SCORPIO
GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") is for the nine-month period ended September 30, 2016 and is provided as of November 23, 2016. This MD&A is to be read in conjunction with the most recently issued annual consolidated financial statements for the year ended December 31, 2015 and the condensed interim consolidated financial statements of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") for the nine-month period ended September 30, 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on the Company's website (www.scorpiogold.com) and filed on SEDAR (www.sedar.com). All dollar amounts are in US dollars unless otherwise indicated.

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

HIGHLIGHTS FOR THE THIRD QUARTER ("Q3") ENDED SEPTEMBER 30, 2016

- 9,981 ounces of gold produced at the Mineral Ridge mine, compared to 9,497 produced during Q3 of 2015.
- 10,000 ounces of gold sold, compared to 8,516 ounces sold during Q3 of 2015.
- Revenue of $13.3 million compared to $9.3 million during Q3 of 2015.
- Total cash cost per ounce of gold sold [(1)] of $956 compared to $732 during Q3 of 2015.
- Mine operating earnings of $3.2 million compared to $1.8 million during Q3 of 2015.
- Net earnings of $2.3 million ($0.01 basic and diluted per share), compared to net loss of $ 15.8 million ($0.11 basic and diluted per share) during Q3 of 2015.
- Adjusted net earnings [(1)] of $2.5 million ($0.01 basic and diluted per share) compared to $1.1 million ($0.01 basic and diluted per share) during Q3 of 2015.
- Adjusted EBITDA [(1)] of $3.5 million ($0.02 basic and diluted per share) compared to $3.2 million ($0.02 basic and diluted per share) during Q3 of 2015.
- Cash flow from operating activities of $5.9 million compared to $2.3 million during Q3 of 2015.
- On August 10, 2016 the Company announced the resignation of Peter J. Hawley from the position of President, effective on that date, for personal reasons. Mr. Hawley also retired from the position of CEO of the Company on November 1, 2016. Mr. Hawley remains as Chairman and a Director of the Company. The Company also announced the promotion of Chris Zerga to the position of President effective August 10, 2016. Brian Lock, a current Director of the Company, was appointed as Interim CEO effective November 2, 2016.

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

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

- 28,578 ounces of gold produced at the Mineral Ridge mine, compared to 30,187 during the nine months ended September 30, 2015.
- 28,315 ounces of gold sold, compared to 29,141 ounces sold during the nine months ended September 30, 2015.
- Revenue of $35.2 million compared to $33.8 million during the nine months ended September 30, 2015.
- Total cash cost per ounce of gold sold [1] of $883 compared to $779 during the nine months ended September 30, 2015.
- Mine operating earnings of $8.1 million compared to $6.2 million during the nine months ended September 30, 2015.
- Net earnings of $4.6 million ($0.02 basic and diluted per share) compared to net loss of $13.3 million ($0.10 basic and diluted per share) during the nine months ended September 30, 2015.
- Adjusted net earnings [1] of $5.8 million ($0.03 basic and diluted per share) compared to $3.9 million ($0.02 basic and diluted per share) during the nine months ended September 30, 2015.
- Adjusted EBITDA [1] of $7.9 million ($0.04 basic and diluted per share) compared to $7.9 million ($0.04 basic and diluted per share) during the nine months ended September 30, 2015.
- Cash flow from operating activities of $10.4 million, compared to $11.2 million during the nine months ended September 30, 2015.

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

OUTLOOK

The Company continues to remain focused on being cost effective for 2016, and anticipates that production at Mineral Ridge during the fourth quarter will be mainly supported by mining at the Phase Three area of the Mary LC pit.

Production guidance for the Mineral Ridge mine for 2016 is expected to be at the higher end of the 30,000-35,000 ounces of gold produced range at an estimated total cash cost per ounce of gold sold in the lower end of $900-$950 as per the previous announced revised guidance for the year.

The Company has expanded its exploration program for the year, which consisted of surface geological mapping, sampling, geophysics and small diameter core drilling has begun on first priority targets which have been generated as a result of this work. This work will evaluate the new understanding of the structural controls of gold emplacement and the related rock types on the property in new greenfields areas which are presently being prioritized. In addition, the Company has completed diamond drilling on the Drinkwater high wall and reverse circulation ("RC") drilling on the Phase Four and Bunkhouse Hill areas of the Mary LC pit. Assay results are pending. The purpose of these drilling programs is to confirm the Company's evaluation of areas of potential economic mineralization, which if successful, is expected to increase the Life of Mine at the Mineral Ridge project. In addition, the Company is evaluating additional areas of mineralization within its permitted mining boundary.

On September 29, 2016, an amendment to the Mineral Ridge Plan of Operations was submitted to the Bureau of Land Management ("BLM") and the Nevada Division of Environmental Protection – Bureau of Mining Regulation and Reclamation ("NDEP-BMRR") seeking authorization to conduct additional mining in the new Custer and Oromonte open pits, the Oromonte underground target, as well as expansion of the Drinkwater Pit and the Mary LC Pit. Mining under current permits at Mineral Ridge is expected to end in mid-2017. There can be no assurance that any applications made for permitting will be successful or be approved before mining has been completed in the currently permitted areas.

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

KEY OPERATING AND FINANCIAL STATISTICS

	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Mining operations				
Mary LC pit				
Ore tonnes mined	**119,574**	83,577	**405,241**	83,577
Waste tonnes mined	**919,556**	941,334	**2,542,039**	941,334
Total mined	**1,039,130**	1,024,911	**2,947,280**	1,024,911
Strip ratio	**7.7**	11.3	**6.3**	11.3
Satellite pits				
Ore tonnes mined	**48,029**	127,546	**190,774**	241,665
Waste tonnes mined	**152,883**	990,728	**519,603**	1,276,601
Total mined	**200,912**	1,118,274	**710,377**	1,518,266
Strip ratio	**3.2**	7.8	**2.7**	5.3
Mary pit				
Ore tonnes mined	**-**	5,695	**-**	202,002
Waste tonnes mined	**-**	10,311	**-**	1,053,992
Total mined	**-**	16,006	**-**	1,255,994
Strip ratio	**-**	1.8	**-**	5.2
Total producing pits				
Ore tonnes mined	**167,603**	216,818	**596,015**	527,244
Waste tonnes mined	**1,072,439**	1,942,373	**3,061,642**	3,271,927
Total mined	**1,240,042**	2,159,191	**3,657,657**	3,799,171
Strip ratio	**6.4**	9.0	**5.1**	6.2
Pits under development:				
Ore tonnes mined	**-**	-	**-**	92,146
Waste tonnes mined	**25,876**	-	**149,230**	1,995,432
Total mined	**25,876**	-	**149,230**	2,087,578
Total mining operations				
Ore tonnes mined	**167,603**	216,818	**596,015**	619,390
Waste tonnes mined	**1,098,315**	1,942,373	**3,210,872**	5,267,359
Total mined	**1,265,918**	2,159,191	**3,806,887**	5,886,749

	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Processing				
Tonnes processed	**176,901**	213,957	**704,039**	626,980
Gold head grade (grams per tonne)	**1.35**	1.59	**1.45**	1.46
Recoverable gold ounces placed on the leach pad[(1)]	**5,215**	7,327	**22,249**	19,755
Availability[(2)]	**41.3%**	45.0%	**53.1%**	46.7%
Ounces produced				
Gold	**9,981**	9,497	**28,578**	30,187
Silver	**4,630**	4,927	**12,876**	14,837

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

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

Financials				
(In thousands of US dollars, except per ounce and per share numbers)	**$**	$	**$**	$
Total cash cost per ounce of gold sold[(1)]	**956**	732	**883**	779
Ounces sold				
Gold	**10,000**	8,516	**28,315**	29,141
Silver	**4,450**	4,168	**12,875**	14,490
Average price of gold				
London PM fix	**1,335**	1,124	**1,260**	1,178
Realized	**1,324**	1,089	**1,235**	1,151
Net earnings (loss)	**2,331**	(15,823)	**4,609**	(13,321)
Basic and diluted net earnings (loss) per share	**0.01**	(0.11)	**0.02**	(0.10)
Adjusted net earnings[(1)]	**2,484**	1,128	**5,768**	3,879
Basic and diluted adjusted net earnings per share[(1)]	**0.01**	0.01	**0.03**	0.02
Adjusted EBITDA[(1)]	**3,508**	3,208	**7,893**	7,946
Basic and diluted adjusted EBITDA per share [(1)]	**0.02**	0.02	**0.04**	0.04
Cash flow from operating activities	**5,906**	2,271	**10,418**	11,223

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

MINERAL PROPERTIES

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

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge project and related assets, which was a former producing gold mine in Nevada. Mining by the Company commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company is currently receiving 70% of cash flows generated at the Mineral Ridge project in accordance with the project agreements. For more information, see Results of Operations – Long-term Debt.

General

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

Resource and reserve estimates

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

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

This LOM is inclusive of the Drinkwater, Mary and Mary LC deposits and the five satellite deposits, Brodie, Wedge, Bluelite, Solberry and Oromonte. An Inferred Mineral Resource estimate for the Brodie, Wedge, Bluelite, and Solberry deposits, dated June 1, 2013, was reported in the Company's August 16, 2013 news release. Subsequent development drilling resulted in an upgrade of the previous resource estimate to include Indicated Mineral Resources containing Probable Mineral Reserves. The updated Indicated Mineral Resource estimate dated March 31, 2014 for the five satellite deposits is 625,100 tons at a grade of 0.061 oz/ton gold (38,360 oz contained gold), which includes Probable Mineral Reserves for four of the deposits of 463,880 tons at a grade of 0.065 oz/ton gold (30,050 oz contained gold) and was reported in the Company's new release dated July 21, 2014.
The Mineral Resource and Mineral Reserve estimates in the LOM were prepared by Jim Ashton, P.E., an employee of the Company and a qualified person pursuant to NI 43-101 and audited by independent qualified person, Mr. Randy Martin, RM-SME of Welsh Hagen Associates. The LOM is an independent technical report supporting the

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

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

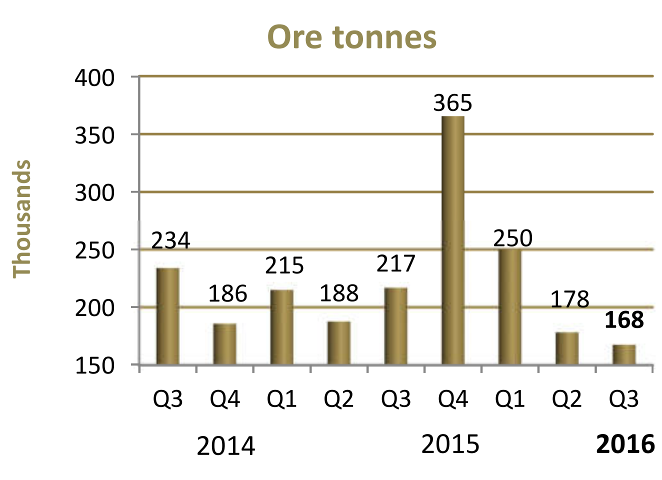
Since the July 2014 mineral resource and reserve estimates the Company has developed an updated mine plan which includes the Mary LC, Bluelite, Solberry, Missouri and the Brodie (phase B and SE) pits. To date, the Drinkwater, Bluelite, Missouri, Solberry and Wedge pit resources have been depleted. Scheduled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

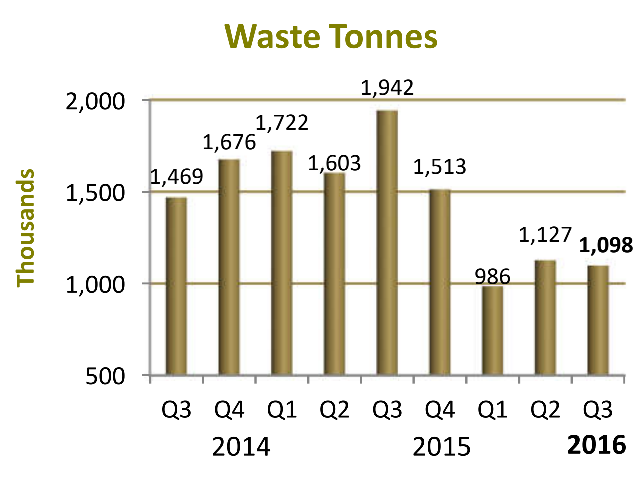
In addition, permitting is ongoing for mining in the Custer expansion pit, which, once obtained, would extend mine life. Permitting also includes mining of the Oromonte mineralization as well as the Drinkwater High Wall area and further expansion of the Mary LC pit, for which evaluation of the economics is ongoing.

Mining activities

Total mine production for the third quarter of 2016 was 1,265,918 tonnes compared to 2,162,311 tonnes mined in Q3 of 2015. For the first nine months of 2016 total mine production was 3,806,887 tonnes compared to 5,889,869 tonnes mined in the first nine months of 2015. Included in the 2015 ore tonnage is 3,120 tonnes of historical waste dumps that ran an estimated 1.95 grams per tonne ("g/t") (0.057 oz/ton) gold. Total mining operations in the third quarter of 2016 was composed of 167,603 tonnes of ore and 1,098,315 tonnes of waste. The ore was mined from the 6520 through 6480 and 6360 through 6330 benches in the Mary LC pit. During Q3 of 2016, ore was also mined from the 7150 through 7110 benches in the Missouri pit and the 7030 bench in the Brodie pit. Beginning in Q3 of 2016, development mining was started in the Brodie SE pit. Variance in tonnes mined is explained by a reduction in mining rates due to smaller pits being mined and lower strip ratios.

Based on a five-day per week mine schedule, the average production for the third quarter of 2016 was 19,181 tonnes per day ("TPD") which is lower than Q3 of 2015 which was 23,503 TPD. Mining operations previously occurred on a one-shift per day, seven days a week schedule, with drilling operations working on a seven day per week schedule. Beginning January 1, 2016, mining contractor LEDCOR transitioned to mining five days a week utilizing only one crew. The decrease in the production rate is as a result of a lower overall strip ratio and mining much smaller areas.





Mine reconciliation:

	Through Bench	Ore mined variance compared to Model	Gold grade variance compared to Model	Contained ounces variance compared to Model	Dilution
Drinkwater	6460	17%	9%	24%	11.0%
Mary	6390	35%	-12%	18%	14.9%
Mary LC	6330	44%	-21%	14%	16.2%
Bluelite	7120	24%	-12%	9%	14.9%
Solberry	7250	32%	-24%	-0.1%	17.4%
Wedge	7100	21%	-9%	11%	9.0%
Brodie	7000	99%	-14%	50%	15.9%
Missouri	7110	3%	-20%	-18%	17.6%

Due mainly to higher dilution occurring during the mining process, an overall higher tonnage of ore was delivered to be crushed and placed on the heap leach pad, at a lower average grade than was predicted. The negative variance seen throughout most of the deposits is attributable to the higher than anticipated dilution, the impact of historic underground mining, and the spacing of the development drill holes.

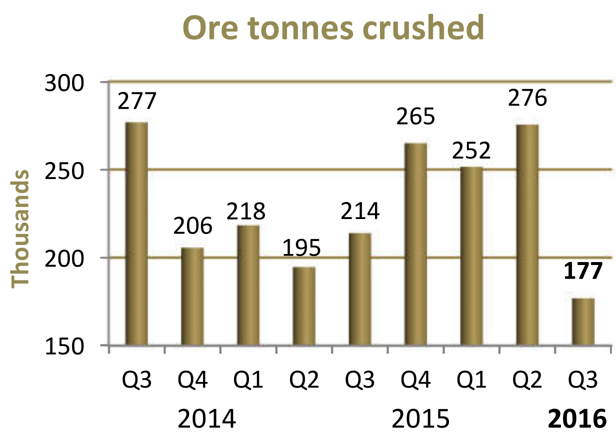
Operations activities

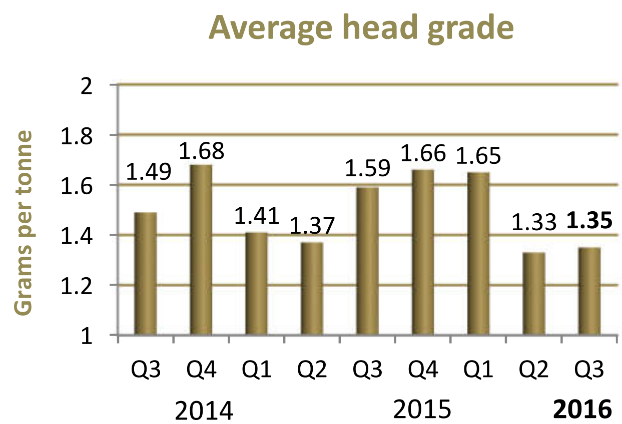
Total operations production for Q3 of 2016 was 176,901 tonnes processed, compared to 213,957 tonnes processed in Q3 of 2015. Total operations production in the first nine months of 2016 was 704,039 tonnes processed, compared to 626,980 tonnes processed in the first nine months of 2015. The processed ore was mined from the Mary LC pit, Brodie, and the Missouri satellite pits. The average crusher throughput per day for Q3 of 2016 was 1,923 tonnes at a head grade of 1.35 g/t (0.039 oz/ton) gold, compared to Q3 of 2015 which had 2,326 tonnes throughput per day at an average head grade of 1.59 g/t (0.046 oz/ton) gold. Year to date for 2016, the average crusher throughput per day was 2,569 tonnes at an average head grade of 1.45 g/t (0.042 oz/ton) gold, compared to the first nine months of 2015 which had an average throughput rate of 2,297 tonnes per day at an average head grade of 1.46 g/t (0.043 oz/ton) gold. Estimated contained ounces of gold crushed and placed on the heap leach pad for Q3 of 2016 were 7,672 ounces, compared to 10,940 ounces in Q3 of 2015. For the quarter, variance in tonnes processed is consistent with reduced mining rates, discussed above. For the nine-month period ended September 30, 2016, processing was higher than during the comparative period due to consumption of the ore stockpile existing at the beginning of the year.

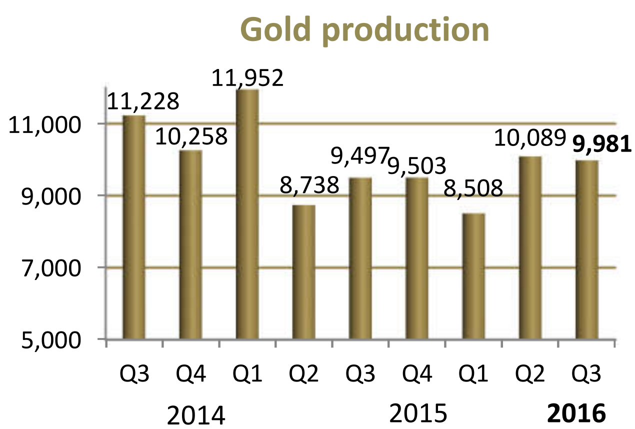
The availability of the crushing facility for the third quarter of 2016 was 41.3% compared to 45.0% for Q3 of 2015. Processing availability is based on hours of crusher operations versus permitted run time.

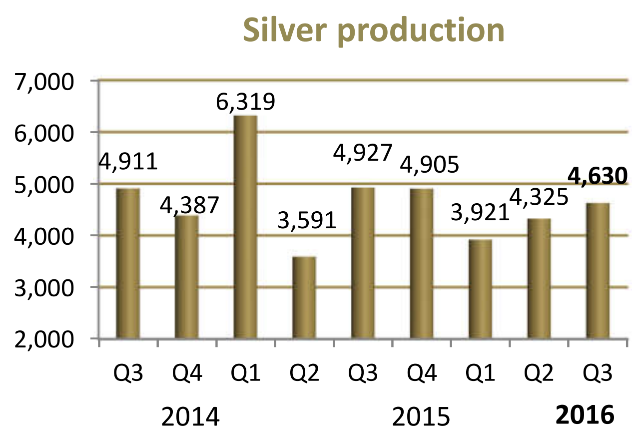
Application of cyanide leach solution to the freshly stacked mineralized material on the leach pad continues with 359 million gallons in Q3 of 2016, compared with 355 million gallons of leach solution applied during Q3 of 2015. An aggregate of 305 million gallons of pregnant, gold-bearing solution was processed through the ADR carbon column circuit at an average grade of 0.31 ppm gold and 0.24 ppm silver, compared with 310 million gallons at an average head grade of 0.27 ppm gold and 0.24 ppm silver in Q3 of 2015. Calculated efficiency for recovery of precious metals from solution processed through the ADR for Q3 of 2016 was 88.7% for gold and 58.7% for silver, compared with 84.7% for gold and 49.1% for silver in Q3 of 2015. The efficiency of this circuit is directly affected by the activity of the activated carbon utilized for recovery of precious metals from solution as well as the flow rate of the solution being pumped through the columns. The average flow rate for Q3 of 2016 was 2,299 gallons per minute (“gpm”) compared to 2,338 gpm in Q3 of 2015. This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and eventually be recovered. The loaded carbon from this circuit is shipped off site for stripping of the precious metals and upon completion of stripping is returned to the site for reuse.

During Q3 of 2016, the Company produced 9,981 ounces of gold and 4,630 ounces of silver, compared to 9,497 ounces of gold and 4,927 ounces of silver produced in Q3 of 2015. For the first nine months of 2016, the Company produced 28,578 ounces of gold and 12,876 ounces of silver, compared to 30,187 ounces of gold and 14,837 ounces of silver produced in the same period of 2015. Higher ounce production during the periods as compared with estimated ounces placed is explained by a drawdown from the pad inventory.

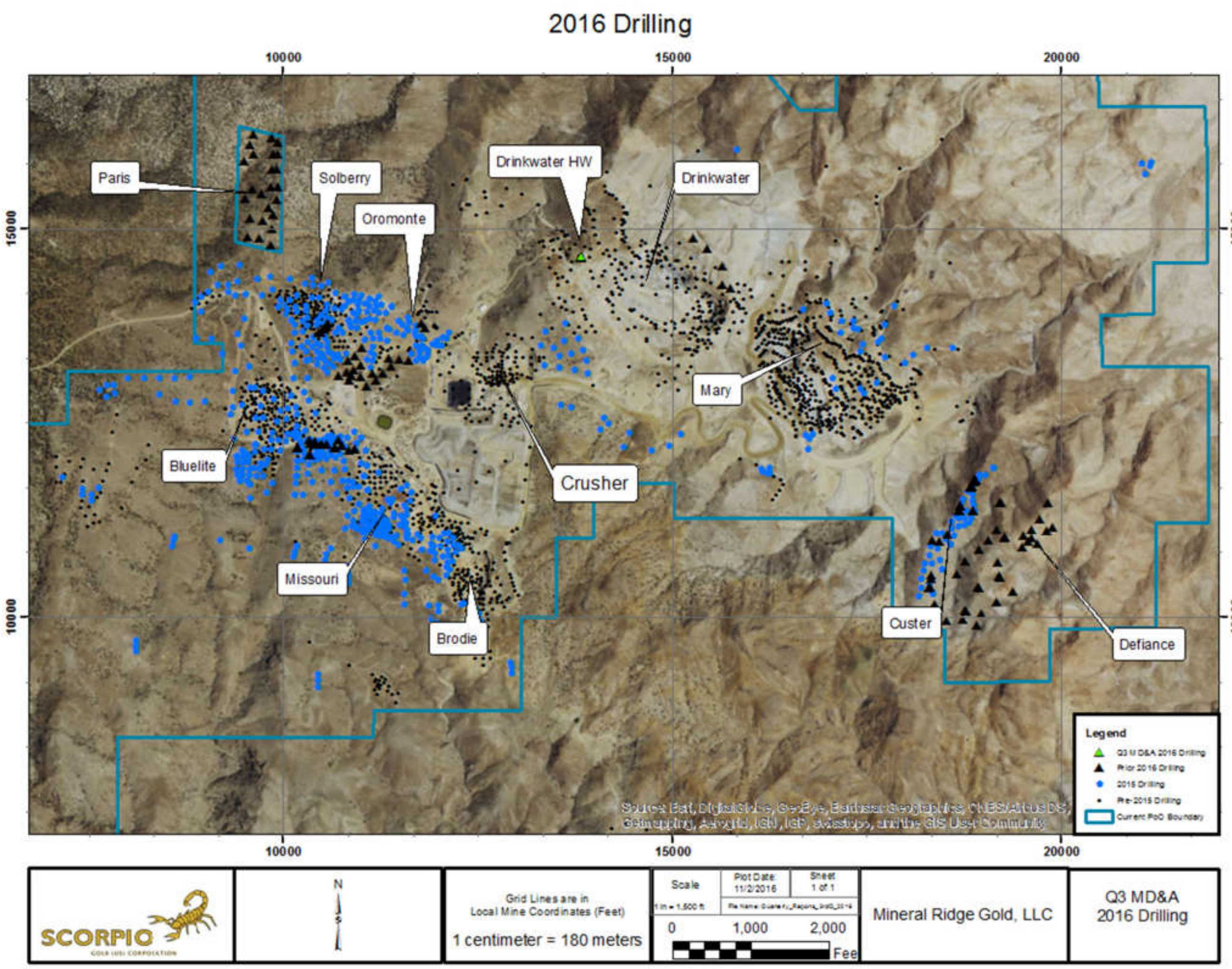








<u>Current Exploration / Permitting</u>



The 2016 drill program, consists of two phases. Phase 1 was conducted during the first half of 2016 and targeted infill drilling in the NW Brodie, Oromonte and Custer areas as well as exploration drilling at the Defiance target and the newly acquired Paris target. In early Q2 of 2016, the Company completed the phase 1 drill program for a total of approximately 19,000 meters of RC drilling completed in 148 holes. Results of the phase 1 drill program are summarized below:

- The Oromonte target occurs over a 300 x 500 meter area situated between the Solberry and Wedge deposits. A small mineral resource estimate containing almost entirely Indicated resources was reported for Oromonte based on 53 RC drill holes (July 21, 2014 news release). Follow-up drilling in 2014-2016 intersected significant mineralization at vertical depths ranging from near surface to 150 meters depth across the target area. Although not economical by open pit mining, the deeper mineralization at Oromonte may be amenable to underground extraction. As discussed below, permitting for this area is pending BLM approval.

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

- The Defiance target area lies along trend of and ~200 meters southeast of the Custer deposit. Defiance has continued to show mineralization along trend of the Custer deposit, but mineralization encountered thus far has been deeper and narrower due to geological differences between the two deposits. The mineralized zone measures ~200 meters X 300 meters. The Defiance target was written off during Q2 of 2016 as not amenable to open pit extraction.

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

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

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

In Q2 of 2016, the Company began a significant geological mapping campaign. The goal of this campaign was to first understand the controls on known mineralization and then use this knowledge to develop new drill targets. The majority of the mapping work was completed in Q3 of 2016.

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

- Three and one half months of detailed field mapping by the Company's geology team which will focus on investigating the post mineral structural features in order to determine the localities in which gold originally formed. This field mapping has been substantially completed in Q3 2016. Further work consisting of stream sediment sampling and multi-element samples is expected to begin in Q4 of 2016. This is expected to be comprised of approximately 500 multi-element samples to aid in the understanding of the geology.

- A three month cost effective in-house ground geophysical survey comprising vertical gradient and total field magnets and Very Low Frequency electromagnets over the areas of interest designed to delineate post mineral faulting as well as aid in the understanding of the geological architecture during the gold formation is expected to begin in Q4 of 2016.

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

- Twelve HQ size diamond drill holes designed to test and further define the Drinkwater Highwall Open Pit economics began being drilled at the end of Q3 of 2016. Six holes for 690 meters of HQ diamond drilling were completed in the quarter and the remaining six holes were completed early in Q4 and results are pending.

- Sixteen RC drill holes, designed to test and further delineate the economics of the Bunkhouse Hill area of the Mary LC pit. This work was completed early in Q4 and results are pending.

- Eight RC drill holes designed to test and further define the Phase Four area of the Mary LC pit. This work was completed early in Q4 and results are pending..

- Two Diamond drill holes designed to test and further define the Custer planned pit. This work was completed early in Q4 and results are pending.

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

- The estimated budget for this program has been increased from US$718,000 to US$900,000.

As of September 30, 2016, the remaining capacity on the leach pad was approximately 720,000 tons. The Company has developed a two-phased expansion plan for the heap leach pad, including a 1.8 million tons ("MT") Phase I expansion to the western side of the existing facility, as well as a 0.6 MT Phase II expansion to the east, for a total increased capacity of approximately 2.4 MT. The current permitted capacity of the pad is 7.6 MT, which could be increased to a total of 10.0 MT with the construction of both phases. This expansion plan is included in the recently submitted Plan of Operations submitted to the BLM and NDEP-BMRR.

On September 29, 2016, the Company submitted an amendment to the Mineral Ridge Plan of Operations to the BLM and the NDEP-BMRR seeking authorization to conduct additional mining in the new Custer and Oromonte open pits, the Oromonte underground target, as well as expansion of the Drinkwater Pit and the Mary LC Pit.

Other Properties

Goldwedge

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

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

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

On June 1, 2016, a Surface Exploration Plan of Operations for a 50-hole drilling program at Goldwedge was approved by the U.S. Forest Service.

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

Soil sampling and the geophysical survey began according to plan in Q3 of 2016 and related results are expected in Q4.

Orléans

In Q3 of 2016, the Company staked a new exploration target, named Orléans, which is located several miles to the northwest of the Mineral Ridge project. The claims are 100% owned by the Company. This target area displays geological and structural controls identical to those seen at Mineral Ridge. Early stage mapping and rock chip sampling began shortly after claim staking was conducted. Work is ongoing with an exploration notice being prepared for future drilling.

Environmental Regulation

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

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

RESULTS OF OPERATIONS

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

Scorpio Gold reported net earnings of $2.3 million for the three months ended September 30, 2016, compared to net loss of $15.8 million for the three months ended September 30, 2015. Net earnings attributable to the shareholders of the Company was $1.4 million ($0.01 per share) for the three months ended September 30, 2016, compared to a net loss of $13.8 million ($0.11 per share) for the three months ended September 30, 2015. Net earnings attributable to the non-controlling interest was $0.9 million for the three months ended September 30, 2016 compared to a net loss of $2.0 million for the three months ended September 30, 2015.

Scorpio Gold reported net earnings of $4.6 million for the nine months ended September 30, 2016 compared to a net loss of $13.3 million for the nine months ended September 30, 2015. Net earnings attributable to the shareholders of the Company was $2.6 million ($0.02 per share) for the nine months ended September 30, 2016 compared to a net loss of $12.6 million ($0.10 per share) for the nine months ended September 30, 2015. Net earnings attributable to the non-controlling interest was $2.0 million for the nine months ended September 30, 2016 compared to a net loss of $0.7 million for the nine months ended September 30, 2015.

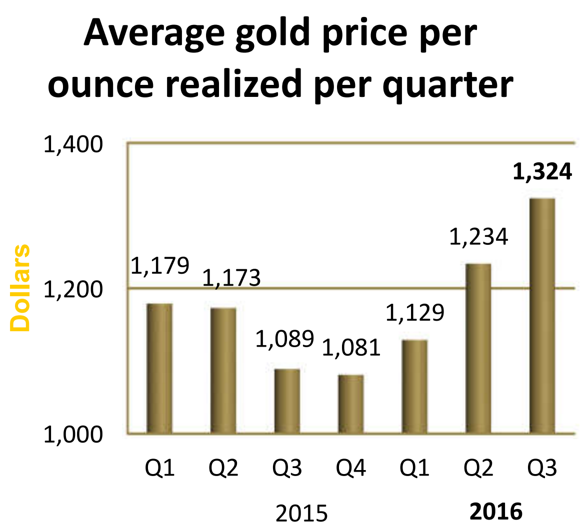
The major differences between the three and nine-month periods ended September 30, 2016 and September 30, 2015 results are explained below.

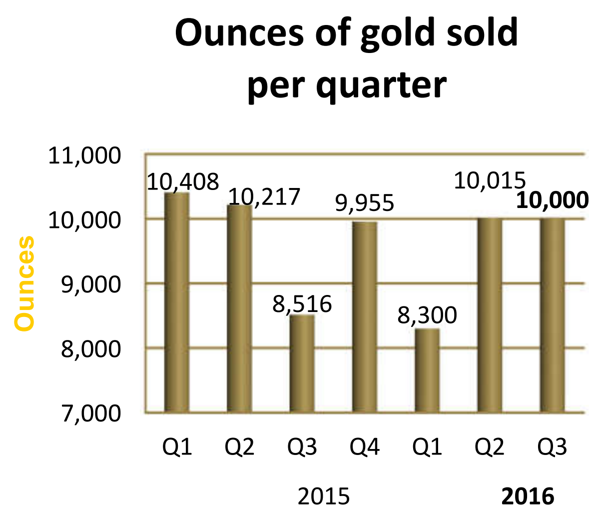
Revenue

During Q3 of 2016, the Company sold 10,000 ounces of gold and 4,450 ounces of silver for total revenue of $13.3 million. During Q3 of 2015, the Company sold 8,516 ounces of gold and 4,168 ounces of silver for total revenue of $9.3 million. During Q3 of 2016, gold ounces were sold at an average price of $1,324 ($1,089 in 2015) and silver ounces at an average price of $19 ($15 in 2015).

During the nine-month period ended September 30, 2016, the Company sold 28,315 ounces of gold and 12,875 ounces of silver for total revenue of $35.2 million. During the nine-month period ended September 30, 2015, the Company sold 29,141 ounces of gold and 14,490 ounces of silver for total revenue of $33.8 million. During the nine-month period ended September 30, 2016, gold ounces were sold at an average price of $1,235 ($1,151 in 2015) and silver ounces at an average price of $17 ($16 in 2015).

The Company's realized average gold price is lower than the average London PM fix price mainly because of timing of sales as well as the terms of the Company's gold and silver supply agreement. As of September 30, 2016, the Company had inventories including 877 ounces of gold available for sale compared to 627 ounces of gold as at December 31, 2015.





Mine operating earnings

Cost of sales, excluding depletion and amortization, increased from $5.5 million for Q3 of 2015 to $9.5 million for Q3 of 2016. This increase is mostly explained by the higher number of gold ounces sold and the variance in cash operating cost per ounce[1] described below.

Cash operating cost per gold ounce sold [1], after silver by-product credits, was $927 for Q3 of 2016 compared to $744 in Q3 of 2015. Total cash cost per ounce sold [1], after silver by-product credits, was $956 for Q3 of 2016 compared to $732 in Q3 of 2015. The most significant variances impacting cash cost per ounce sold for the quarter are:

- Average head grade was 15% lower during Q3 of 2016 compared to Q3 of 2015, which negatively impacted cash cost per ounce sold.
- During Q3 of 2015, cash cost per ounce benefited from a greater proportion of mining costs being capitalized as stripping activities compared to Q3 of 2016.
- Partially offset by a lower average strip ratio during Q3 of 2016 compared to Q3 of 2015.

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

Depletion and amortization was $0.6 million during Q3 of 2016, compared to $2.1 million during Q3 of 2015. Following the 2015 impairment on assets at the Mineral Ridge mine which significantly decreased the carrying value of the assets being depleted, the depletion and amortization recorded in Q3 of 2016 is essentially related to 2016 capitalized development and stripping activities on producing mining interests.

Mine operating earnings were therefore $3.2 million for the third quarter of 2016, compared to $1.8 million for the comparative period of 2015.

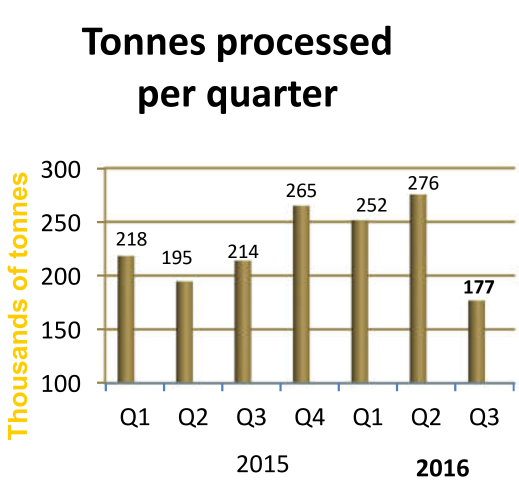
Cost of sales excluding depletion and amortization increased from $23.7 million for the nine-month period ended September 30, 2015 to $26.1million for the nine-month period ended September 30, 2016. This increase is mostly explained by the variance in cash operating cost per ounce(1) described below and was partly offset by the decrease in number of gold ounces sold.

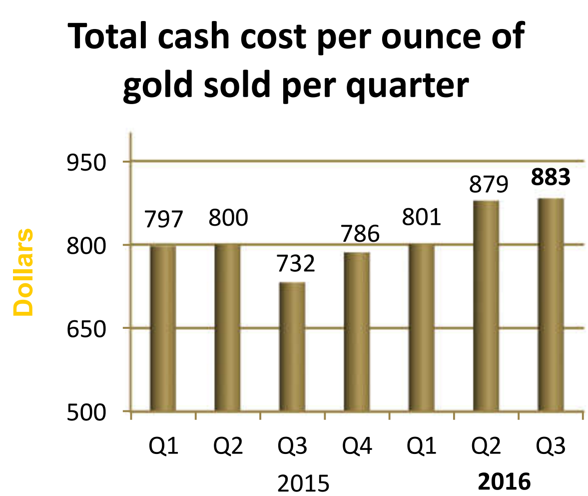
Cash operating cost per gold ounce sold (1), after silver by-product credits, was $861 for the first nine months of 2016 compared to $778 in the same period of 2015. Total cash cost per ounce sold (1), after silver by-product credits, was $883 for the first nine months of 2016 compared to $779 for the same period of 2015. The most significant variances impacting cash cost per ounce sold for the nine month periods are:

- Cash cost per ounce during the first nine months of 2015 benefited more from inventory adjustments compared to the same period of 2016.
- During the nine month period ended September 30, 2015, cash cost per ounce benefited from a greater proportion of mining costs being capitalized as stripping activities compared to 2016.
- Cost savings realized while increasing tonnage processed during the first nine months of 2016 compared to the first nine months of 2015.

Depletion and amortization was $1.0 million for the first nine months of 2016 compared to $3.8 million for the first nine months of 2015. This decrease is explained by the same reason as discussed above in relation to the third quarter.

Mine operating earnings were $8.1 million for the first nine months of 2016 compared to $6.2 million for the comparative period in 2015.





General and administrative

General and administrative expenses totalled $0.3 million for Q3 of 2016 compared to $0.5 million for Q3 of 2015. This variance is mostly explained by the fact the Company incurred $0.2 million of break fees and related costs during Q3 of 2015 following the termination of the proposed financing described below.

General and administrative expenses totalled $0.9 million for the first nine months of 2016 compared to $2.2 million for the first nine months of 2015. On March 6, 2015, the Company announced a strategic financing to raise $15 million from the issuance of equity to an affiliate of Coral Reef Capital LLC. This financing was subsequently terminated and as such the Company was obligated to pay a $0.5 million break fee along with approximately $0.3 million of related due diligence and legal costs. The decrease in salaries and benefits for the nine-month period ended September 30, 2016 compared to same period of 2015 is related to severance accounted for as a result of the termination of a senior member of management during the nine-month period ended September 30, 2015 as well as a more favorable USD/CAD exchange rate for the nine-month period ended September 30, 2016 compared to the comparative period of 2015.

Care and maintenance

Starting in Q3 of 2015, the Goldwedge property and mill facility was placed on temporary care and maintenance. The Company incurred $0.15 million in care and maintenance costs including amortization during Q3 of 2016 compared to $0.129 million for the Q3 of 2015. The Company incurred $0.5 million in care and maintenance costs including amortization for the nine month period ended September 30, 2016. During the nine-month period ended September 30, 2015, during which Goldwedge was on care and maintenance for only one quarter, the Company incurred $0.1 million in care and maintenance costs.

Write-off and impairments

2016 write-off

Based on results of drilling activity performed in 2016 on the Paris and Defiance targets as well as drilling in late 2015 in the area between Brodie Northwest and Bluelite deposits and based on results from the Goldfield Basin project, the Company concluded that no further exploration activity is planned for those areas. Consequently, $1.1 million of previously capitalized costs were written off during 2016.

2015 impairments

Mineral Ridge

During the quarter ended September 30, 2015, the Company recorded a non-cash impairment charge for Mineral Ridge of $8.1 million.

During the quarter ended September 30, 2015, the Company also reconsidered the possibility of building a processing facility at Mineral Ridge and thus recognized a non-cash impairment loss of $0.5 million related to expenditures incurred by the Company on that project.

Goldwedge property and mill

The Company recorded a non-cash impairment charge of $8.3 million on the Goldwedge property and mill during the quarter ended September 30, 2015.

Other (expenses) income

Finance costs totalled $0.2 million during Q3 of 2016, compared to $0.1 million for the comparative period of 2015 and totalled $0.6 million during the first nine months of 2016 compared to $0.2 million for the comparative period of 2015. On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton Global Value L.P. ("Waterton Global"). In August 2015, the Company entered into a new senior secured non-revolving credit facility with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"). During Q3 and the first nine months of 2016, the Company incurred $0.2 million and $0.5 million, respectively, of interest related to this loan.

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

Income tax expense

For Q3 of 2016, current income tax expense which relates to the Nevada net proceeds tax amounted to $0.3 million, compared to a recovery of $0.1 million for the same period of 2015. For the first nine months of 2016, the Nevada net proceeds tax amounted to $0.6 million, compared to a recovery close to nil for the same period of 2015. These variances are mainly as a result of higher development and stripping activity during the first nine months of 2015 compared to same period of 2016, which are allowable deductions for purposes of Nevada net proceeds tax.

Due to the different reversal periods of the accounting value and tax value of assets, mainly inventories, there is a future taxable temporary difference in respect of the Nevada net proceeds tax for which the Company recognized a deferred income tax liability and expense. During both Q3 and the nine months ended September 30, 2016, due to the decrease in gold inventories, the Company recorded a corresponding decrease in deferred income tax liability during these periods.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2016, the Company had $7.6 million in cash, compared to $2.3 million as of December 31, 2015.

Working capital was $10.0 million as of September 30, 2016, compared to $8.0 million as of December 31, 2015.

The Company will use its currently available cash balance and cash flow from operations at the Mineral Ridge mine to fund its planned exploration, development, capital expenditures and debt repayment obligations. The primary factors that will affect the future financial condition of the Company include the ability to generate positive cash flows, the ability to raise equity financing, or other types of financing as and when required and the level of exploration, development and capital expenditures required to meet its commitments. Moreover, given the short remaining life of the Mineral Ridge mine, the availability of ore reserves as well as the price of gold will affect the future financial condition of the Company, including its capacity to repay its debt when due. Furthermore as indicated in the Contingencies section below, a Nevada Court rendered an unfavorable judgment against the Company under which the Company could have to pay $2.3 million. The Company has filed a motion to vacate or amend the judgment as well as to stay the execution. Although the Company is of the opinion that it will not ultimately have to pay this amount, such payment would negatively impact the Company's future financial position.

INVENTORIES

Inventories decreased from $10.5 million as of December 31, 2015 to $6.5 million as of September 30, 2016.

During the nine-month period ended September 30, 2016, the Company processed 108,024 more ore tonnes than hauled from the mine during the same period, resulting in a decrease in the ore stockpile inventory by $2.1 million during the nine-month period ended September 30, 2016 to $0.1 million.

Metals in process decreased by $2.2 million during the nine-month period ended September 30, 2016 mainly resulting from a drawdown of gold inventory from the leach pad.

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at September 30, 2016, included in the metal in process inventories, are inventories on the leach pad for a total cost of $2.0 million ($4.4 million as at December 31, 2015). The ultimate recovery of gold from the heap leach pad will not be known until the total leaching process is concluded.

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

PRODUCING MINING ASSETS

Producing mining assets stood at $6.8 million as of September 30, 2016, compared to $5.0 million as at December 31, 2015.

During the first nine month of 2016, the Company added $2.5 million to producing mining assets, which mainly consisted of $1.8 million related to stripping activities and $0.5 million related to mobile equipment at Mineral Ridge.

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

During the first nine months of 2016, an amount of $1.0 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 $4.4 million as of September 30, 2016, compared to $3.0 million as at December 31, 2015.

During the first nine months of 2016, the Company added $2.9 million to non-producing mining assets. Of this amount, $2.7 million relates to Mineral Ridge and is mainly constituted of exploration costs related to exploration targets surrounding the areas currently in production at the Mineral Ridge mine.

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

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

CURRENT LIABILITIES

Total current liabilities were $4.8 million as at September 30, 2016, compared to $5.7 million at December 31, 2015.

Trade and other payables decreased from $5.6 million as at December 31, 2015 to $4.1 million as at September 30, 2016 mainly as a result of the reduction in mining levels at the Mineral Ridge mine.

Income taxes payable relates to Nevada net proceeds tax discussed above.

LONG-TERM DEBT

On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman LP ("Waterton Fund"), an affiliate of Elevon, LLC("Elevon"), for a loan in the principal amount of $6 million (the "Loan"). The Loan provides non-dilutive financing to the Company, and has a term of 36 months. The Loan bears interest at a rate of 10% per annum, payable quarterly, and is secured by a first priority security interest over all of the Company's assets. The Company incurred a $0.12 million structuring fee upon the advancement of the Loan, together with $0.16 million of associated legal costs. The Loan may be voluntarily prepaid by the Company at any time, provided that upon such prepayment the Company shall pay the lesser of 24 months of interest on the principal amount, or such interest as would be payable between the date of such prepayment and the maturity date of the Loan. Also, the Loan is subject to mandatory prepayment in certain circumstances, including upon a change of control of the Company, as defined in the definitive Loan agreement. There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company's trade payables not exceed $8.0 million. The Company has complied with all restrictions pursuant to the Loan as at September 30, 2016.

Change to the Mineral Ridge operating agreement

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

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

In early July 2016, the settlement price of gold on the LBMA PM fix exceeded US$1,350 per ounces and as such the Company paid Elevon $35,714, corresponding to 10% of the aggregate amounts actually distributed after August 2015. As a consequence, Elevon is entitled to receive 30% of cash distributions from Mineral Ridge Gold, LLC.

EQUITY

Total equity increased by $5.0 million during the nine-month period ended September 30, 2016, from $10.1 million as at December 31, 2015 to $15.1 million as at September 30, 2016. This increase is mostly attributable to $4.6 million net earnings for the nine-month period ended September 30, 2016 as well as a $0.2 million net cash contribution by the non-controlling interest, being Elevon, the Company's partner in the Mineral Ridge mine.

On August 30, 2016, an aggregate of 4,140,000 stock options were granted to directors, officers, employees and consultants of the Company. Share-based compensation, which is non-cash in nature, totalled $0.2 million for 2016. Of this amount, $0.07 million was charged to general and administrative expenses, $0.1 million was charged to cost of sales.

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ending	Revenues $	Net earnings (loss) $	Basic and diluted earnings (loss) per share $
September 30, 2016	13,328	2,331	0.01
June 30, 2016	12,434	1,199	0.00
March 31, 2016	9,428	1,079	0.00
December 31, 2015	10,828	(4,665)	(0.03)
September 30, 2015	9,333	(15,823)	(0.11)
June 30, 2015	12,083	1,747	0.01
March 31, 2015	12,343	755	0.00
December 31, 2014	13,377	(28,675)	(0.16)

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

CASH FLOWS

Cash flows generated from operating activities were $5.9 million for Q3 of 2016, compared to $2.3 million for Q3 of 2015. This variance is mostly due to changes in working capital items such as inventories and operating trade and other payables.

For the nine-month period ended September 30, 2016, cash flows generated from operating activities were $10.4 million, compared to $11.2 million for the same period of 2015. This variance is mostly caused by changes in working capital items such as inventories and operating trade and other payables.

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

Cash outflows used in investing activities were $6.4 million for the three months ended September 30, 2015. During Q3 of 2015, payments related to non-producing mining asset totalled $4.2 million and mainly related to development costs of the Mary LC and satellite pits development and exploration related to targets surrounding the areas in production at the Mineral Ridge mine. During Q3 of 2015, investing activities related to producing mining assets totalled $2.3 million and were mainly related to stripping activity at the Mineral Ridge mine.

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

During the nine-month period ended September 30, 2015, cash outflows used in investing activities were $11.7 million. Payments related to non-producing mining assets during the nine-month period ended September 30, 2015 totalled $12.7 million and related mainly to development costs of the Mary LC and satellite pits, exploration related to targets surrounding the areas in development and production at the Mineral Ridge mine and various construction in process projects. The Company disposed of its 6,750,000 shares in Gold Standard and received payment of the debt from Gold Standard represented by a promissory note, for total proceeds of $5.3 million. During the nine-month period ended September 30, 2015, investing activities related to producing mining assets amounted to $4.0 million and were mainly related to stripping activities and payments related to fixed asset acquisitions. Also during the nine month ended September 30, 2015, the Company paid $0.4 million in cash collateral related to the reclamation bonds.

Cash outflows used for financing activities during Q3 of 2016 were used to service the long-term debt and financing lease as well as $0.1 million distributed to Elevon.

Cash inflows from financing activities were $6.2 million for Q3 of 2015. The financing activities having the most significant impact during Q3 of 2015 were related to the $6.0 million proceeds from the Loan from Waterton Fund described above, the payment of $0.3 million of debt issue costs and $0.5 million cash contribution by the non-controlling interest.

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

Cash inflows from financing activities were $3.2 million for the nine-month period ended September 30, 2015. The financing activities having the most significant impact during the nine-month period ended September 30, 2015 were related to the $6.0 million proceeds from the Loan described above, the payment of $0.3 million of debt issue costs and the net $1.1 million cash contribution received from the non-controlling interest. During the nine-month period ended September 30, 2015, the Company also fully repaid the long-term debt with Waterton Global for an amount of $3.4 million and made repayments on the loan on mobile equipment.

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.

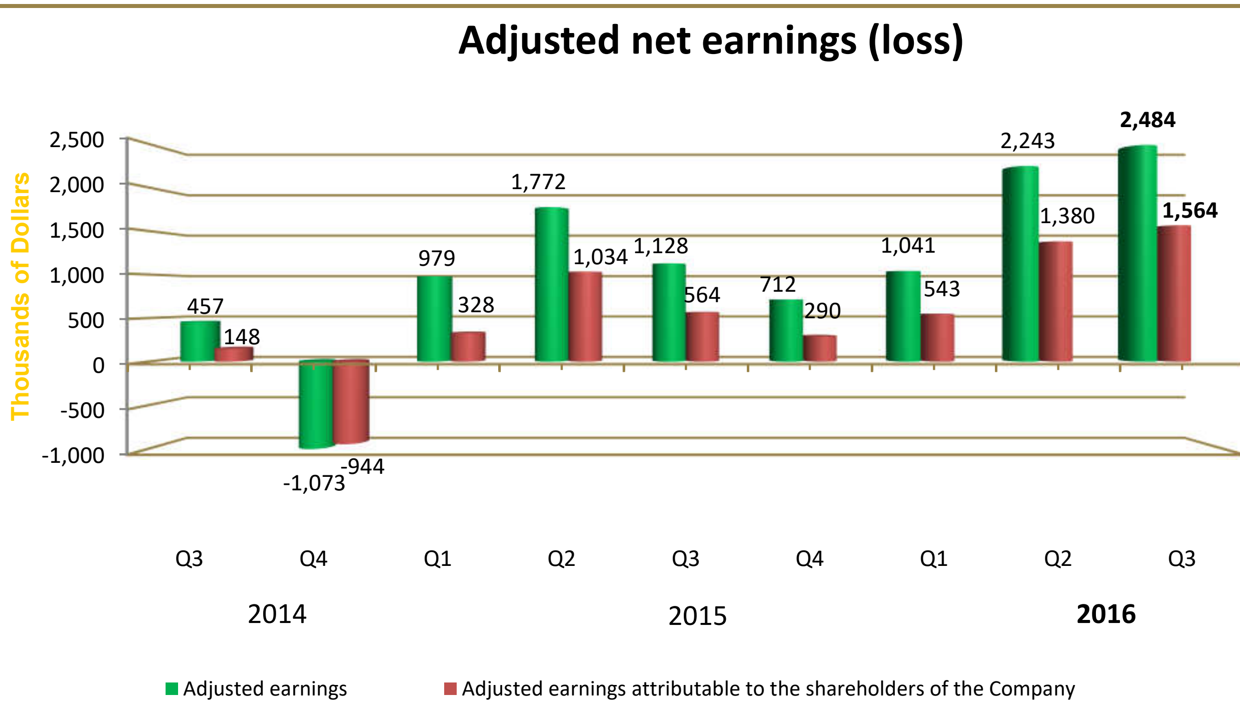
Adjusted earnings

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 financial statements:

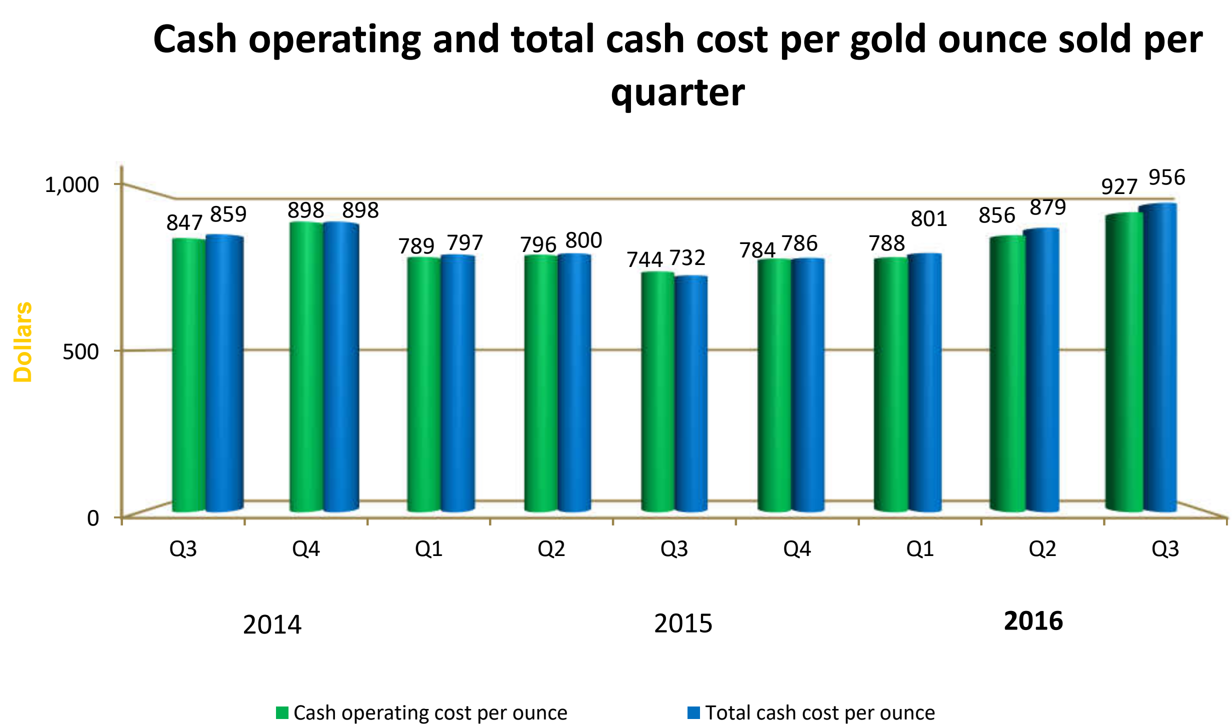
	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
	$	$	**$**	$
Net earnings (loss) for the periods	**2,331**	(15,823)	**4,609**	(13,321)
Share-based compensation	**166**	6	**166**	183
Write-off of mining assets	**3**	-	**1,051**	-
(Gain) loss on disposal mining assets	**(16)**	19	**(55)**	57
Gain on disposal of investments	**-**	-	**-**	(172)
Impairments of mining assets	**-**	16,942	**-**	16,942
Foreign exchange (gain) loss	**-**	(16)	**(3)**	190
Adjusted earnings for the periods	**2,484**	1,128	**5,768**	3,879
Non-controlling interest	**(920)**	(564)	**(2,281)**	(1,953)
Adjusted earnings for the periods attributable to the shareholders of the Company	**1,564**	564	**3,487**	1,926
Adjusted basic and diluted earnings per share	**0.01**	0.01	**0.03**	0.02



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

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
	$	$	**$**	$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	**9,518**	5,513	**26,098**	23,708
Share-based compensation	**(95)**	-	**(95)**	(98)
Inventory adjustment	**(34)**	893	**(1,256)**	(681)
By-product silver sales	**(85)**	(62)	**(213)**	(228)
Royalties	**(40)**	(6)	**(160)**	(23)
Cash operating costs	**9,264**	6,338	**24,374**	22,678
Nevada net proceeds tax (recovery) expense	**291**	(103)	**630**	21
Total cash cost	**9,555**	6,235	**25,004**	22,699
Divided by ounces of gold sold	**10,000**	8,516	**28,315**	29,141
Cash operating cost per gold ounce sold	**927**	744	**861**	778
Total cash costs per gold ounce sold	**956**	732	**883**	779



Adjusted EBITDA

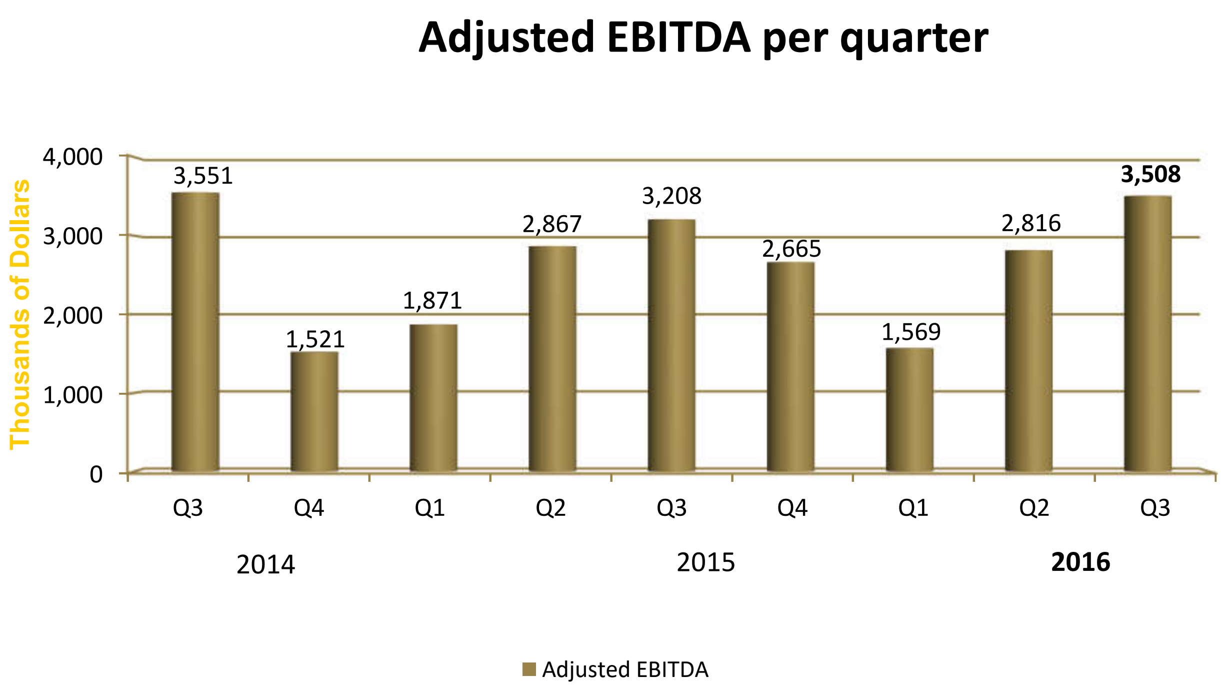
EBITDA is a non-IRFS financial measure, which excludes the following from net earnings:

- Finance costs;
- Depletion and amortization; and
- Income tax expense (recovery)

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

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

	Three months ended September 30, 2015	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
	$	$	**$**	$
Net earnings (loss) for the period	**2,331**	(15,823)	**4,609**	(13,321)
Finance costs	**199**	116	**587**	218
Depletion and amortization	**639**	2,067	**998**	3,828
Income tax expense (recovery)	**186**	(103)	**540**	21
Standardized EBITDA	**3,355**	(13,743)	**6,734**	(9,254)
Write-off of mining assets	**3**	-	**1,051**	-
Share-based compensation	**166**	6	**166**	183
Gain on disposal of investment	**-**	-	**-**	(172)
(Gain) loss on disposal of mining assets	**(16)**	19	**(55)**	57
Foreign exchange (gain) loss	**-**	(16)	**(3)**	190
Impairments of mining assets	**-**	16,942	**-**	16,942
Adjusted EBITDA	**3,508**	3,208	**7,893**	7,946
Non-controlling interest	**(1,172)**	(1,154)	**(2,757)**	(3,113)
Adjusted EBITDA attributable to the shareholders of the Company	**2,336**	2,054	**5,136**	4,833
Adjusted basic and diluted EBITDA per share	**0.02**	0.02	**0.04**	0.04



SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED

	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016	SEPTEMBER 2016
Mining operations						
Producing pits						
Mary LC pit						
Ore tonnes mined	-	83,577	119,891	146,872	138,795	119,574
Waste tonnes mined	-	941,334	743,394	703,030	919,453	919,556
Total mined	-	1,024,911	863,285	849,902	1,058,248	1,039,130
Strip ratio	-	11.3	6.2	4.8	6.6	7.7
Satellite pits						
Ore tonnes mined	56,046	127,546	245,569	103,252	39,493	48,029
Waste tonnes mined	113,521	990,728	769,186	227,056	139,664	152,883
Total mined	169,567	1,118,274	1,014,755	330,308	179,157	200,912
Strip ratio	2.0	7.8	3.1	2.2	3.5	3.2
Mary pit						
Ore tonnes mined	78,343	5,695	-	-	-	-
Waste tonnes mined	298,704	10,311	-	-	-	-
Total mined	377,047	16,006	-	-	-	-
Strip ratio	3.8	1.8	-	-	-	-
Total producing pits						
Ore tonnes mined	134,389	216,818	365,460	250,124	178,288	167,603
Waste tonnes mined	412,225	1,942,373	1,512,580	930,086	1,059,117	1,072,439
Total mined	546,614	2,159,191	1,878,040	1,180,210	1,237,405	1,240,042
Strip ratio	3.1	9.0	4.1	3.7	5.9	6.4
Pits under development:						
Ore tonnes mined	53,264	-	-	-	-	-
Waste tonnes mined	1,190,883	-	-	55,622	67,732	25,876
Total mined	1,244,147	-	-	55,622	67,732	25,876

	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016	SEPTEMBER 2016
Total mining operations						
Ore tonnes mined	187,653	216,818	365,460	250,124	178,288	167,603
Waste tonnes mined	1,603,108	1,942,373	1,512,580	985,708	1,126,849	1,098,315
Total mined	1,790,761	2,159,191	1,878,040	1,235,832	1,305,137	1,265,918
Processing						
Tonnes processed	194,651	213,957	265,017	251,587	275,551	176,901
Gold head grade (grams per tonne)	1.37	1.59	1.66	1.65	1.33	1.35
Availability	43.3%	45.0%	59.3%	59.1%	58.9%	41.3%
Throughput (tonnes per day)						
Ounces produced						
Gold	8,738	9,497	9,503	8,508	10,089	9,981
Silver	3,591	4,927	4,905	3,921	4,325	4,630
Precious Metal Sales (ounces)						
Gold	10,217	8,516	9,955	8,300	10,015	10,000
Silver	6,090	4,168	4,755	4,000	4,425	4,450
Exploration Drilling						
Holes	253	204	111	116	32	6
Meters	27,796	18,163	9,612	16,465	3,353	691

Financial results	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015	MARCH 2016	JUNE 2016	SEPTEMBER 2016
	$	$	$	$	$	
Cash operating cost per ounce of gold sold [(1)]	796	744	784	788	856	927
Total cash cost per ounce of gold sold[(1)]	800	732	786	801	879	956
Average price of gold						
LONDON PM FIX	1,193	1,124	1,107	1,183	1,260	1,335
Realized	1,173	1,089	1,081	1,129	1,234	1,324
Net earnings (loss)	1,747	(15,823)	(4,665)	1,079	1,199	2,331
Earnings (loss) per share	0.01	(0.11)	(0.03)	0.00	0.00	0.01
Adjusted net earnings (loss)[(1)]	1,772	1,128	712	1,041	2,243	2,484
Adjusted basic and diluted net earnings (loss) per share[(1)]	0.01	0.01	0.00	0.00	0.01	0.01
Adjusted EBITDA[(1)]	2,867	3,208	2,665	1,569	2,816	3,508
Adjusted basic and diluted EBITDA per share [(1)]	0.01	0.02	0.01	0.01	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

On September 22, 2016, the Second Judicial District Court of Washoe County, Nevada entered a written ruling for summary judgment awarding a drilling company, National EWP, Inc. ("National"), $2.3 million in its lawsuit against Mineral Ridge Gold, LLC ("Mineral Ridge"). The dispute centers on a 2012 contract in which National agreed to drill a water production well for the Mineral Ridge mine at an original contract price of $1.145 million. National was ultimately paid more than $1.2 million based on the contract and three approved change orders. At the conclusion of drilling, National sent a letter requesting additional compensation for the well and proposing that Mineral Ridge pay $2.3 million for the well. The District Court concluded that the letter constituted a change order request which, based on the Court's interpretation of Nevada's Prompt Payment Act, automatically became part of the contract because, the Court concluded, Mineral Ridge's responses to the request were insufficient to reject the request. The Court did not directly address the fact that Mineral Ridge had already paid National $1.2 million under the contract.

The Company and its legal advisors strongly disagree with both the Court's legal conclusions and its factual findings. The Company remains confident that it has satisfied its obligations under the contract with National and as such believes it will ultimately not have to pay any additional amount. As such, the Company filed with the Court in October 2016, a motion to vacate or amend the judgment as well as a motion to stay execution. The Court may require the Company to put aside an amount in relation to the $2.3 million judgment or otherwise provide surety as a condition of granting the stay of execution.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

a) Compensation of key management personnel and directors

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

The remuneration of directors and key management personnel during the three and nine months periods ended September 30, 2016 and September 30, 2015 is as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
	$	$	**$**	$
Salaries and directors fees	**205**	204	**611**	689
Severance	**-**	-	**-**	250
Consulting fee with a director	**-**	-	**-**	44
Share-based compensation (1)	**68**	4	**68**	84
	273	208	**679**	1,067

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

During the nine months ended September 30, 2015, the Company incurred consulting fees of $44,216 with Brigill Investments Ltd, a firm controlled by Brian Lock, a director of the Company. These services were incurred in the normal course of operations in relation to a scoping study on the design and construction of a potential gold/silver processing and refining facility at the Mineral Ridge mine in Nevada and for corporate financing work.

As at September 30, 2016, an aggregate of $106,710 (2015, $105,327) resulting from transactions with key management is included in trade and other payables.

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

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

Waterton Fund, the Company’s lender, controls Elevon which owns a 30% non-controlling interest in Mineral Ridge Gold, LLC. Management considers that Waterton Fund and Elevon are related parties of the Company.

Related party transactions entered into with Waterton Fund during the three and nine-month periods ended September 30, 2016 and September 30, 2015 are as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
	$	$	**$**	$
Interest on long-term debt	**151**	77	**449**	77
Debt structuring fee	**-**	120	**-**	120
	151	197	**449**	197

(c) Elevon

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

An Accrued Distribution Amount of $35,714 was paid in early July 2016 after the settlement price of gold on the LBMA PM exceeded US$1,350 per ounce. As a consequence, Elevon is entitled to receive 30% of cash distributions from Mineral Ridge Gold, LLC. During the nine-month period ended September 30, 2016, the Company paid distributions to Elevon totalling $0.2 million (2015, $0.1 million) and received contributions amounting to $0.3 million (2015, $1.1 million).

FINANCIAL INSTRUMENTS

a) Financial risk factors

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

Liquidity risk

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

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

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	$	$	$	$	$
Trade and other payables	4,121	4,121	-	-	-
Long-term debt and financing lease	6,337	140	6,117	80	-
Provision for environmental rehabilitation	5,848	4,005	1,371	472	-

b) Fair Value

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

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

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

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of financial data is based on accounting principles, judgments and practices consistent with those used in the preparation of the annual audited consolidated financial statements as at December 31, 2015. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

Management judgments and estimates

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3(d) of the Company's annual audited consolidated financial statements for the year ended December 31, 2015 except for the following:

Contingencies

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

CONTROLS AND PROCEDURES CERTIFICATION

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

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal controls over financial reporting during the nine-month period ended September 30, 2016, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

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

DISCLOSURE OF OUTSTANDING SECURITIES AS AT November 23, 2016

Outstanding common shares	124,948,235
Stock options	10,890,000
Fully diluted	135,838,235

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion other than statements of historical facts, including statements that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under “Risk Factors” in the Company’s Management Discussion and Analysis for the year ended December 31, 2015 and available at www.sedar.com under the Company’s name.