. During Q1, the drills completed 6,582 meters. The focus of the early 2014 exploration drilling campaign includes the potential expansion of the Bluelite and Solberry satellite deposits. Other priority targets for 2014 include the Wedge B pit area, the Mary pit in areas which contained sparse drilling due to power line locations, and the Mary LC pit. Upon completion of this work, drilling will commence in the target areas of Brodie, State Bank, Oromonte, Northwest Highwall of the Drinkwater pit, Custer Canyon, and the down dip extension of the Mary LC pit. Drilling may also occur in the North Springs target area as time allows.

The Exploration department has been interpreting the data gathered from the magnetics/ VTEM mapping of the Mineral Ridge land package. Utilization of this data combined with soil surveys will aid in the selection of brownfields targets within the current land package. This drilling is tentatively scheduled to commence in early Q3, 2014.

Additionally, the Company anticipates commencing a 10 to 12 hole core drilling program designed to aid the exploration department in interpretation of the geology and structures of the known mineralization.

Ore shape models continue to be revised as new results are received for the Mary/ Mary LC, Bluelite and Solberry pits in Q1 of 2014. Ore shapes were created for drillhole intervals equal to or greater than 0.34 grams per tonne (0.010 OPT) gold, in preparation of the new Life of Mine study.

On February 5, 2014, a Plan of Operations Amendment was approved by the U.S. Bureau of Land Management (“BLM”) which now authorizes exploration drilling in the Custer Canyon and Bluelite South target areas. This approval also authorized expansion of the Mary LC pit area.

Initial drill results from the Solberry area were received late in Q1 and were very positive. Pre-2013 drilling on the Solberry deposit outlined a small shallow resource based upon a floating cone pit shell (as reported in the Company's August 16, 2013 news release). Follow-up infill drilling was conducted in 2013 within the mineralized wireframe envelope modelled by Telesto, which extended the mineralization east-southeastwards of the pit shell outline. Drilling in 2014 is targeting the extension of mineralization into untested ground outside of the current pit shell outlined and a southeast trend toward the Oromonte deposit.

The current resource and pit shell at Solberry appear to be constrained by the extent of historic drilling rather than any demonstrated termination of the mineralized trend. The 2014 drill program is designed to potentially expand and enhance the confidence level of the current resource.

Highlights from initial results of the 2014 drilling program on the Solberry deposit include:

- MR14782: 11.62 grams per tonne ("g/t") gold over 1.52 meters
- MR14789: 13.82 g/t gold over 1.52 meters
- MR14792: 9.27 g/t gold over 13.72 meters
- MR14793: 5.54 g/t gold over 7.62 meters
- MR14795:.2.01 g/t gold over 10.67 meters
- MR14796: 4.27 g/t gold over 4.57 meters

The Company will continue to report drill results as they become available.

Other properties

In December 2012, the Company acquired 100% interests in the Goldwedge and Pinon properties from Royal Standard Minerals.

Goldwedge

The Goldwedge property, including the Goldwedge mine and a processing plant not currently operating, is located approximately 55 kilometers NE of the town of Tonopah, in west-central Nevada, in a region of numerous historic and active gold mines.

Summary

Access is excellent from paved roads and both water and power are available on site. The Goldwedge Mine area contains a small zone of gold mineralization with excellent potential to grow with further exploration and development. The existing area of gold mineralization covers a strike length of approximately 350 meters, with a drill tested vertical extent of over 152 meters. The system is open along strike down-dip and down-plunge toward the northwest. Development includes a 400 tonne per day crushing plant, gravity recovery facility, leach pads and over 610 meters of decline.

Project History

Mining activities in the Manhattan District date back to the 19th century when prospectors discovered rich lodes of mineralization near Goldwedge and elsewhere in the district. Both underground and placer mining was carried out over the succeeding century, with cumulative reported production of over 500,000 ounces of gold. The largest mine at Goldwedge itself was the Reliance Mine that between 1932 and 1941 produced an estimated 53,623 tonnes at a recovered grade of 14.91 g/t (0.435 OPT) gold. During the 1980’s an open pit mine was operated by Echo Bay Mines just south of the boundary of the Goldwedge property, with total production from the operation approximately 236,000 oz gold. This mining led to numerous exploration projects at Goldwedge by Freeport Exploration, Crown Resources Corp., New Concepts Mining, Sunshine Mining Co., Battle Mountain Gold, Royal Gold Corp., and most recently Royal Standard Minerals starting in 2001.

Since 2001, Royal Standard conducted exploration drilling, underground mine development, permitting, and mill construction. To September 2012, Royal Standard and past explorers have drilled 88 surface drill holes totaling

14,754 meters, 26 underground core holes totaling 1,599 meters and 39 shallow jack-leg drill holes totaling 414 meters, for a total of 153 holes and 16,767 meters of drilling.

Geology

The Goldwedge property occurs in west-central Nevada where a series of Tertiary volcanic calderas have cut through a basement complex of lower Paleozoic sedimentary rocks. Gold deposits related to these calderas include the giant Round Mountain Mine (16 kilometers north of Goldwedge), as well as the Northumberland Mine of Newmont Mining Corp. While most of the mineralization at the Round Mountain Mine has been mined from Tertiary volcanic rocks, there is good mineralization in the underlying Gold Hill Formation, which is also a host of mineralization at Goldwedge.

Goldwedge occurs near the southwestern margin of the Manhattan caldera, and all known mineralization to date is hosted by a series of lower Paleozoic sedimentary rocks just outside the caldera boundary. The Caldera is believed to have provided significant structural preparation for the gold mineralization at Goldwedge, and age dating suggests that the mineralization is post-caldera. The deposit is hosted by the Ordovician Zanzibar Formation and the Cambrian Gold Hill Formation, where cut by a series of north-northwest -striking fractures and faults, especially the Reliance shear zone. This shear zone is closely associated with the good grade mineralization defined to date.

Mineralization consists of altered sedimentary host cut by complex anastomosing narrow shear zones with a combination of free gold and disseminated gold in the matrix of the rock. The substantial component of free gold allows for simple gravity recovery of a portion of the gold mineralization. The mineralization contains some very high grade mineralization, with the core portion of the gold mineralization measuring in the 6.86 to 34.29 g/t (0.20 to 1.0 OPT) range.

At present the Company is compiling all historical data on the known mineralized areas within the Goldwedge property and after modeling and evaluation will determine the optimum targets on which to focus its exploration efforts. Permits have been received to drill from 6 approved surface drill sites. The program would include drilling twin holes to verify historical mineralized intercepts, styles of mineralization and structural controls. Currently the Company is considering toll milling, processing high grade ore from the Mineral Ridge property and processing its own ore from the previously developed underground resource. The Company continues to conduct metallurgical tests on the various materials proposed to be treated at the permitted 400 tonne per day mill facility. While this work is ongoing, the Company has been working with government agencies to ensure all operating and environmental permits are in compliance for a quick start-up of the mill facility.

Pinon Property

The Pinon property is located about 10 miles south of Newmont's Rain mine, 25 miles southwest of Elko, Nevada. The main access from Elko is west on Interstate 80 to Carlin (25 miles) then south on State Highway 51 for 22 miles to the Trout Creek access road. The project area is 7 miles east along a well-maintained BLM gravel-dirt road to the area of extensive drilling.

On March 5, 2014, the Company sold its interest in the Pinon non-producing mining property to Gold Standard Ventures Corp. (“Gold Standard”).

Transaction Highlights

On March 5, 2014, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard for consideration consisting of $5.4 million (CAD$6.0 million) in cash paid at or before closing, a $2.3 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$5.8 million) was applied to the Company’s long term debt. The $2.3 million (CAD$2.5 million) promissory note receivable bears interest at 3% and is to be paid a maximum of one year after closing. Payment of this amount is secured against the Pinon property. 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. The shares are subject to an orderly sale restriction and voting trust agreement. Any proceeds from the sale of these common shares of Gold Standard or payments of the CAD$2.5 million amount, will be applied against the then outstanding debt balance with Waterton, if any.

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

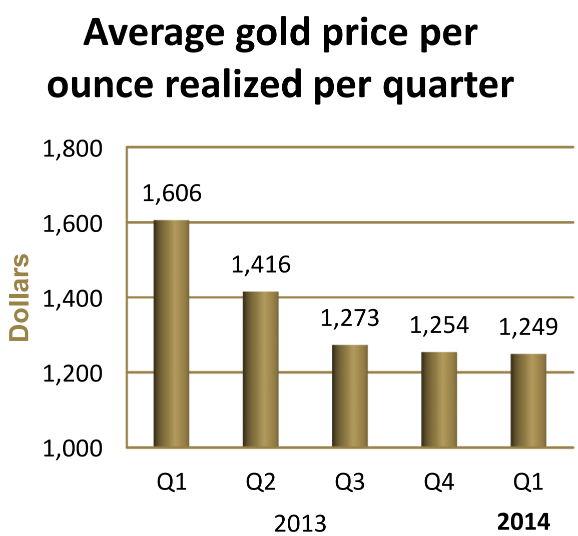
The financial information disclosed below, including comparative period information has been prepared in accordance with IFRS and is reported in US dollars. Tabular dollar amounts except per share amounts are reported in thousands of US dollars.

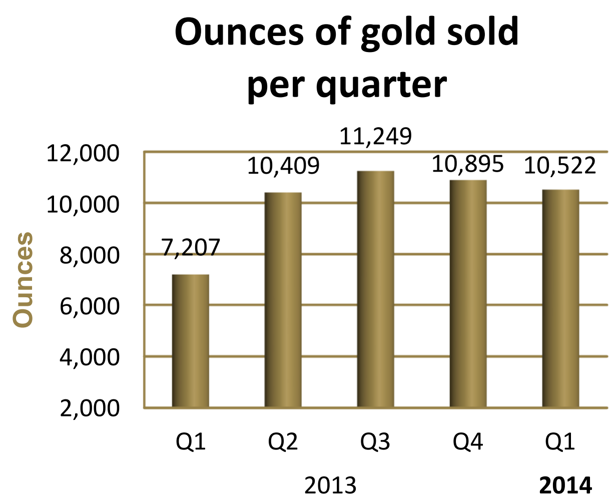
During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified the amounts previously recognized as cost of sales in 2013 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. All comparative numbers disclosed have been restated for this change in presentation.

Scorpio Gold reported net earnings of $0.4 million for the three months ended March 31, 2014 compared to $2.1 million for the three months ended March 31, 2013. Net earnings attributable to the shareholders of the Company were $0.05 million ($0.00 per share) for the three months ended March 31, 2014 compared to $1.1 million ($0.01 per share) for the three months ended March 31, 2013. Net earnings attributable to non-controlling interest was $0.3 million for the three months ended March 31, 2014 compared to $1.0 million for the three months ended March 31, 2013. The major differences between the 2014 and 2013 results are explained below.

Revenue

During Q1 of 2014, the Company sold 10,522 ounces of gold and 5,341 ounces of silver for total revenue of $13.2 million. During Q1 of 2013, the Company sold 7,207 ounces of gold and 3,060 ounces of silver for total revenue of $11.7 million. During Q1 of 2014, gold ounces were sold at an average price of $1,249 ($1,606 in 2013) and silver ounces at an average price of $20 ($30 in 2013). During Q1 of 2014, the Company's realized average gold price was $42 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. Revenue for the first quarter 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 accelerated sales into Q4 of 2012. As of March 31, 2014, the Company had inventories including 948 ounces of gold available for sale compared to 1,210 ounces of gold as at December 31, 2013.





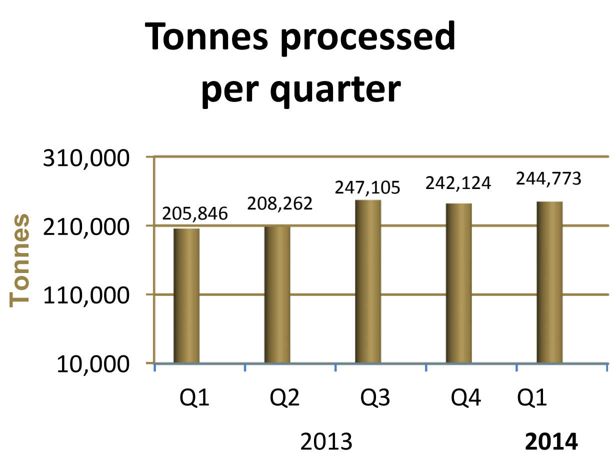
Mine operating earnings

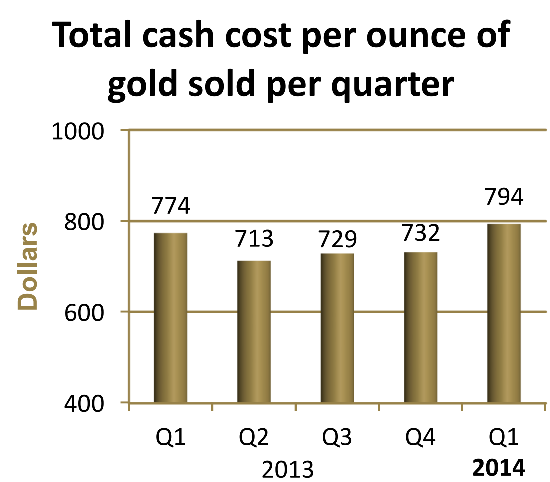
Cost of sales, excluding depletion and amortization, increased from $4.2 million for Q1 of 2013 to $8.8 million for Q1 of 2014, primarily due to the fact that the Company sold 46% more gold ounces in Q1 of 2014 than in Q1 of 2013.

Cash operating cost per gold ounce sold [1], after silver by-product credits, was $775 for Q1 of 2014 compared to $727 in the Q1 of 2013. Total cash cost per ounce sold [1], after silver by-product credit, was $794 for Q1 of 2014 compared to $774 in Q1 of 2013. Unit production cost increased for Q1 of 2014 compared to same period in 2013, which is mainly attributable to lower head grades and lower strip ratio.

Depletion and amortization was $3.1 million during Q1 of 2014 compared to $3.9 million during Q1 of 2013 even though the Company mined 24.8% more ore during Q1 of 2014 than during the corresponding period. This is mainly explained by the fact that the Company recorded a $9.7 million impairment on its assets at the Mineral Ridge mine during Q2 of 2013.

Mine operating earnings[1] were therefore $1.3 million for the first quarter of 2014 compared to $3.6 million for the comparative period of 2013.





[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.

General and administrative

General and administrative expenses totalled $0.5 million for Q1 of 2014 compared to $0.6 million for the same period of 2013. During Q1 of 2014, the Company benefited from a more favorable USD/CAD exchange rate which explains the slight decrease in general and administrative expenses.

Other expenses

Finance costs totalled $0.2 million during Q1 of 2014, compared to $0.3 million for the comparative period of 2013. 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 Q1 of 2013 as an income tax expense. For Q1 of 2014, the Nevada net proceeds tax amounts to $0.2 million compared to $0.3 million for the same period of 2013.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2014, the Company had $3.8 million in cash compared to $2.8 million as of December 31, 2013.

Working capital was $17.9 million as of March 31, 2014 compared to $19.8 million as of December 31, 2013.

On March 5, 2014, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard for consideration consisting of $5.4 million (CAD$6.0 million) in cash paid at or before closing, a $2.3 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.and 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 March 31, 2014, included in the metal in process inventories, are inventories on the leach pad for a total cost of $11.2 million ($9.9 million as at December 31, 2013). The ultimate recovery of gold from the heap leach pad will not be known until the total 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 decreased slightly from $15.5 million as of December 31, 2013 to $15.1 million as of March 31, 2014.

Metal in process slightly decreased by $0.3 million to $12.6 million during Q1 of 2014 and finished goods inventory also decreased slightly from $1.3 million as at December 31, 2013 to $1.1 million as at March 31, 2014 mainly caused by the timing of the Company's gold sales.

PRODUCING MINING ASSETS

Producing mining assets stood at $19.9 million as of March 31, 2014, compared to $22.5 million as at December 31, 2013. This includes all producing assets related to the Mineral Ridge mine. During the first quarter of 2014, the Company added $0.5 million of producing mining assets which mainly consisted of costs related to stripping activities and other assets under construction as at March 31, 2014. During Q1 of 2014, an amount of $3.1 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 $19.1 million as of March 31, 2014, compared to $17.3 million as at December 31, 2013. During Q1 of 2014, the Company added $1.7 million of non-producing mining assets. This increase is mainly constituted of $0.8 million related to Mary LC pit development costs and exploration costs related to exploration targets surrounding the areas currently in development and production at the Mineral Ridge mine for $0.6 million. During Q1 of 2014, the Company also incurred $0.2 million in capitalized expenditures at the Goldwedge property.

RECLAMATION BONDS

During Q1 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 Q1 of 2014.

CURRENT LIABILITIES

Total current liabilities were $7.4 million as at March 31, 2014, compared to $10.5 million at December 31, 2013. Trade and other payables slightly decreased from $5.0 million as at December 31, 2013 to $4.2 million as at March 31, 2014 following the payment of certain accruals recorded at year-end of 2013.

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

EQUITY

Total equity slightly decreased by $0.4 million during Q1 of 2014, from $54.9 million at December 31, 2013 to $54.5 million at March 31, 2014. Most of this decrease is attributable to the $0.4 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] $
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
June 30, 2012	12,453	2,596	0.01	0.01

(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 $3.4 million for Q1 of 2014, compared to $6.1 million for the same period of 2013. Most of this variance is explained by the lower metals prices prevailing during Q1 of 2014 compared to prior year.

Cash flows from investing activities was $3.9 million for the three months ended March 31, 2014. Non-producing mining assets additions in Q1 of 2014 mainly relate to Mary LC pit development costs as well as exploration costs related to exploration targets surrounding the areas currently in development or production at the Mineral Ridge mine. As discussed above, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard 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. During Q1 of 2014, investing activities related to producing mining assets were mainly related to stripping activities and construction in progress costs related to various projects. As discussed above, the Company reduced the reclamation bond cash collateral by approximately $0.8 million during Q1 of 2014 following an agreement with a new surety under which the cash collateral requirement was significantly reduced.

Cash outflows used in investing activities was $4.2 million for the three months ended March 31, 2013. Non-producing mining assets additions in Q1 of 2013 mainly relate to development costs as well as exploration costs related to exploration targets surrounding the areas currently in development or production at the Mineral Ridge mine. During Q1 of 2013, investing activities related to producing mining assets were mainly related to construction in progress costs related to a new production water well and a new crushing system.

Cash outflows used for financing activities were $6.1 million for Q1 of 2014 compared to $2.1 million for Q1 of 2013. During Q1 of 2014, following the sale of Pinon assets, cash amounts of $5.5 million were used in repayment of long-term debt. During Q1 of 2013 a cash amount of $1.3 million, was recorded under financing activities as repayment of long-term debt. Following the completion of the sale transaction, debt monthly repayments were updated based on the then outstanding debt balance.

During Q1 of 2014 and Q1 of 2013, the Company paid to its lender $0.2 million and $0.3 million of interest on its long-term debt, respectively. During the three months periods ended March 31, 2014 and March 31, 2013, amounts of $0.4 million were distributed to the non-controlling interest.

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.

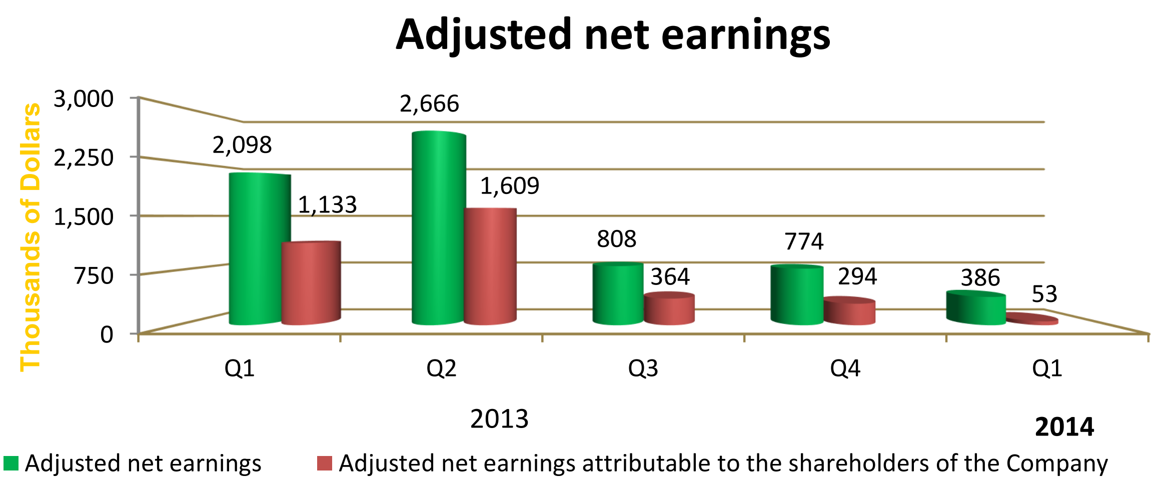
Adjusted earnings

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 earnings to the consolidated financial statements:

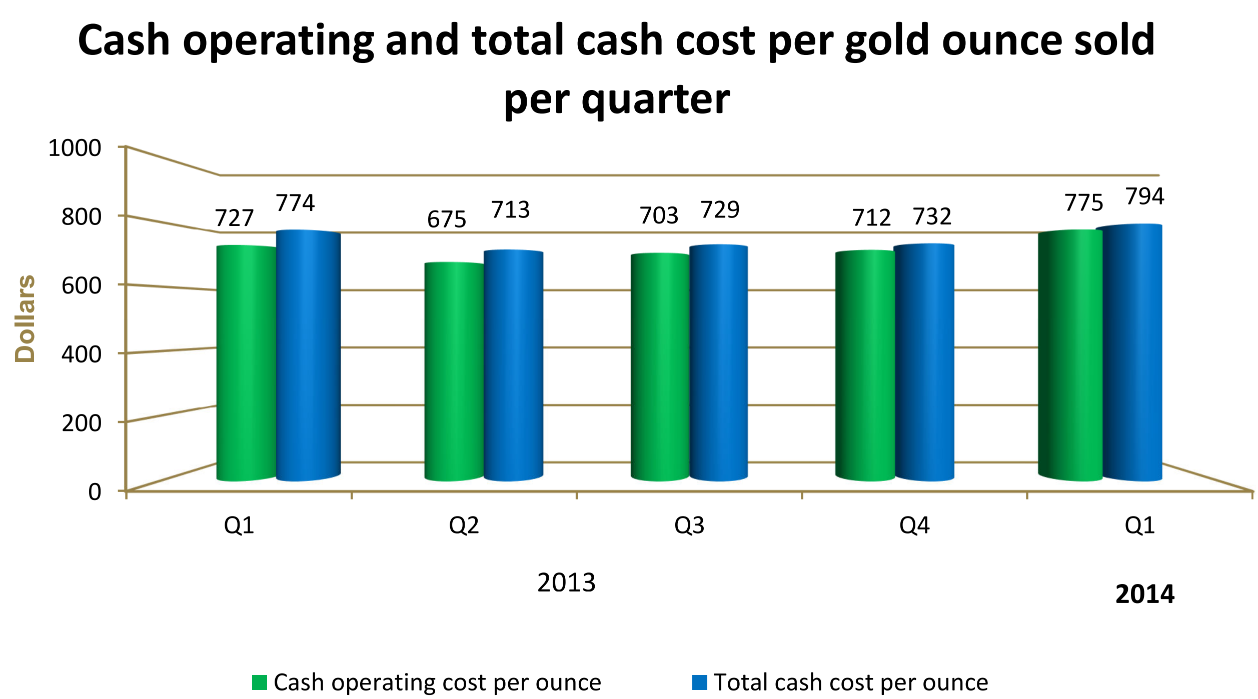
	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Net earnings for the period	378	2,096
Share-based compensation	3	4
Foreign exchange loss (gain)	5	(2)
Adjusted net earnings for the period	386	2,098
Non-controlling interest	(333)	(965)
Adjusted net earnings for the period attributable to the shareholders of the Company	53	1,133
Adjusted basic and diluted net earnings per share	0.00	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 March 31, 2014	Three months ended March 31, 2013
	$	$
Cash costs		
Cost of sales excluding depletion and amortization per consolidated financial statements	8,786	4,240
Share-based compensation	-	(4)
Inventory adjustment	(527)	1,095
By-product silver sales	(106)	(90)
Cash operating costs	8,153	5,241
Nevada net proceeds tax	201	339
Total cash cost	8,354	5,580
Divided by ounces of gold sold	10,522	7,207
Cash operating cost per gold ounce sold	775	727
Total cash costs per gold ounce sold	794	774



Adjusted EBITDA

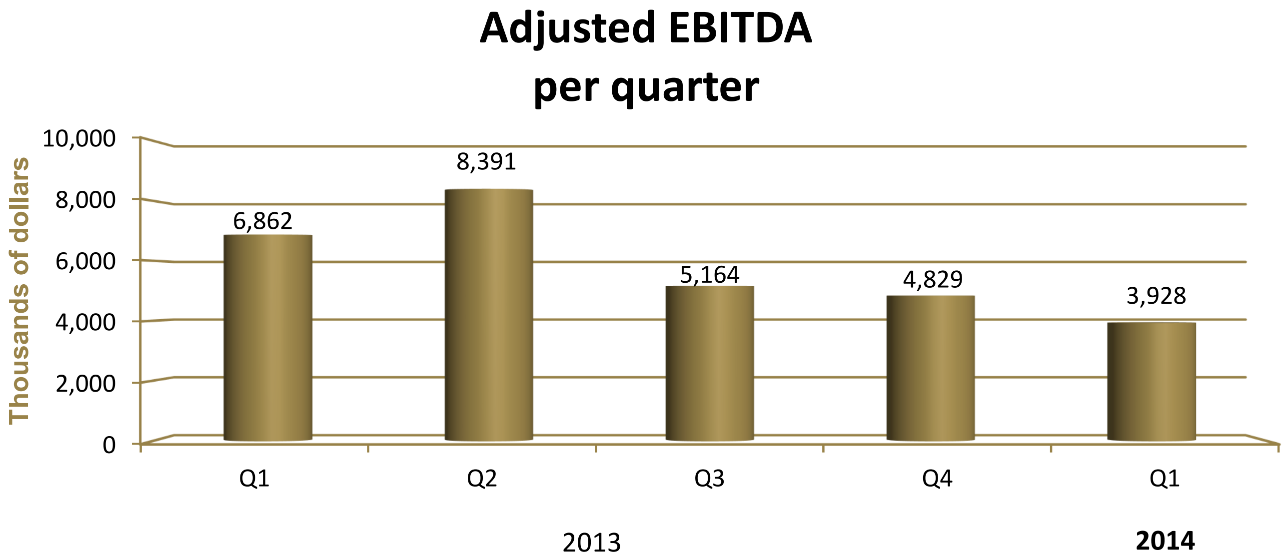
EBITDA is a non-IRFS financial measure, which excludes the following from net earnings:

- 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 "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 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 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 March 31, 2014	Three months ended March 31, 2013
	$	$
Net earnings for the period	378	2,096
Finance costs	211	330
Depletion and amortization	3,135	3,858
Income tax expense	201	574
EBITDA	3,925	6,858
Share-based compensation	3	4
Adjusted EBITDA	3,928	6,862
Non-controlling interest	(1,339)	(2,228)
Adjusted EBITDA attributable to the shareholders of the Company	2,589	4,634
Adjusted basic and diluted EBITDA per share	0.02	0.04



Additional measures

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

- *Mine operating earnings* - represents the amount of revenues in excess of cost of sales excluding depletion and amortization and depletion and amortization.
- *Operating earnings* - represents the amount of earnings before finance cost, foreign exchange gain (loss) and income tax expense.
- *Cash flows from operating activities before movements in working capital* - excludes the non-cash movement from period-to-period in working capital items, including trade and other receivables, prepaid expenses and other, inventories, trade and other payables.

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

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

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

	MARCH 2013	JUNE 2013	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014
Financial results					
	$	$	$	$	$
Cash operating cost per ounce of gold sold [(1)]	727	675	703	712	775
Total cash cost per ounce of gold sold[(1)]	774	713	729	732	794
Average price of gold					
London PM fix	1,632	1,415	1,287	1,276	1.291
Realized	1,606	1,416	1,273	1,254	1,249
Net earnings (‘000)	2,096	(7,772)	810	(1,976)	378
Earnings per share	0.01	(0.05)	0.00	(0.02)	0.00
Adjusted net earnings[(1)] (‘000)	2,098	2,666	808	774	386
Adjusted basic and diluted net earnings per share[(1)]	0.01	0.01	0.00	0.00	0.00
Adjusted EBITDA[(1)] (‘000)	6,862	8,391	5,164	4,829	3,928
Cash flow from operating activities (‘000)	0.04	.05	0.03	0.03	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 and tax matters are outstanding from time to time. In the opinion of management, there are currently no matters that could have a material effect on the Company’s condensed consolidated interim financial position or results of operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at March 31, 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-month periods ended March 31, 2014 and March 31, 2013 is as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Salaries and directors' fees	**295**	281
Consulting fee with a director	**23**	-
Share-based compensation(1)	**-**	2
	318	283

(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-month periods ended March 31, 2014 and March 31, 2013.

As at March 31, 2014, $12,666 (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 the Mineral Ridge project. Management considers that Waterton is a related party.

Transactions entered into with Waterton during the three-month periods ended March 31, 2014 and March 31, 2013 are as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Sales	**13,028**	11,666
Interest on long-term debt	**190**	314

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	4,213	4,213	-	-	-
Income taxes payable	205	205	-	-	-
Long-term debt[1]	5,631	2,970	2,661	-	-
Provision for environmental rehabilitation	5,796	-	411	2,650	2,735

(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 note received as part of the sale of the Pinon property is required to be applied against the then outstanding 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 March 31, 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	**214**
Value added tax and other receivable	**5**
Promissory note receivable	**2,262**
Trade and other payables	**(123)**

A sensitivity analysis as at March 31, 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 March 31, 2014 the USD/CAD exchange rate was 1.10534.

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 March 31, 2014. The Company does not use derivatives to manage its exposure to price risk.

b) Fair Value

The fair value of cash, reclamation bonds, promissory note, 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 audited consolidated financial statements as at December 31, 2013. The accompanying unaudited 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 quarter which were not applicable in the consolidated financial statements for the year ended December 31, 2013.

a) IAS 32, 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) IFRIC 21, 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 $0.339 million previously recognized as cost of sales during the three-month period ended March 31, 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

For the period ended March 31, 2014, there were no pronouncements issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting in future periods.

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 three-month period ended March 31, 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 near mid-2014. Exploration and in-fill drilling around the satellite pits will continue to be a priority for the exploration team.

An updated Life of Mine plan and resource and reserve estimates for Mineral Ridge is expected in the second quarter of 2014. This update will include the mineralized material that has been drill defined over the past two years and will include the Mary LC pit area as well as a portion of the satellite deposits up to March 31, 2014.

Refurbishment work at the Goldwedge mill and gravity circuit is nearing completion and small scale test milling is anticipated in the second quarter. The geology team continues its review of all geological data at Goldwedge with the plan of initiating a comprehensive exploration program that would involve 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 will involve twinning up to 6 historic RC 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.. These drill holes are all permitted and will commence once an expanded exploration budget is put in place, subject to financing. 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 could come in short order.

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

DISCLOSURE OF OUTSTANDING SECURITIES AS AT MAY 16, 2014

Outstanding common shares	124,948,235
Stock options	12,027,000
Fully diluted	136,975,235

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