



MANAGEMENT DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2015

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") is for the year ended December 31, 2015 and is provided as of April 7, 2016. This MD&A is to be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on the Company's website (www.scorpiongold.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.

2015 HIGHLIGHTS

- 39,690 ounces of gold produced at the Mineral Ridge mine compared to 40,814 ounces during 2014.
- Revenue of \$44.6 million compared to \$52.0 million during 2014.
- Total cash cost per ounce of gold sold ⁽¹⁾ of \$781 compared to \$845 during 2014.
- Mine operating earnings of \$7.7 million compared to \$3.1 million during 2014.
- Net loss of \$18.0 million (\$0.13 basic and diluted per share) after non-cash impairment charges of \$21.9 million, compared to a net loss of \$27.4 million (\$0.16 basic and diluted per share) after non-cash impairment charges of \$28.2 million during 2014.
- Adjusted net earnings ⁽¹⁾ of \$4.6 million (\$0.02 basic and diluted per share) compared to \$0.3 million (\$0.00 basic and diluted per share) during 2014.
- Adjusted EBITDA ⁽¹⁾ of \$10.6 million (\$0.05 basic and diluted per share) compared to \$12.3 million (\$0.06 basic and diluted per share) during 2014.
- Cash flow from operating activities of \$11.2 million compared to \$16.2 million during 2014.
- During Q1 of 2015, the Company received proceeds of \$3.3 million from the sale of all the common shares of Gold Standard Ventures Corp. ("Gold Standard") it owned and also received payment from Gold Standard of the debt represented by the CAD\$2.5 million promissory note received as part of the sale to Gold Standard of the Pinon property.
- On March 11, 2015, the Company's long-term debt owing to Waterton Global Value L.P. ("Waterton") was fully repaid.

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

- On March 6, 2015, the Company announced a strategic financing to raise \$15 million from the issuance of equity to Coral Reef Capital LLC ("Coral Reef"). This financing was subsequently cancelled and as such the Company was obligated to pay a break fee of \$0.5 million along with approximately \$0.3 million of related due diligence and legal costs.
- Effective July 28, 2015, the Goldwedge property was put on care and maintenance.
- On August 14, 2015, the Company closed a \$6 million debt financing with Waterton Precious Metals Fund II Cayman, LP.

FOURTH QUARTER 2015 ("Q4") HIGHLIGHTS

- 9,503 ounces of gold produced at the Mineral Ridge mine compared to 10,258 ounces in Q4 of 2014.
- Revenue of \$10.8 million in Q4 of 2015 compared to \$13.4 million during Q4 of 2014.
- Total cash cost per ounce of gold sold ⁽¹⁾ of \$786 in Q4 of 2015 compared to \$898 during Q4 of 2014.
- Mine operating earnings of \$1.5 million compared to mine operating loss of \$0.5 million during Q4 of 2014.
- Net loss of \$4.7 million (\$0.03 basic and diluted per share), compared to \$28.7 million (\$0.16 basic and diluted per share) during Q4 of 2014. During Q4 of 2015, impairments of \$4.9 million were recorded on the mining assets. During Q4 of 2014, impairments of \$26.9 million and \$1.3 million, respectively, were recorded on the mining assets and available-for-sale investments.
- Adjusted net earnings ⁽¹⁾ of \$0.7 million (\$0.00 basic and diluted per share) compared to adjusted net loss ⁽¹⁾ of \$1.1 million (\$0.01 basic and diluted per share) during Q4 of 2014.
- Adjusted EBITDA ⁽¹⁾ of \$2.7 million (\$0.01 basic and diluted per share) compared to \$1.5 million (\$0.01 basic and diluted per share) during Q4 of 2014.
- Cash flow from operating activities of close to nil compared to \$5.8 million in Q4 of 2014.

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

OUTLOOK

In a cost effective 2015 year which maintained operational excellence the Company delivered 39,690 gold ounces meeting the high end of its guidance of 35 – 40,000 ounces. Total cash cost per ounce sold for the year was \$781, well below guidance of \$800 – 850 per ounce. In addition the aggressive 2015 drill program resulted in the discovery of the Custer deposit, and expansion of the Oromonte zone along with multiple other follow up targets.

Looking forward to 2016, the Company anticipates another full year of strong production at Mineral Ridge from the Mary LC, Bluelite and Solberry pits with additional development commencing in Q2 of 2016 from the Phase Three LC pit.

Production guidance for the Mineral Ridge mine for 2016 is 30-35,000 ounces of gold produced at a total cost of \$850-\$900 per ounce gold sold. The Company has also launched its drill program with approximately 17,000 meters of RC drilling planned in 2016 with the main focus on the 2015 successes. Infill and development drilling will focus on delineating and expanding the Custer and Oromonte areas of known mineralization proximal to existing production pits and satellite deposits. In addition, the exploration drilling has been designed to quickly identify and delineate new open pit targets for potential development within the existing Plan of Operation permit boundary such as the Paris target.

Mining is currently scheduled up to 2017. An initial presentation was made to the BLM with respect to permitting the Custer, Oromonte, Defiance and Paris claims for additional mining. There can be no assurance that any applications made for permitting will be successful.

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

	2015	2014
Mining operations		
Producing pits:		
<u>Mary LC pit</u>		
Ore tonnes mined	203,468	-
Waste tonnes mined	1,684,728	-
Total mined	1,888,196	-
Strip ratio	8.3	-
<u>Satellite pits</u>		
Ore tonnes mined	487,234	-
Waste tonnes mined	2,045,787	-
Total mined	2,533,021	-
Strip ratio	4.2	-
<u>Mary pit</u>		
Ore tonnes mined	202,002	443,343
Waste tonnes mined	1,053,992	2,266,625
Total mined	1,255,994	2,709,968
Strip ratio	5.2	5.1
<u>Drinkwater pit</u>		
Ore tonnes mined	-	395,177
Waste tonnes mined	-	834,938
Total mined	-	1,230,115
Strip ratio	-	2.1
Total producing pits		
Ore tonnes mined	892,704	838,520
Waste tonnes mined	4,784,507	3,101,563
Total mined	5,677,211	3,940,083
Strip ratio	5.4	3.7
Pits under development:		
Ore tonnes mined	92,146	81,057
Waste tonnes mined	1,995,432	2,464,383
Total mined	2,087,578	2,545,440
Total mining operations		
Ore tonnes mined	984,850	919,577
Waste tonnes mined	6,779,939	5,565,946
Total mined	7,764,789	6,485,523

	2015	2014
Processing		
Tonnes processed	891,997	974,346
Gold head grade (grams per tonne)	1.52	1.72
Availability*	49.9%	49.8%
Ounces produced		
Gold	39,690	40,814
Silver	19,742	18,182
* Processing Availability is based on hours of crusher operations versus permitted run time.		
	2015	2014
Financials		
(In thousands of US dollars, except per ounce and per share numbers)	\$	\$
Total cash cost per ounce of gold sold ⁽¹⁾	781	845
Ounces sold		
Gold	39,096	41,843
Silver	19,245	17,902
Average price of gold		
London PM fix	1,107	1,266
Realized	1,081	1,235
Net loss	(17,986)	(27,414)
Basic and diluted net loss per share	(0.13)	(0.16)
Adjusted net earnings ⁽¹⁾	4,591	294
Basic and diluted adjusted net earnings per share ⁽¹⁾	0.02	0.00
Adjusted EBITDA ⁽¹⁾	10,611	12,313
Basic and diluted adjusted EBITDA per share ⁽¹⁾	0.05	0.06
Cash flow from operating activities	11,192	16,187

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

MINERAL PROPERTIES

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

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge Property and related assets, which was a former producing gold mine in Nevada. Mining by the Company commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company has been receiving 80% of cash flows generated at the Mineral Ridge mine in accordance with the project agreements, but effective August 14, 2015, the Company will now owe and accrue to its partner an amount equal to 10% of amounts actually distributed to the partners in the Mineral Ridge mine. For more information see "Long-term debt-Change to the Mineral Ridge operating agreement".

General

The Mineral Ridge Property is located about 56 km southwest of Tonopah, Nevada. The property consists of several consolidated claim blocks and historic mining operations dating from the 1860's up through the 1940's. Open pit mining began again in the area in 1989, primarily in the Drinkwater open pit. Gold mineralization is hosted in the lowest unit of the Wyman Limestone formation, typically referred to as the "Mary Limestone". Historic mining properties consolidated by the Mineral Ridge Property include the Drinkwater, Mary and Brodie underground mines. The areas surrounding these properties and 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 includes an updated mineral reserve estimate, projects mine life for the Mineral Ridge project extending into the 3rd quarter of 2016, or approximately 29 months as of the end of March 2014, the date of the LOM update. Average ore production over this time frame is estimated at 73,700 tons per month ("t/m") based on total estimated Probable Mineral Reserves of 2.1 million tons ("Mt") at a grade of 0.061 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 satellite deposits has continued since the March 31, 2014 cut-off date for the LOM and is expected to add to the resource base and potentially support further conversion of current mineral resources to mineral reserves.

This LOM is inclusive of the Drinkwater, Mary and Mary LC deposits and the five satellite deposits, Brodie, Wedge, Bluelite, Solberry and Oromonte. An Inferred Mineral Resource estimate for the Brodie, Wedge, Bluelite, and Solberry deposits, dated June 1, 2013, was reported in the Company's August 16, 2013 news release. 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, was prepared by Welsh Hagen Associates and was filed on SEDAR on September 3, 2014.

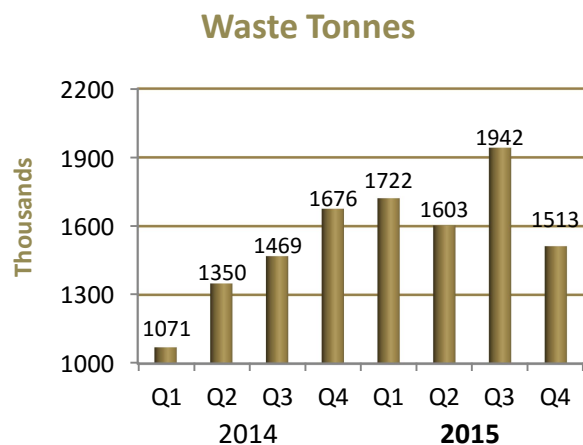
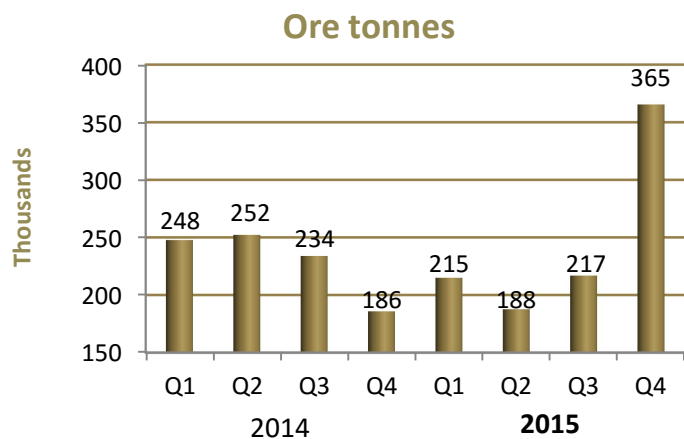
See the Company's news release dated July 21, 2014 for further details of the LOM and the resource and reserve estimates contained therein.

The Company has recently completed an internal detailed review of the previously announced July 2014 mineral resource and reserve estimates against actual results from material mined at Mineral Ridge compared to the predicted reserve model. As a result, the Company has developed an updated mine plan including the Mary LC phase 3 and the Brodie phase B pits which is expected to extend mining until June 2017. This 9 month extension to the mine plan is a direct result of the areas being mined consistently containing more gold ounces and tons than what was predicted by the July 2014 reserve model. The new mine plan does not include the Custer, Oromonte, Defiance and Paris mineralized zones, which are currently undergoing pit definition that is required prior to permitting for extraction and anticipated to be obtained in 2017, which, when defined and permitted, should further extend the LOM.

Mining activities

Total mine production for 2015 was 7,764,789 tonnes (2014 - 6,485,523 tonnes) which is composed of 984,850 tonnes of ore (2014 - 919,577) and 6,779,939 tonnes of waste (2014 - 5,565,946 tonnes). Included in the 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 compared to 79,365 tonnes having a gold grade of 0.67 g/t (0.02 oz/ton) during 2014. The ore was mined from the 6490 through 6390 benches in the Mary pit, the 6610 through 6560 benches (phase 3) and the 6530 through 6430 benches (phase 2) in the Mary LC pit, the 7050 through 7000 benches from the Brodie pit, the 7130 through 7100 benches from the Wedge pit, the 7390 through 7310 benches from the Solberry pit, and the 7260 through 7170 benches from the Bluelite pit. The Mary pit was depleted in Q3 of 2015. Beginning in Q3 2015, development of all pits was completed and mining was considered production. Compared to 2014, the 2015 mine production was higher for both ore and waste due to an increase in mining equipment, more availability of the equipment, and working more days during the year. The Mary pit contributed 20% of the ore mined in 2015 as compared to 48% contributed in 2014. The Mary LC pit contributed 29% of the ore mined in 2015 as compared to 8% contribution in 2014 as it was still in development. The Satellite pits contributed 50% of the ore mined in 2015 as compared to 3% contribution in 2014 as they were still in development. The Company mitigated delays in permitting for the satellite pits, which were scheduled for initial development in Q4 of 2014, by accelerating the development of the Mary LC pit towards the end of 2014. Mining in the Mary LC pit steadily increased throughout 2015 and mining in the Solberry and Bluelite satellite pits began in Q2 of 2015.

The mining contractor, LEDCOR CMI Inc.'s performance continued at the same pace in 2015 as through 2014. Average tonnes per day ("TPD") production for 2015 was 23,901 tonnes (2014 - 24,239 tonnes). Ledcor worked 55 more days in 2015 than they did in 2014. The 2016 mine plan calls for an average daily production rate of 16,708 tonnes which includes an average of 3,366 tonnes of ore delivered to the crusher on a daily basis. Mining operations are scheduled on a one-shift per day, four days a week schedule with drilling operations working on a six day per week schedule. LEDCOR has the ability to work Fridays if production requirements are not being met.



Mine reconciliation:

	Through Bench	Ore mined variance compare to Model	Gold grade variance compare to Model	Contained ounces variance compare to Model	Dilution
Drinkwater	6460	17%	9%	24%	11%
Mary	6390	35%	-12%	18%	14.9%
Mary LC	6430	61%	-21%	27%	16.2%
Bluelite	7170	43%	-28%	3%	16%
Solberry	7310	71%	-21%	35%	17%
Wedge	7100	21%	-9%	11%	9%
Brodie	7000	81%	-28%	31%	16%

Due mainly to higher dilution occurring during the mining process, an overall higher tonnage of ore was delivered to be crushed and placed on the heap leach pad, at a lower average grade than was predicted.

Operations activities

Total estimated ore crushed and placed on the leach pad at Mineral Ridge in 2015 was 891,997 tonnes (2014 - 974,346 tonnes). The average crusher throughput per day was 2,444 tonnes during 2015 compared to 2,891 tonnes during 2014. The average head grade was 1.52 g/t (0.044 oz/ton) gold in 2015 compared to 1.72 g/t (0.050 oz/ton) gold in 2014.

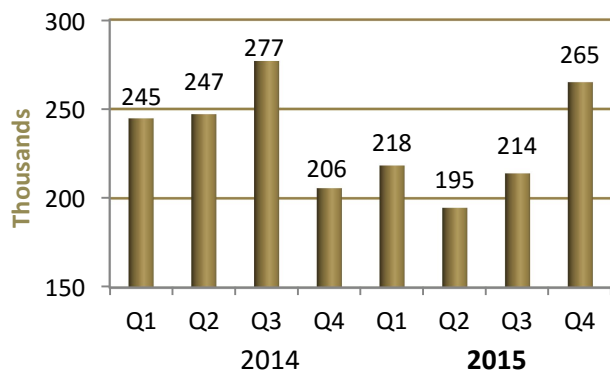
The availability of the crushing facility for 2015 was 49.9 % (2014, 49.8%). Processing availability is based on hours of crusher operations versus permitted run time. The applicable air quality permit allows for a crusher throughput rate of 363 tonnes per hour and 24 hours of operation per day.

In 2015, application of cyanide leach solution to the freshly stacked ore on the leach pad was 1.38 billion gallons (2014 - 800 million gallons). Also in 2015, 1.21 billion gallons (2014 - 692 million gallons) of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.29 ppm (2014 - 0.59 ppm) gold and 0.23 ppm (2014 - 0.36 ppm) silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for 2015 was 87.8% (2014 - 89.2%) for gold and 57.0% (2014 - 64.1%) for silver. The efficiency of this circuit is directly affected by the activity of the activated carbon utilized for recovery of precious metals from solution as well as the flow rate of the solution being pumped through the columns. The average flow rate for 2015 was 2,301 gallons per minute ("gpm"), compared to 1,317 gpm in 2014 and the carbon efficiency of virgin carbon averaged 52% during 2015 compared to 55% during 2014. The number of cycles the carbon can be used in the ADR plant has increased, thereby decreasing the frequency at which replacement carbon is purchased. However average efficiency of the carbon decreases as the number of cycles increases. This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and should eventually be recovered. The loaded carbon from this circuit is shipped off-site for custom stripping of the precious metals and upon completion of stripping, the carbon is returned to the site for re-use. The increased flowrate to the heap leach pad and through the ADR pad was a result of increased acreage of the pad being kept under leach with continued efforts to optimize recovery of available ounces in pad inventory. The ADR solution throughput was aided by processing these additional gallons through the old carbon column circuit in conjunction with the new carbon column.

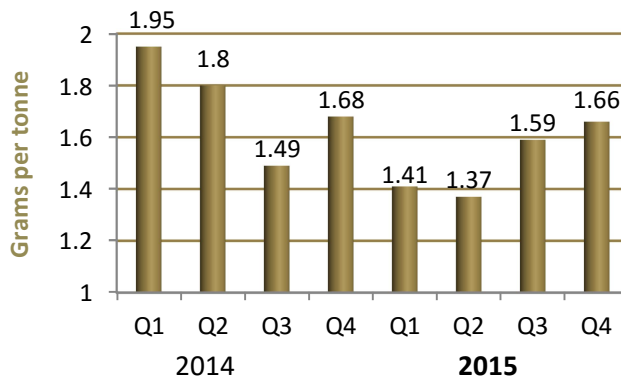
For 2015, the Company produced 39,690 ounces of gold, a 3% decrease over the 40,184 ounces produced during 2014 and 19,742 ounces of silver, a 9% increase over the 18,182 ounces produced during 2014. The decrease in 2015 gold production was influenced by the following:

- Due to higher mining strip ratios in Q1 through Q3, ore tonnes mined was significantly lower than 2014 rates which decreased tonnes processed and placed on the leach pad.
- Ore tonnes mined significantly improved in Q4 which improved the crusher throughput rates but due to timing of deliveries it resulted in an increased stockpile volume.
- The average grade of the ore processed decreased 0.20 g/t (0.006 oz/ton) or 11.6% which resulted in fewer ounces available for recovery.
- The increase in the solution flow rates to the pad and processed through the ADR aided in reducing the negative effect of processing and placing fewer ounces in 2015.

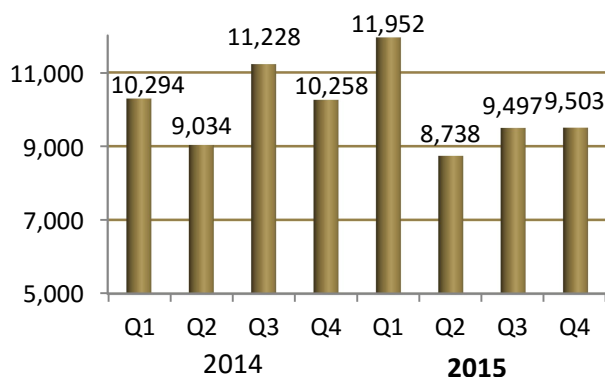
Ore tonnes crushed



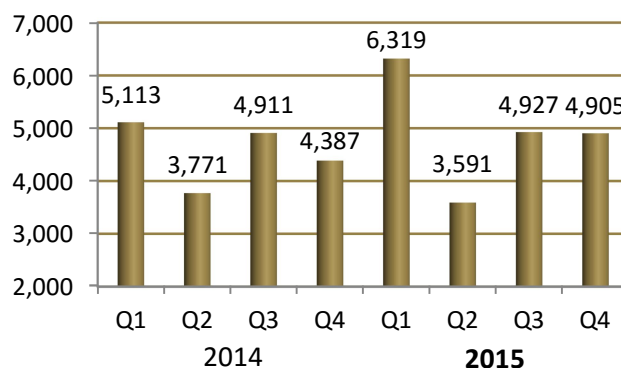
Average head grade



Gold production



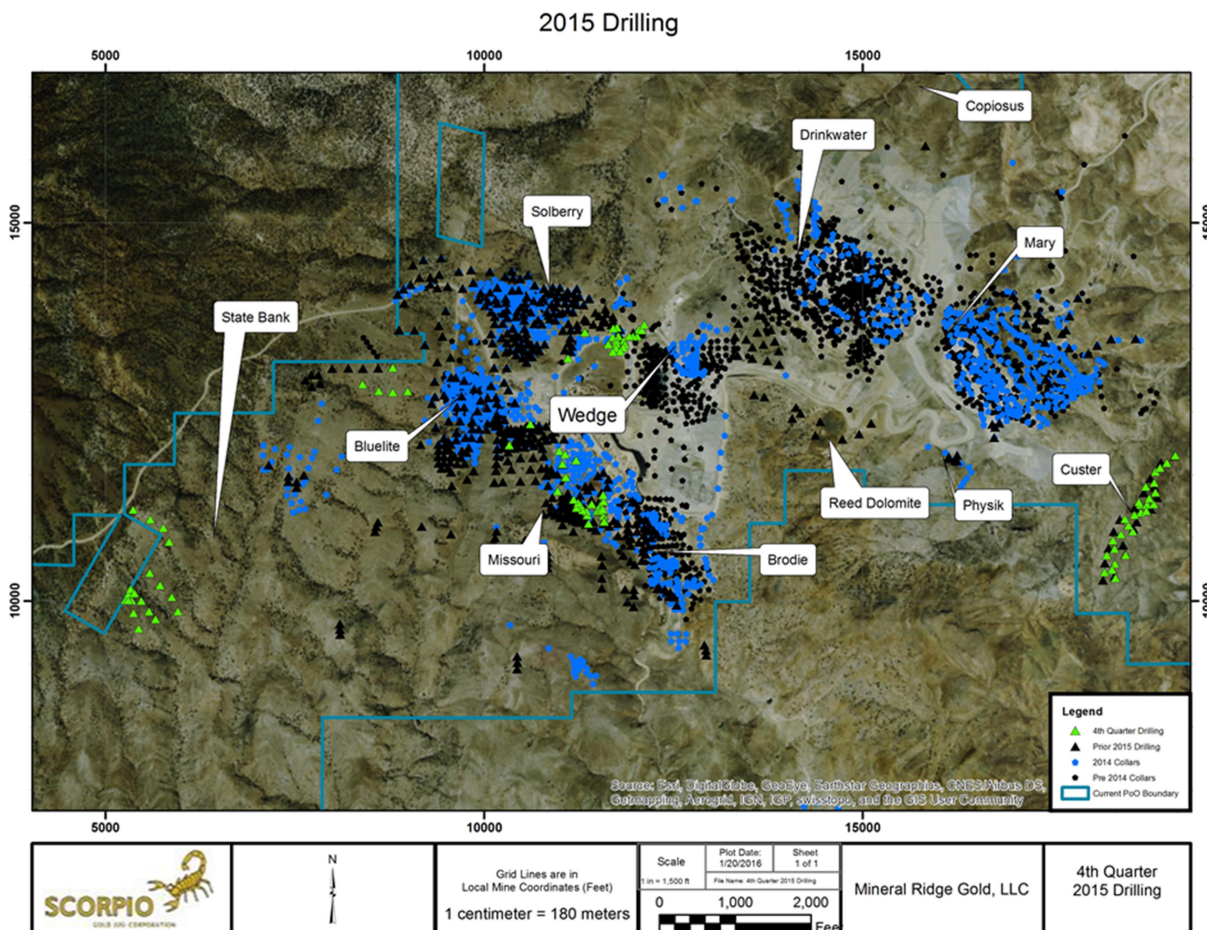
Silver production



A review of leach pad recovery rates has been performed as at December 31, 2014 and it was determined that actual recovery rates, since the commencement of mining operations, have ranged from approximately 66 percent to 69 percent, as compared to the 65 percent expected recovery rate previously reported. As a result of this analysis, an additional 3,307 estimated recoverable ounces were added to the leach pad and in process inventory balance as at December 31, 2014 which was adjusted for on a prospective basis and had a positive impact on cost of sales excluding depletion and amortization during the year ended December 31, 2015.

Further information on the Mineral Ridge project is available at SEDAR (www.sedar.com) under the Company's profile, including the LOM, which is a 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.

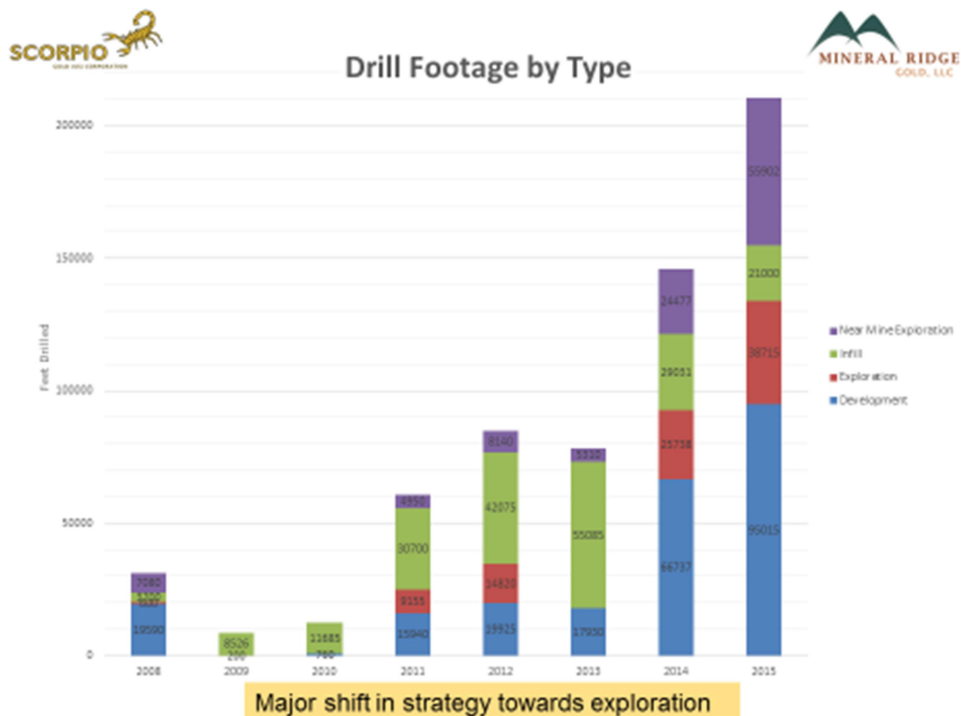
Current Exploration / Permitting



As of December 31, 2015, the Mineral Ridge project's total land package consists of 628 unpatented mining lode claims, 1 unpatented mill site claim, and 60 patented mining claims covering a total of 12,735 acres. Other fee lands and town lots in Silver Peak add an additional 123 acres, for a total land package of 12,858 acres.

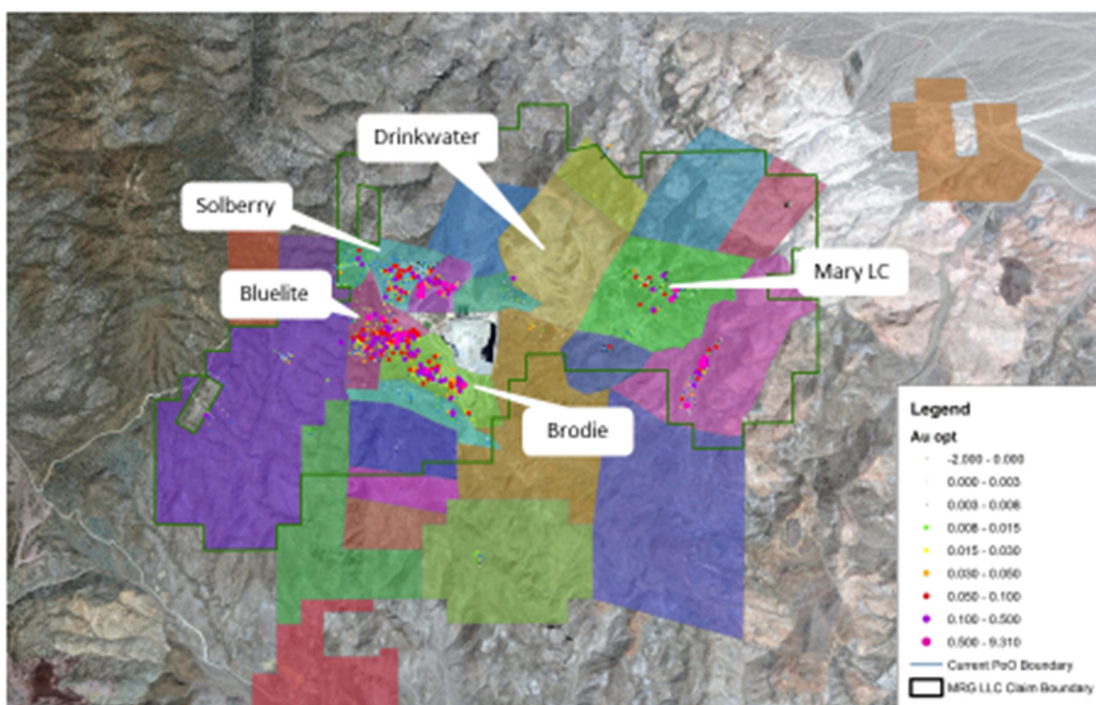
In 2015, a combination of three 1500 Foremost Reverse Circulation ("RC") track mounted drill rigs and one core drill rig completed a total of 64,480 meters of drilling in 680 holes at Mineral Ridge, far surpassing the original forecast of 53,644 meters of drilling for the year. The RC program included 671 holes for 63,229 meters of drilling while the oriented drill core program accounted for 1,250 meters of drilling in 9 holes.

Drilling at Mineral Ridge by target area can be categorized as follows: primary targets including Blueelite, Brodie and Solberry accounted for 55% of all RC meters drilled, Oromonte 7%, State Bank 7%, Custer 7%, Missouri 4% with the remaining 20% of drilling divided amongst the various secondary targets on site. In Q4 2015, the exploration drilling campaign continued to complete infill drilling in the Missouri area, prior to commencement of planned open pit mining, completing 1,287 meters of drilling. Follow up drilling on the new discovery at the Custer exploration target was completed with 3,017 meters drilled. Shallow drilling at the Oromonte resource area was completed with 1,527 meters drilled. The drill campaign in the Custer and Oromonte areas have produced promising results with additional follow up planned in 2016. Diamond drilling was executed to better understand the structural controls in the NW Brodie area.



Drilling this year was focused on a much more aggressive near mine exploration and blue sky exploration campaign. Near mine exploration saw a 228% increase and blue sky exploration saw a 50% increase.

2015 Mineral Ridge Drilling



Significant mineralization was encountered this year as shown by the above figure.



2015 Exploration Update

Mineral Ridge Drill Results By Year



- **2015 Priority Targets:** Brodie Area, Solberry, Bluelite, Mary LC
- **2015 Secondary Targets:** State Bank, Wedge East, Bluelite South, Oromonte, Reed Dolomite, Custer, Physik

Geological modeling is completed as drill results are being returned and finalized after all results have been returned. Mineralization models are drawn around drill hole intervals equal to or greater than 0.34 grams per tonne (0.010 oz/ton). A working geological model is updated as new data is received. These models aid in planning infill, development and exploration drilling. The chart above highlights the effectiveness of the 2015 drill program, which intercepted 3,153 meters (10,346 feet) of mineralization grading higher than 0.34 grams (0.01 oz/ton).

All planned definition and exploration drilling on Oromonte for 2016 has been completed (see release dated March 15, 2016). Current ongoing definition drilling is focused on the Custer area with exploration drilling being conducted on the Defiance and Paris areas.

The Plan of Operations Amendment and associated Environmental Assessment authorizing expansion of the Mary LC Pit, the Brodie Pit, and the Wedge Pit, as well as development of the Bluelite and Solberry satellite pits, received final approval from the Bureau of Land Management ("BLM") on April 16, 2015.

As at December 31, 2015, there is approximately 1.3 million tons of remaining capacity on the heap leach pad at the Mineral Ridge mine. The Company is currently evaluating the possible expansion of the heap leach pad to the western side of the existing facility, as well as permitting of potential pit expansions. A preliminary design has identified two options for the leach pad expansion involving a 1.3 million tons expansion and a 3.1 million tons expansion respectively, for a total of 4.4 million tons increased capacity. Initial discussions regarding permitting of the leach pad expansion have been held with the BLM and the Nevada Division of Environmental Protection.

During Q1 of 2016, the Company started the process to permit additional areas including the Custer, Oromonte, Defiance and Paris areas where the Company's management believes there is potential to increase life of the Mineral Ridge mine. Initial presentations were made to both the BLM and the Nevada Division of Environmental

Protection – Bureau of Mining Regulation and Reclamation (“NDEP-BMRR”) which proposed plans for development of these pit expansions through an amendment to the Mineral Ridge Plan of Operations/Reclamation Permit (“PoO”). Baseline studies, including biological and cultural surveys, along with geochemical evaluations to support the amended PoO, are presently underway.

Other properties

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

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 \$2.2 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 \$2.2 million (CAD\$2.5 million) promissory note carried interest at a rate of 3% per annum, and the debt evidenced by the note was repaid to the Company in Q1 of 2015. The sale agreement provided for bonus consideration to be paid to the Company if certain levels of mineral resources were established on the Pinon property or if Gold Standard or its properties are sold for certain minimum amounts.

On November 5, 2014, the Company received 1,250,000 additional common shares of Gold Standard as bonus consideration pursuant to the sale agreement in respect of the Pinon property. The Company held an aggregate of 6,750,000 common shares of Gold Standard as at December 31, 2014, which were all sold during Q1 of 2015.

Goldwedge

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 as the Company does not have the financial ability to fund any further exploration on this property at this time. The facility can be restarted immediately when needed.

Summary

Access is excellent from paved roads and both water and power are available on site. The Goldwedge Mine contains a small gold mineralized area with excellent potential to grow with further exploration and development. The existing estimated resource covers a strike length of approximately 335 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. The project includes a permitted 455 tonne per day crushing plant, gravity recovery facility, a 100,000 ton tailings storage pad, and over 610 meters of decline.

As part of the acquisition of the Goldwedge property, the Company granted Waterton Global Value L.P. a 2% NSR royalty. The NSR may be reduced by half (to a 1% NSR) for a cash payment to Waterton of \$1 million, and then eliminated for a further cash payment of \$2 million. Certain areas of the Goldwedge property are further subject to net smelter return royalties of up to 4% payable to other parties.

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 oz/ton) 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 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 (some 10 miles 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 intercepts, with the certain core portions of the mineralization grading in the 6.86 to 34.29 g/t (0.20 to 1.0 oz/ton) range.

2015 Exploration and Development Activity

Significant intercepts encountered in drilling at Goldwedge in 2015 include:

GW15-005	GW15-005	10.0 ft thick from	125.0Ft @	0.216opt
GW15-006	GW15-006	1.5 ft thick from	128.5Ft @	0.133opt
GW15-011	GW15-011	3.3 ft thick from	129.0Ft @	0.287opt
GW15-011	GW15-011	2.5 ft thick from	134.5Ft @	0.124opt
GW15-012	GW15-012	2.4 ft thick from	70.6Ft @	0.109opt
GW15-012	GW15-012	3.2 ft thick from	97.2Ft @	0.231opt
GW15-013	GW15-013	2.7 ft thick from	67.2Ft @	0.323opt
GW15-013	GW15-013	1.1 ft thick from	85.9Ft @	0.114opt
GW15-014	GW15-014	4.5 ft thick from	33.5Ft @	0.107opt
GW15-014	GW15-014	0.9 ft thick from	97.7Ft @	0.108opt
GW15-014	GW15-014	2.0 ft thick from	101.7Ft @	0.104opt
GW15-014	GW15-014	1.6 ft thick from	174.0Ft @	0.167opt
GW15-018	GW15-018	4.1 ft thick from	103.0Ft @	0.156opt
GW15-018	GW15-018	2.2 ft thick from	128.0Ft @	0.116opt
GW15-019	GW15-019	2.7 ft thick from	127.6Ft @	0.179opt

GW15-019	GW15-019	2.0 ft thick from	148.0Ft @	0.221opt
GW15-019	GW15-019	2.5 ft thick from	183.0Ft @	0.107opt
GW15-021	GW15-021	4.4 ft thick from	136.3Ft @	0.170opt
GW15-021	GW15-021	3.6 ft thick from	152.4Ft @	0.137opt
GW15-021	GW15-021	4.9 ft thick from	158.3Ft @	0.130opt

In 2015, the Company drilled 21 NQ diameter diamond drillholes from seven underground drill stations. These holes were designed to test the southern extent of structures identified from previous mapping and drilling efforts. This drilling did not result in delineating significant economic underground grades. Additional work will be required to further define known mineralization and to better understand the structural geology of the deposit none of which is expected to occur during 2016.

Lac Arseneault Property

The Lac Arseneault property is located in Bonaventure County, 36 km north of the town of Paspébiac on the south coast of the Gaspé Peninsula, Quebec. The property consists of 20 contiguous unpatented claims covering approximately 1,044 hectares. Scorpio Gold holds a 100% interest in the property, subject to a 2% NSR royalty payable to the previous owner. The Company has impaired the property in prior years and has no current exploration plans for the property. Subsequent to year-end, the Company's management decided to abandon these claims.

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.

SELECTED ANNUAL INFORMATION

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.

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$	\$
Revenue	44,587	52,026	54,646
Net loss	(17,986)	(27,414)	(6,843)
Net loss attributable to shareholders of the Company	(16,604)	(20,139)	(6,790)
Basic and diluted loss per share	(0.13)	(0.16)	(0.05)
Working capital	8,019	8,042	19,765
Total assets	27,455	40,943	76,546
Long-term liabilities	11,611	6,057	11,163

RESULTS OF OPERATIONS

Scorpio Gold reported a net loss of \$18.0 million for the year ended December 31, 2015, compared to a net loss of \$27.4 million for the year ended December 31, 2014.

For the year ended December 31, 2015, the net loss attributable to the shareholders of the Company was \$16.6 million (\$0.13 per share), compared to net loss of \$20.1 million (\$0.16 per share) for the year ended December 31, 2014.

The net loss attributable to the non-controlling interest was \$1.4 million for the year ended December 31, 2015, compared to \$7.3 million for the year ended December 31, 2014.

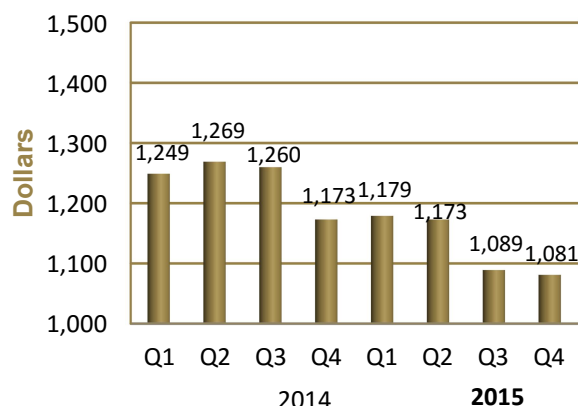
The major differences between the two years are explained below.

Revenue

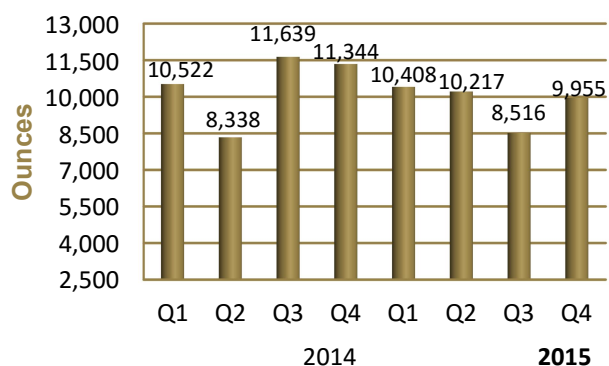
During the year ended December 31, 2015, the Company sold 39,096 ounces of gold and 19,245 ounces of silver for total revenue of \$44.6 million. During the year ended December 31, 2014, the Company sold 41,843 ounces of gold and 17,902 ounces of silver for total revenue of \$52.0 million. During the year ended December 31, 2015, gold ounces were sold at an average price of \$1,133 (\$1,235 in 2014) and silver ounces at an average price of \$15 (\$19 in 2014).

The Company's realized average gold price is lower than the average London PM fix mainly because of timing of sales as well as the terms of the Company's gold and silver supply agreement. As of December 31, 2015, the Company had finished goods inventories including 627 ounces of gold available for sale compared to 75 ounces of gold as at December 31, 2014.

Average gold price per ounce realized per quarter



Ounces of gold sold per quarter



Mine operating earnings

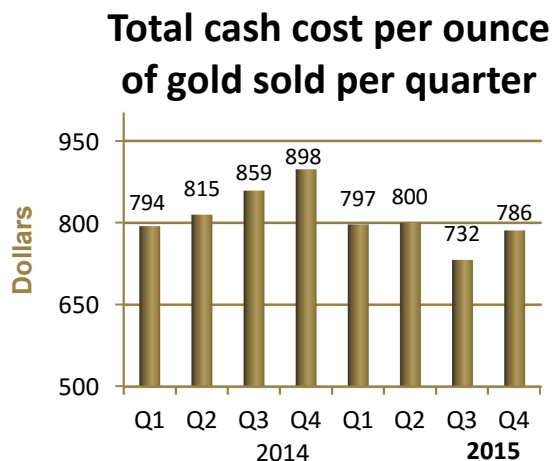
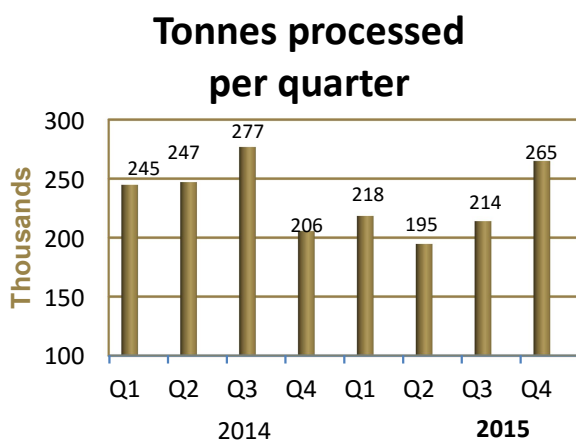
Cost of sales, excluding depletion and amortization, decreased from \$37.9 million for the year ended December 31, 2014 to \$31.4 million for year ended December 31, 2015. This decrease is mostly explained by the lower number of ounces sold and the lower cash operating cost per ounce described below.

Cash operating cost per gold ounce sold⁽¹⁾, after silver by-product credits, was \$780 for the year ended December 31, 2015, compared to \$836 for the year ended December 31, 2014. Total cash cost per ounce sold⁽¹⁾, after silver by-product credits, was \$781 for the year ended December 31, 2015 compared to \$845 the year ended December 31, 2014.

During the development stage of a pit, associated costs are capitalized thus excluded from both cash cost and cost of sales. The transition of various pits from development stage to commercial production during 2015 as well as a 12% reduction in grade during the year ended December 31, 2015 compared to the same period of 2014 have negatively impacted the cash cost per ounce. This was offset by the change in the estimate as at December 31, 2014, of inventory on the leach pad and in process of 3,307 ounces of gold which was accounted for prospectively, and positively impacted cash operating cost per ounce of gold for 2015.

The depletion and amortization expense was \$5.5 million for the year ended December 31, 2015, compared to \$11.1 million the year ended December 31, 2014, a reduction of 50% even though the Company mined 7% more ore during the year ended December 31, 2015 than during the year ended December 31, 2014. This is mainly explained by the fact that the Company recorded \$26.9 million and \$8.1 million in impairment charges on its assets at the Mineral Ridge mine during Q4 of 2014 and during Q3 of 2015, respectively, which decreased the carrying value of the assets being depleted.

Mine operating earnings were therefore \$7.7 million for the year ended December 31, 2015 compared to \$3.1 million for the year ended December 31, 2014.



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

General and administrative

General and administrative expenses were \$2.5 million for the year ended December 31, 2015, compared to \$1.9 million for the year ended December 31, 2014. The main variance between those periods relates to the fact that 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.

This increase was partly offset by reduced salary and benefits as a result of the termination of a senior member of management during Q2 of 2015, reduction in investor relations expenditures as well as a more favorable USD/CAD exchange rate for the year ended December 31, 2015 compared to the year ended December 31, 2014 given that most of the Company's general and administrative expenses are incurred in CAD.

Care and maintenance

Starting on July 28, 2015, the Goldwedge property and mill facility was placed on temporary care and maintenance. The Company incurred \$0.3 million care and maintenance costs including amortization during the year ended December 31, 2015.

Impairments

Mineral Ridge

The continued decline in metal prices and the decrease in the Company's market capitalization in 2015 was an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using the value in use. Impairment testing is performed using life of mine discounted cash flow projections derived from expected future production, which incorporate reasonable estimates of future metal prices, operating costs and capital expenditures. The determination of the recoverable value used Level 3 valuation techniques.

Based on its assessment, the Company recorded during the year ended December 31, 2015 a non-cash impairment charge for Mineral Ridge of \$10.9 million, using a discount rate of 9% along with an average gold price assumption of \$1,216 for 2016 and \$1,250 thereafter.

The Company has performed a sensitivity analysis to identify the impact of changes in long-term gold price which is the key assumption that impacts the impairment calculation at the Mineral Ridge mine. Using the foregoing impairment testing model, considering a 10% change in the gold price assumption and holding all other assumptions constant, the recoverable value would change by approximately \$5 million.

During the year ended December 31, 2015, the Company also reconsidered building a processing facility at the Mineral Ridge mine and thus recognized a non-cash impairment loss of \$0.5 million related to expenditures incurred to date by the Company on that project. During the year ended December 31, 2015, the Company also recognized an impairment loss of \$0.5 million on certain non-producing mining assets.

During the year ended December 31, 2014, the Company recorded a non-cash impairment charge of \$26.9 million, using a discount rate of 9% along with an average gold price assumption of \$1,250 over the life of mine.

Goldwedge property and mill

The fact that the Goldwedge property and mill has been placed on care and maintenance since July 28, 2015 and the Company has no exploration plans, nor the financial ability to fund any further exploration on this property at this time are indicators of impairment. In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs to sell. The Company includes in its estimate an amount representing the value for its assets and current resources on its property. The determination of the fair value less costs to sell used Level 3 valuation techniques. Based on its assessment, the Company recorded during the year ended December 31, 2015 a non-cash impairment charge of \$9.9 million.

Disposal and write-off

During the year ended December 31, 2014, the Company completed the sale of its Pinon non-producing asset and also received a bonus of 1,250,000 common shares of Gold Standard following the completion of this sale. These transactions resulted in a gain on disposal of mining assets of \$0.6 million during the year ended December 31, 2014.

Other income (expenses)

Finance costs totalled \$0.4 million for the year ended December 31, 2015 compared to \$0.6 million for the same period of 2014. On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton Global Value L.P. ("Waterton Global"). As described below, 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") for an amount of \$6 million bearing interest at a rate of 10% per annum. During the year ended December 31, 2015, the Company incurred \$0.2 million interest related to this loan. This compares to \$0.5 million in interest related to the previous debt facility during the year ended December 31, 2014. The debt issue costs related to the loan with Waterton Fund are amortized over the duration of the debt.

During the year ended December 31, 2015, the Company incurred a foreign exchange loss of \$0.2 million mainly related to the CAD\$2.5 million debt representing a cash payment owing from the sale of the Pinon property, due to a less favorable USD/CAD exchange rate. On March 5, 2015, payment of this debt was received by the Company.

As of December 31, 2014, the Company held 6,750,000 shares of Gold Standard Ventures Corp. 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.

During the year ended December 31, 2014, the Company determined that the significant decline in value of its investments in Gold Standard evidenced an impairment and as a consequence, a non-cash impairment charge of \$1.3 million has been recorded in the statement of operations.

Income tax expense

For the year ended December 31, 2015, current income tax expense was close to nil compared to \$0.4 million for the year ended December 31, 2014. The Nevada net proceeds tax expense accounts for most of the current tax expense in both the year ended December 31, 2015 and the year ended December 31, 2014.

Due to the different reversal periods of the accounting value and tax value of assets and liabilities, 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 of \$0.4 million as of December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2015, the Company had \$2.3 million in cash compared to \$1.1 million as of December 31, 2014.

Working capital was \$8.0 million as of December 31, 2015 and as of December 31, 2014.

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

INVENTORIES

Inventories increased from \$9.6 million as of December 31, 2014 to \$10.5 million as of December 31, 2015.

As at December 31, 2015, there were 107,089 tonnes of stockpile inventory compared to 8,333 tonnes as at December 31, 2014. Strip ratios reduced significantly in Q4 2015, resulting in much higher levels of ore being mined and added to stockpile, versus what could be processed. This resulted in a significant increase in stockpile levels at year end 2015. This explains the increase in ore stockpile from \$0.4 million as at December 31, 2014 to \$2.2 million as at December 31, 2015.

Metal in process decreased by \$1.2 million to \$6.7 million during the year ended December 31, 2015. This decrease is mostly explained by the fact that fewer ounces were in process at a lower unit cost as at December 31, 2015 compared to December 31, 2014.

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 December 31, 2015, included in the metal in process inventories, are inventories on the leach pad for a total cost of \$3.8 million (\$2.5 million as at December 31, 2014). As at December 31, 2014, the Company estimated that an additional amount of 3,307 gold ounces of inventory, were on the leach pad and in process, which was accounted for prospectively. 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 \$0.4 million to \$0.6 million during the year ended December 31, 2015. This increase is due mainly to the timing of the Company's gold sales as the Company had 627 ounces of gold available for sale as at December 31, 2015, at a lower unit cost compared to 75 ounces of gold as at December 31, 2014.

INVESTMENTS

Investments decreased to close to \$nil as of December 31, 2015 from \$5.3 million as of December 31, 2014. As of December 31, 2014, the Company held 6,750,000 shares of Gold Standard having a book value of \$3.1 million. In Q1 of 2015, all of these shares were sold for net proceeds of \$3.3 million. As at December 31, 2014, the Company also had a debt represented by a promissory note from Gold Standard having a book value of \$2.2 million. On March 5, 2015, payment of the debt represented by this note was received by the Company.

PRODUCING MINING ASSETS

Producing mining assets stood at \$5.0 million as of December 31, 2015, compared to \$7.2 million as at December 31, 2014.

During the year ended December 31, 2015, the Company added \$5.0 million to producing mining assets, which mainly consisted of \$4.5 million related to stripping activities and \$0.4 million related to mobile equipment at Mineral Ridge.

Management concluded that the Wedge, Brodie, Solberry, Bluelite and Mary LC pits have commenced commercial production during the year ended December 31, 2015 and therefore their related net book value of \$9.0 million was transferred from non-producing mining assets to producing mining assets.

During the year ended December 31, 2015, an amount of \$5.6 million has been recorded as depletion and amortization of producing mining assets.

As a result of the impairment discussed above, the Company recorded a non-cash impairment charge of \$8.6 million related to Mineral Ridge producing mining assets and \$1.8 million related to Goldwedge producing mining assets during the year ended December 31, 2015

NON-PRODUCING MINING ASSETS AND OTHER

Non-producing mining assets and other stood at \$3.0 million as of December 31, 2015, compared to \$11.8 million as at December 31, 2014.

During the year ended December 31, 2015, the Company added \$12.0 million to non-producing mining assets. Of this amount, \$11.2 million relates to Mineral Ridge and primarily consists of \$5.7 million related to Mary LC pit development costs, \$2.5 million related to satellite pit development costs, \$2.5 million of exploration costs related to exploration targets surrounding the areas currently in development and production at the Mineral Ridge mine and \$0.4 million relates to different construction in process projects.

During the year ended December 31, 2015, the Company also incurred \$0.8 million in capitalized exploration and development expenditures on the Goldwedge property.

As discussed above, management concluded that the Wedge, Brodie, Solberry, Bluelite and Mary LC pits have commenced commercial production during the year ended December 31, 2015 and therefore their related net book value of \$9.0 million was transferred from non-producing mining assets to producing mining assets.

During the year ended December 31, 2015, the Company recorded a non-cash impairment charge of \$3.4 million related to Mineral Ridge non-producing mining assets and \$8.1 million related to Goldwedge non-producing mining assets. Included in the \$3.4 million impairment for Mineral Ridge is a non-cash impairment loss of \$0.5 million related to expenditures incurred by the Company on a processing facility feasibility study as well as \$0.5 million on certain non-producing mining assets.

RECLAMATION BONDS

The Company's reclamation bonds book value increased by \$0.3 million, from \$5.4 million as of December 31, 2014 to \$5.7 million as at December 31, 2015.

During the year ended December 31, 2015, the Mineral Ridge mine received regulatory approval for an updated plan of operations. As part of the requirements of such regulatory approval, the Company increased its reclamation bonds by \$0.8 million to \$11.0 million. The Company was required to provide an additional \$0.4 million in cash collateral to the surety issuing the bond on the Company's behalf.

CURRENT LIABILITIES

Total current liabilities were \$5.7 million as at December 31, 2015, compared to \$8.5 million as at December 31, 2014.

Trade and other payables slightly increased from \$5.3 million as at December 31, 2014 to \$5.6 million as at December 31, 2015.

The current portion of long-term debt decreased from \$3.1 million as at December 31, 2014 to \$0.08 million as at December 31, 2015 following the repayment made to Waterton Global. The December 31, 2015 \$0.08 million current portion of long-term debt is related to a loan on mobile equipment.

LONG-TERM DEBT

On August 14, 2015, the Company executed definitive agreements with Waterton Fund, an affiliate of Elevon, LLC, for a loan in the principal amount of \$6 million (the "Loan"). The Loan provides non-dilutive financing to the Company, and has a term of 36 months. The Loan bears interest at a rate of 10% per annum, payable quarterly, and is secured by a first priority security interest over all of the Company's assets. The Company incurred a \$0.12 million structuring fee upon the advancement of the Loan, together with \$0.16 million of associated legal costs. The Loan may be voluntarily prepaid by the Company at any time, provided that upon such prepayment the Company shall pay the lesser of 24 months of interest on the principal amount, or such interest as would be payable between the date of such prepayment and the maturity date of the Loan. Also, the Loan is subject to mandatory prepayment in certain circumstances, including upon a change of control of the Company. There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company's trade payables not exceed \$8.0 million. The Company has complied with all restrictions pursuant to the Loan at December 31, 2015.

The proceeds of the Loan will be mainly used to finance exploration and development at the Company's Mineral Ridge mine and for general working capital purposes.

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 now owe and accrue to Elevon, LLC an amount equal to 10% of aggregate amounts actually distributed to the partners in the Mineral Ridge mine (the "Accrued Distribution Amount"). The Accrued Distribution Amount shall become due and payable upon a change of control of the Company, or if the settlement price of gold on the LBMA PM fix is equal to or exceeds US\$1,350 per ounce (the "Accrual Payment Date"). The Company holds a 70% interest in the Mineral Ridge mine, but was previously entitled to 80% of cash distributions from the mine. As a result of the foregoing amendment, the Company has effectively reverted to being entitled to 70% of cash flows distributed from the Mineral Ridge mine, but this change does not affect its cash position until the Accrual Payment Date, at which time the Accrued Distribution Amount must be paid in full. The accrual of the Accrued Distribution Amount will terminate in certain circumstances, including in the event of a sale by Scorpio or by Elevon, LLC its Mineral Ridge partner of their respective ownership interests in Mineral Ridge, however those events will not change the ongoing 70%/30% distribution of mine cash flows. Following this change to the operating agreement, no amounts were actually distributed to the partners.

PROVISION FOR ENVIRONMENTAL REHABILITATION

The provision for environmental rehabilitation decreased in 2015 to \$5.4 million as of December 31, 2015 from \$5.7 million as of December 31, 2014.

The provision for environmental rehabilitation relating to the Mineral Ridge mine has decreased by \$0.4 million in 2015, compared to an increase of \$0.4 million in 2014. The provision changed throughout the years due to the actual environmental disturbance that occurred, the revision of the estimates in timing of rehabilitation work and estimated cash flows of such rehabilitation work.

DEFERRED INCOME TAX LIABILITY

As mentioned above, due to the different reversal period of the accounting value and tax value, 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 of \$0.4 million during the year ended December 31, 2015..

EQUITY

Total equity stood at \$10.1 million as at December 31, 2015, compared to \$26.4 million as at December 31, 2014. Most of this decrease is attributable to a \$18.0 million net loss for the year ended December 31, 2015 partly offset by a \$1.6 million net cash contribution by the non-controlling interest, being Elevon, LLC, the Company's partner at Mineral Ridge.

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⁾ \$
December 31, 2015	10,828	(4,665)	(0.03)	(0.03)
September 30, 2015	9,333	(15,823)	(0.11)	(0.11)
June 30, 2015	12,083	1,747	0.01	0.01
March 31, 2015	12,343	755	0.00	0.00
December 31, 2014	13,377	(28,675)	(0.16)	(0.16)
September 30, 2014	14,754	275	(0.00)	(0.00)
June 30, 2014	10,646	608	0.00	0.00
March 31, 2014	13,249	378	0.00	0.00

⁽¹⁾ Due to the effect of rounding and share issuances during the period, 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.

FOURTH QUARTER

The Company reported revenue of \$10.8 million in the fourth quarter of 2015, compared to \$13.4 million in the fourth quarter in 2014. Revenue in the fourth quarter of 2015 was derived from the sale of 9,955 ounces of gold, compared to 11,344 ounces sold during the fourth quarter of 2014. During the fourth quarter ended December 31, 2015, gold ounces were sold at an average price of \$1,081, compared to \$1,173 for the same period in 2014.

Cash operating cost per gold ounce sold ⁽¹⁾, after silver by-product credits, was \$784 for Q4 of 2015, compared to \$898 in Q4 of 2014. Total cash cost per ounce sold ⁽¹⁾, after silver by-product credits, was \$786 for Q4 of 2015, compared to \$898 in Q4 of 2014.

During the fourth quarter of 2015, the Company recorded impairments of \$4.9 million on mining assets, compared to impairments of \$26.9 million on mining assets and \$1.3 million related to available-for-sale investments during the fourth quarter of 2014.

During the three-month period ended December 31, 2015, net loss was \$4.7 million, compared to net loss of \$28.7 million during the fourth quarter of 2014.

Cash flows generated from operating activities were close to nil during Q4 of 2015, compared to \$5.8 million for Q4 of 2014. The Company sold 12% fewer gold ounces during Q4 of 2015, compared to Q4 of 2014 at a lower realized metals prices, partly offset by a lower cash cost per ounce of gold sold compared to Q4 of 2014 which negatively impacted the 2015 cash flow from operations. Moreover, the Company increased its overall number of ounces in inventory during Q4 of 2015, which resulted in an increase in inventory cost. The opposite happened during Q4 of 2014.

During Q4 of 2015, cash outflows used in investing activities were \$2.0 million. Investing activities related to producing mining assets totalled \$0.8 million and are mostly related to stripping activities. Non-producing mining asset additions totalled \$1.1 million for Q4 of 2015 and are mainly related to payments of exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine.

During Q4 of 2014 cash outflows used in investing activities were \$5.3 million. Investing activities related to producing mining assets totalled \$0.3 million for Q4 of 2014. Non-producing mining asset additions totalled \$5.0 million for Q4 of 2014 and are mainly related to development costs of the Mary LC pit, exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine and development costs of the satellite pits.

Cash flows from financing activities were \$0.4 million for Q4 of 2015. Contributions from the non-controlling interest in the amount of \$0.6 million were partly offset by payments of \$0.2 million related to service of the Company's long-term debts.

Cash outflows used for financing activities were \$1.0 million for Q4 of 2014. Those outflows relate to service of the Company's long-term debt and also include distributions to the non-controlling interest in the amount of \$0.2 million for Q4 of 2014. Included in Q4 of 2014 was the repayment of long-term debt in the amount of \$0.7 million.

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

CASH FLOWS

For the year ended December 31, 2015, cash flows generated from operating activities were \$11.2 million, compared to \$16.2 million for the year ended December 31, 2014. This variance is mostly caused by changes in working capital items such as an increase in inventories and a decrease in operating trade and other payables attributable to operations activities.

During the year ended December 31, 2015, cash outflows used in investing activities were \$13.7 million. Payments related to non-producing mining assets during the year ended December 31, 2015 totalled \$13.8 million and mainly related to development costs of the Mary LC and satellite pits, exploration related to targets surrounding the areas in development and production at the Mineral Ridge mine and various construction in process projects. As discussed above, 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 year ended December 31, 2015, investing activities related to producing mining assets amounted to \$4.8 million and were mainly related to stripping activities and payments related to fixed asset acquisitions. During the year ended December 31, 2015, the Company also invested \$0.4 million in cash collateral related to the reclamation bonds.

During the year ended December 31, 2014 cash outflows used in investing activities were \$8.6 million. During the year ended December 31, 2014, investing activities related to producing mining assets totalled \$1.5 million and were mainly related to capitalized stripping activity in the amount of \$1.3 million. Non-producing mining asset additions totalled \$13.7 million during 2014 and are mainly related to development costs of the Mary LC pit, exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine, development of the satellite pits and costs related to the various capital projects. During the year ended December 31, 2014, the Company completed the sale of its Pinon non-producing asset for consideration including \$7.7 million (CAD\$8.5 million) in cash. Of the cash consideration, \$5.4 million (CAD\$6.0 million) was paid at closing. The Company also received a net amount of \$1.0 million related to the reduction in its reclamation bonds.

Cash inflows from financing activities were \$3.5 million for the year ended December 31, 2015. The financing activities having the most significant impact during year ended December 31, 2015 are related to the \$6.0 million proceeds from the Loan described above, the payment of \$0.3 million of debt issue costs, the payment of \$0.3 million interest and the net \$1.6 million cash contribution received from the non-controlling interest. During the year ended December 31, 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.

Cash outflows used for financing activities were \$9.3 million for the year ended December 31, 2014. Those outflows relate to service of the Company's long-term debt and also include distributions to the non-controlling interest in the amount of \$1.1 million for the year ended December 31, 2014. Included in the year ended December 31, 2014 was a repayment of long-term debt in the cash amount of \$5.2 million, paid to the lender from the proceeds of the sale of Pinon assets.

NON-IFRS PERFORMANCE MEASURES

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

Adjusted net earnings

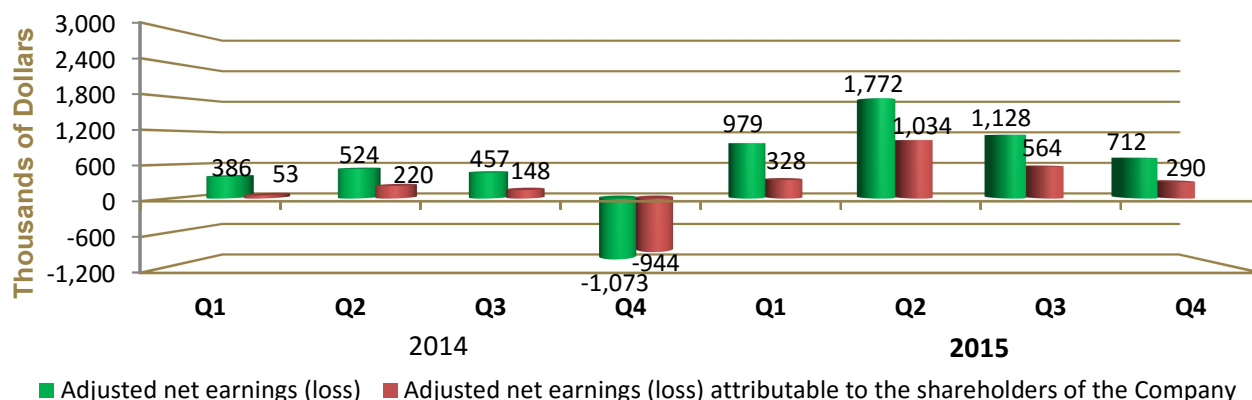
The Company uses the financial measure “Adjusted Net Earnings” to supplement information in its consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate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

The term “Adjusted Net Earnings” does not have a standardized meaning prescribed by IFRS, and therefore the Company’s definitions are unlikely to be comparable to similar measures presented by other companies. Management believes that the presentation of Adjusted Net Earnings provides useful information to investors because they exclude non-cash and other charges and are a better indication of the Company’s profitability from operations. The items excluded from the computation of Adjusted Net Earnings, which are otherwise included in the determination of net earnings prepared in accordance with IFRS, are items that the Company does not consider to be meaningful in evaluating the Company’s past financial performance or the future prospects and may hinder a comparison of its period-to-period profitability.

The following table provides a reconciliation of adjusted net earnings (loss) to the consolidated financial statements:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$	\$	\$
Net loss for the periods	(4,665)	(28,675)	(17,986)	(27,414)
Share-based compensation	-	-	183	3
Impairment of available-for-sale investment	-	1,279	-	1,279
Gain on disposal of investments	-	-	(172)	-
(Gain) loss on disposal of mining assets	(14)	(641)	43	(572)
Impairments of mining assets	4,946	26,900	21,888	26,900
Foreign exchange loss	1	64	191	98
Deferred income tax expense	444	-	444	-
Adjusted net earnings (loss) for the periods	712	(1,073)	4,591	294
Non-controlling interest	(422)	129	(2,375)	(817)
Adjusted net earnings (loss) for the periods attributable to the shareholders of the Company	290	(944)	2,216	(523)
Adjusted basic and diluted net earnings (loss) per share	0.00	(0.01)	0.02	(0.00)

Adjusted net earnings (loss)

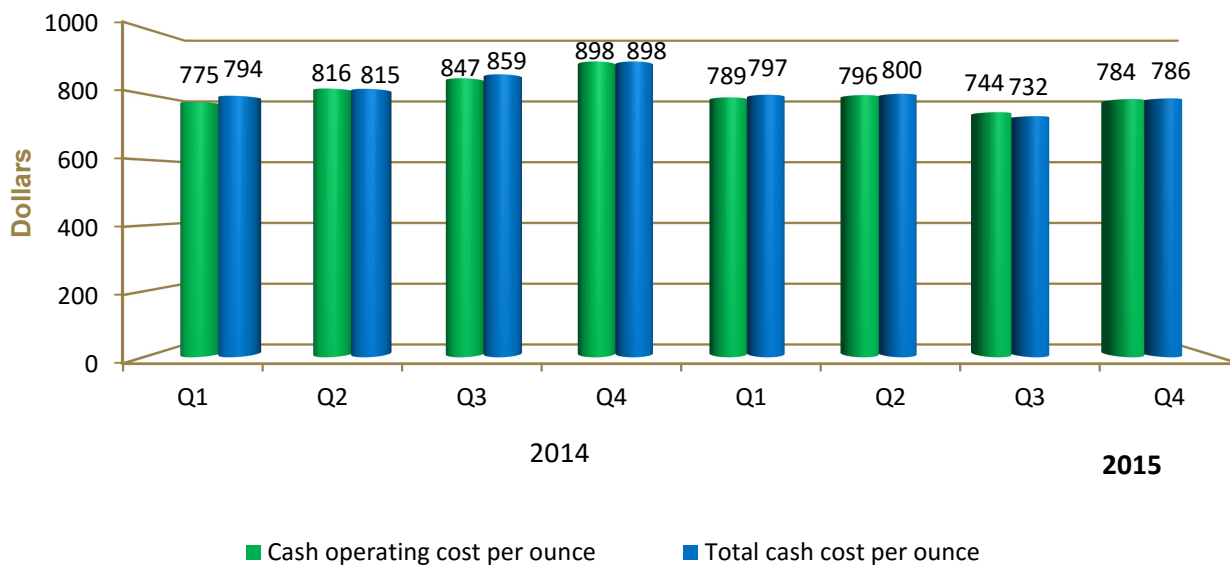


Cash operating cost and total cash costs per gold ounce sold calculation

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 consolidated financial statements.

	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$	\$	\$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	7,649	11,403	31,357	37,879
Share-based compensation	-	-	(98)	-
Inventory adjustment	244	(1,144)	(437)	(2,549)
By-product silver sales	(68)	(73)	(296)	(335)
Royalties	(25)	-	(48)	-
Cash operating costs	7,800	10,186	30,478	34,995
Nevada net proceeds tax- current	23	2	44	346
Total cash cost	7,823	10,188	30,522	35,341
Divided by ounces of gold sold	9,955	11,344	39,096	41,843
Cash operating cost per gold ounce sold	784	898	780	836
Total cash costs per gold ounce sold	786	898	781	845

Cash operating and total cash cost per gold ounce sold per quarter



Adjusted EBITDA

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

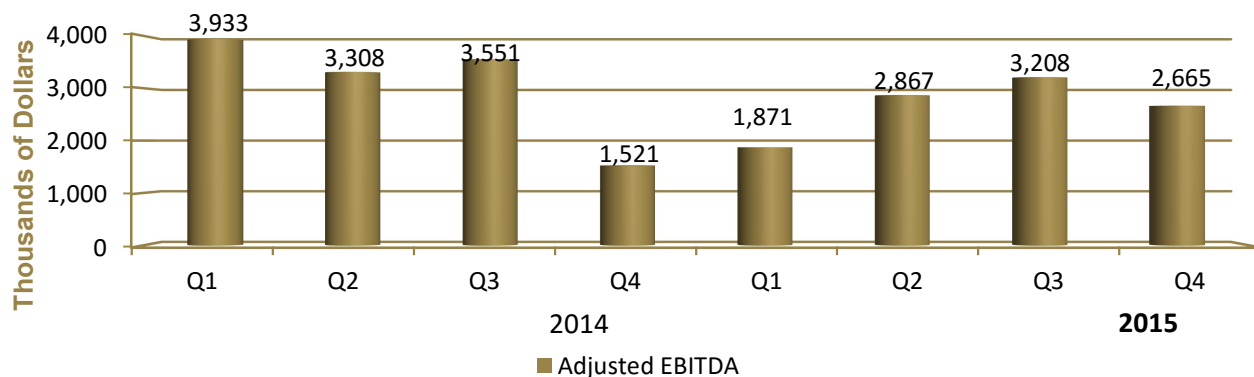
- Finance costs;
- Depletion and amortization; and
- Income tax expense

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

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

	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$	\$	\$
Net loss for the periods	(4,665)	(28,675)	(17,986)	(27,414)
Finance costs	197	101	415	556
Depletion and amortization	1,733	2,491	5,561	11,101
Income tax expense	467	2	488	362
Standardized EBITDA	(2,268)	(26,081)	(11,522)	(15,395)
Share-based compensation	-	-	183	3
Gain on disposal of investment	-	-	(172)	-
(Gain) loss on disposal and write-off of mining assets	(14)	(641)	43	(572)
Foreign exchange loss	1	64	191	98
Impairment of available-for-sale investments	-	1,279	-	1,279
Impairments of mining assets	4,946	26,900	21,888	26,900
Adjusted EBITDA	2,665	1,521	10,611	12,313
Non-controlling interest	(955)	(623)	(4,068)	(4,272)
Adjusted EBITDA attributable to the shareholders of the Company	1,710	898	6,543	8,041
Adjusted basic and diluted EBITDA per share	0.01	0.01	0.05	0.06

Adjusted EBITDA per quarter



SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED

	SEPTEMBER 2014	DECEMBER 2014	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015
Mining operations						
Producing pits						
Mary LC pit						
Ore tonnes mined	-	-	-	-	83,577	119,891
Waste tonnes mined	-	-	-	-	941,334	743,394
Total mined	-	-	-	-	1,024,911	863,285
Strip ratio	-	-	-	-	11.3	6.2
Satellite pits						
Ore tonnes mined	-	-	58,073	56,046	127,546	245,569
Waste tonnes mined	-	-	172,352	113,521	990,728	769,186
Total mined	-	-	230,425	169,567	1,118,274	1,014,755
Strip ratio	-	-	3.0	2.0	7.8	3.1
Mary pit						
Ore tonnes mined	130,145	141,056	117,964	78,343	5,695	-
Waste tonnes mined	564,727	674,026	744,977	298,704	10,311	-
Total mined	694,872	815,082	862,941	377,047	16,006	-
Strip ratio	4.3	4.8	6.3	3.8	1.8	-
Drinkwater pit						
Ore tonnes mined	74,343	-	-	-	-	-
Waste tonnes mined	110,401	-	-	-	-	-
Total mined	184,744	-	-	-	-	-
Strip ratio	1.5	-	-	-	-	-
Total producing pits						
Ore tonnes mined	204,488	141,056	176,037	134,389	216,818	365,460
Waste tonnes mined	675,128	674,026	917,329	412,225	1,942,373	1,512,580
Total mined	879,616	815,082	1,093,366	546,614	2,159,191	1,878,040
Strip ratio	3.3	4.8	5.2	3.1	9.0	4.1
Pits under development:						
Ore tonnes mined	29,386	44,756	38,882	53,264	-	-
Waste tonnes mined	793,866	1,001,959	804,549	1,190,883	-	-
Total mined	823,252	1,046,715	843,431	1,244,147	-	-

	SEPTEMBER 2014	DECEMBER 2014	MARCH 2015	JUNE 2015	SEPTEMBER 2015	DECEMBER 2015
Total mining operations						
Ore tonnes mined	233,874	185,812	214,919	187,653	216,818	365,460
Waste tonnes mined	1,468,994	1,675,985	1,721,878	1,603,108	1,942,373	1,512,580
Total mined	1,702,868	1,861,797	1,936,797	1,790,761	2,159,191	1,878,040
Processing						
Tonnes processed	276,857	205,643	218,372	194,651	213,957	265,017
Gold head grade (grams per tonne)	1.49	1.68	1.41	1.37	1.59	1.66
Availability	52.9%	42.8%	52.0%	43.3%	45.0%	59.3%
Throughput (tonnes per day)						
Ounces produced						
Gold	11,228	10,258	11,952	8,738	9,497	9,503
Silver	4,911	4,387	6,319	3,591	4,927	4,905
Precious Metal Sales (ounces)						
Gold	11,639	11,344	10,408	10,217	8,516	9,955
Silver	4,734	4,452	4,232	6,090	4,168	4,755
Exploration Drilling						
Holes	132	61	112	253	204	111
Meters	15,772	7,734	8,908	27,796	18,163	9,612
Financial results						
	\$	\$	\$	\$	\$	\$
Cash operating cost per ounce of gold sold ⁽¹⁾	847	898	789	796	744	784
Total cash cost per ounce of gold sold ⁽¹⁾	859	898	797	800	732	786
Average price of gold						
London PM fix	1,282	1,201	1,218	1,193	1,124	1,107
Realized	1,260	1,173	1,179	1,173	1,089	1,081
Net earnings (loss)	275	(28,675)	755	1,747	(15,823)	(4,665)
Earnings (loss) per share	(0.00)	(0.16)	0.00	0.01	(0.11)	(0.03)
Adjusted net earnings ⁽¹⁾	457	(1,073)	979	1,772	1,128	712
Adjusted basic and diluted net earnings per share ⁽¹⁾	0.00	(0.01)	0.00	0.01	0.01	0.00
Adjusted EBITDA ⁽¹⁾	3,551	1,521	1,871	2,867	3,208	2,665
Adjusted basic and diluted EBITDA per share ⁽¹⁾	0.02	0.01	0.01	0.01	0.02	0.01

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

CONTINGENCIES

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at December 31, 2015.

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, either directly or indirectly.

The remuneration of directors and key management personnel during the years ended December 31, 2015 and December 31, 2014 is as follows:

	2015	2014
	\$	\$
Salaries and directors fees	895	1,238
Severance	250	-
Consulting fee with a director	44	162
Share-based compensation ⁽¹⁾	84	-
	1,273	1,400

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

During the year ended December 31, 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 December 31, 2015, \$103,219 (2014, \$128,355) resulting from these transactions is included in trade and other payables.

Other than the severance payment indicated above paid to the Company's former President, key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2015 and December 31, 2014.

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

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

In addition to the outstanding debt balance, related party transactions entered into with Waterton Fund during years ended December 31, 2015 and December 31, 2014 are as follows:

	2015	2014
	\$	\$
Interest on long-term debt	228	-
Debt structuring fee	120	-
	348	-

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

The previous related party disclosures included transactions with Waterton Global Value, L.P. with respect to interest on long term debt and sales as it was thought to be a related entity to Elevon, the Company’s partner at Mineral Ridge and a related party to Scorpio Gold. During the year, management determined that Waterton Global Value, L.P. is not related to Elevon and as such, the Company has revised its related party disclosures to no longer include those transactions and balances with Waterton Global Value, L.P. The Company has revised its prior year presentation to reflect this change.

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 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.

(ii) Liquidity risk

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

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

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	5,575	5,575	-	-	-
Long-term debt	6,085	78	6,007	-	-
Provision for environmental rehabilitation	5,848	163	3,842	1,371	472

(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, non-revolving credit facility is fixed at an interest at 10% 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

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in Canadian dollars ("CAD\$") and presented in thousands of US dollars.

	2015	2014
	\$	\$
Cash	144	110
Value added tax and other receivables	2	3
Promissory note receivable and accrued interest	-	2,176
Trade and other payables	(7)	(58)

A reasonably possible change in the USD/CAD exchange rate of 10%, would not have a significant impact on net earnings or comprehensive income.

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 December 31, 2015. The Company does not use derivatives to manage its exposure to price risk.

b) Fair Value

The fair value of cash, trade and other receivables, reclamation bonds and 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 entered into the debt facility in August 2015.

- 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 financial instruments classified as Level 2 or Level 3. There has been no transfer between levels of the fair value hierarchy.

RISKS AND UNCERTAINTIES

The financing, exploration, development and exploitation of the Company's properties and the operation of the Company's business are subject to a number of factors, including metal prices, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that have a material impact on, or constitute risk factors in respect of the Company's future financial performance.

The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial may also impair the Company's operations. The order in which the following risk factors appear does not necessarily reflect management's opinion of their order or priority.

Limited Operating History

The Company has only recently commenced mineral exploitation operations and has a limited history of earnings. There are limited known commercial quantities of mineral reserves on the Company's properties. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There can be no assurance that the Company can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The price and marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. Certain of the claims to which the Company has a right to acquire an interest or the claims which the Company has an interest in are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will, in part, be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The Company has one producing mine, the Mineral Ridge Gold mine, in Nevada, USA, at the present time. The economics of developing gold, silver and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Properties on which mineral reserves are not found will have to be discarded causing the Company to write each respective property off, thus sustaining a loss.

The mineral reserve and resource estimates contained or referred to in this MD&A or the Company's other disclosure documents are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified reserve or resource will qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models and historical performance of its processing plant to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual recoveries in a commercial mining operation may exceed or fall short of projected laboratory test results.

In addition, the grade of mineralization ultimately mined may differ from the grades indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formation, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations and there can be no assurance that historical performance of the processing plant will continue in the future. Material changes, inaccuracies or reductions in proven and

probable reserves or resource estimates, grades, waste-to-ore ratios or recovery rates could have a material adverse impact on the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of projects. The estimated proven and probable reserves and resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources, metallurgy and project engineering. The Company believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the mineral reserve and resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

The Mineral Ridge mine has a limited mine life and there can be no assurance that the life of mine can be extended. It is the Company's only operating mine at the present time.

Lack of Availability of Resources

Mineral exploration requires ready access to mining equipment such as drills, and crews to operate that equipment. There can be no assurance that such resources will be available to the Company on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in the Company's exploration programs.

Requirement for Additional Financing

The further exploration development and exploitation of the Company's projects may depend upon the Company's ability to obtain financing through equity financing, joint ventures, debt financing, or other means. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Company to obtain equity financing or debt financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Regulations, Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The Company intends to comply fully with all environmental regulations. The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Initial presentations have been made to both the BLM and the Nevada Division of Environmental Protection – Bureau of Mining Regulation and Reclamation ("NDEP-BMRR") as preliminary steps to making applications for permitting for the development of additional pits, as well as expansion of the heap leach pad. If these additional permits are not granted in a timely manner, or if the costs in obtaining these are too expensive for the Company to proceed, this could have an adverse effect on the Company.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require the Company to obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

To the best of the Company's knowledge, it is operating in all material respects in compliance with all applicable rules and regulations

Mineral Exploration and Mining Carry Inherent Risks

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on the Company's operations and its financial results.

Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of the Company's mineral properties in accordance with the laws of the jurisdiction in which such properties are situated; therefore, their existence and area could be in doubt.

Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Aboriginal Land Claims

The Company's mineral properties could become subject to aboriginal land claims to title, which could adversely affect the Company's title to its properties. While the Company actively consults with all groups which may be adversely affected by the Company's activities, including aboriginal groups, there can be no assurance that satisfactory agreements can be reached.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Company's ability to acquire additional suitable properties or prospects in the future.

Management

The success of the Company is currently largely dependent on the performance of its board of Directors and senior management. The loss of the services of these persons will have a material adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its board and management or other qualified personnel required to operate its business. Failure to do so could have material adverse effect on the Company and its prospects.

Metal Prices are Volatile

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, the Company's principal product and exploration target, gold, is affected by various factors, including political events, economic conditions and production costs.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Conflict of Interests

Certain of the directors and officers of the Company are directors or officers of, or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate or may wish to participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with the Company for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of the Company and, if the conflict involves a director, the director will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program.

It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the provisions of the Business Corporations Act (British Columbia), the directors and officers of the Company are required to act honestly and in good faith, with a view to the best interests of the Company.

In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Operations Dependent on Revenues and Financings

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of securities of the Company would be diminished.

As of December 31, 2015, the Company had cash of approximately \$2.3 million. The Company will use current cash and future cash flow from operations to fund exploration and development work, additional required mine capital, for general corporate purposes and for repayment of its debt when due. There can be no assurance that operating cash flows will be sufficient to cover these liabilities, which would otherwise require the Company to raise additional financing. The Company may also encounter significant unanticipated liabilities or expenses. The Company's ability to continue its planned exploration, development and mining activities depends in part on its ability to maintain or to generate free cash flow from its operating mine, which is subject to certain risks and uncertainties. The Company may be required to obtain additional financing in the future to fund exploration and development activities, mine capital expenditures or acquisitions of additional projects.

The Company has historically raised capital primarily through debt and equity financing and in the future may raise capital through equity or debt financing, joint ventures or other means. There can be no assurance that the Company will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

The Company prepares estimates of mine production for the Mineral Ridge mine project. The Company cannot give any assurance that it will achieve its production estimates. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores and the accuracy of estimates rates and costs of mining and processing.

The Company's actual production may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, landslides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing the Company to cease production.

It is not unusual in mining operations to experience unexpected problems, including during development and expansion stages. As a result of the foregoing risks and, in particular, since the Mineral Ridge project is in a development and expansion stage, expenditures on the project, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. Any such events could materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Estimates

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses.

The Company's discussion and analysis of its financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with IFRS. The Company's significant accounting policies are contained in Note 3 to the consolidated financial statements for the year ended December 31, 2015 which also discusses changes in those policies.

Certain of these policies involve critical judgements because they require the Company to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

Information about critical judgements and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows. Management considers these estimates to be an important part of understanding the Company's consolidated financial statements.

Critical judgments:

- i) Capitalization of exploration and evaluation costs and determination of economic viability of a project

Management has determined that exploration, development and evaluation costs incurred which were capitalized have future economic benefits. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefit including geological and metallurgical information, accessible facilities, existing permits and life of mine plans.

ii) Determination of functional currency

The functional currency of the Company and its US subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that its functional currency and that of its US subsidiaries' is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment in which the entity operates and the Company reconsiders functional currency if there is a change in events and conditions which determined the primary economic environment.

iii) Commencement of commercial production

Prior to reaching commercial production of a mine, costs incurred are capitalized as part of the costs of related non-producing mining assets and proceeds from precious metal sales are offset against costs capitalized. Depletion of capitalized costs for mining properties begins when commercial production has been reached.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of the mine and plant is completed, operating results are being achieved consistently for a period of time and there are indications that these operating results will be continued.

The Company determines commencement of commercial production based on the following factors which indicate that planned principal operations have commenced:

- (a) A significant portion of plant capacity is consistently achieved,
- (b) All necessary permits have been obtained; and,
- (c) A pre-determined, reasonable period of time has passed.

iv) Commencement of commercial production of an open pit

Prior to reaching commercial production for an open pit, costs incurred are capitalized as part of the costs of related non-producing mining assets. Depletion of capitalized costs for mining properties begins when commercial production has been reached.

In order to determine when commercial production of an open pit is deemed to have commenced, management considers various operating results compared to expectations, sustainability of those operating results and other qualitative factors.

Estimates:

i) Asset carrying values and impairment

The Company performs impairment testing when impairment indicators are present. In the determination of carrying values and impairment charges, management considers the recoverable amount which is the greater of fair value less costs to sell and value in use in the case of mining assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

a) Mineral Ridge mine

The continued decline in metal prices and the decrease in the Company's market capitalization in 2015 was an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using the value in use. Impairment testing is performed using life of mine discounted cash flow projections derived from expected future production, which incorporate reasonable estimates of future metal prices, operating costs and capital expenditures. The determination of the recoverable value used Level 3 valuation techniques.

Based on its assessment, the Company recorded during the year ended December 31, 2015 a non-cash impairment charge for Mineral Ridge of \$10.9 million, using a discount rate of 9% along with an average gold price assumption of \$1,216 for 2016 and \$1,250 thereafter.

The Company has performed a sensitivity analysis to identify the impact of changes in long-term gold price which is the key assumption that impacts the impairment calculation at the Mineral Ridge mine. Using the foregoing impairment testing model, considering a 10% change in the gold price assumption and holding all other assumptions constant, the recoverable value would change by approximately \$5 million.

During the year ended December 31, 2015, the Company also reconsidered building a processing facility at the Mineral Ridge mine and thus recognized a non-cash impairment loss of \$0.5 million related to expenditures incurred to date by the Company on that project. During the year ended December 31, 2015, the Company also recognized an impairment loss of \$0.5 million on certain non-producing mining assets.

During the year ended December 31, 2014, the Company recorded a non-cash impairment charge of \$26.9 million, using a discount rate of 9% along with an average gold price assumption of \$1,250 over the life of mine.

b) Goldwedge property and mill

The fact that the Goldwedge property and mill have been put on care and maintenance since July 28, 2015 and the Company has no exploration plans, nor the financial ability to fund further exploration on this property at this time are indicators of impairment. In determining the recoverable amount of the Goldwedge CGU, the Company determined the recoverable value using the fair value less costs to sell. The Company includes in its estimate an amount representing the value for its assets and current resources on the Goldwedge property. The determination of the fair value less costs to sell used Level 3 valuation techniques. Based on its assessment, the Company recorded a non-cash impairment charge of \$9.9 million during the year ended December 31, 2015.

ii) Estimation of asset lives and residual values

Depletion, depreciation and amortization expenses are allocated based on assumed asset lives and estimated residual values. Should the asset life, residual values, depletion rates or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of operations.

iii) Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

iv) Recognition of deferred taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon

examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates may occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized deferred income tax assets.

v) Estimation of environmental rehabilitation and the timing of expenditure and related accretion

The Company's provision for environmental rehabilitation represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation and assumptions of risks associated with the future cash outflows, and the applicable interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the provision for environmental rehabilitation are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

vi) Stripping activity asset

In the determination of its stripping activity asset and depreciation charge, management uses mineral reserve estimates which are subject to numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's estimates in mineral reserves and resources could have a material effect in the future on the Company's financial position and results of operation. Changes in estimated strip ratios can also result in a change to the future capitalization of stripping activity asset.

vii) Inventories

In determining cost of inventories, management makes estimates of quantities of ore stacked on leach pad and in process and the recoverable gold in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in cost of sales excluding depletion and amortization of future periods and carrying amounts of inventories. As a result, at December 31, 2014, the Company revised its estimated gold recovery rate and consequently the number of recoverable ounces stacked on leach pad and in process. The Company estimated that an additional 3,307 ounces of such inventory was on the leach pad and in process as at December 31, 2014, which were accounted for prospectively and had a positive impact on cost of sales excluding depletion and amortization during the year ended December 31, 2015.

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 year ended December 31, 2015, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

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

RECENT ACCOUNTING PRONOUNCEMENTS

Certain amendments and new standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") and are mandatory for annual accounting periods beginning on or after January 1, 2016, unless otherwise indicated. Those not applicable to or that do not have a significant impact on the Company have been excluded from the list below. The following is a description of the new or amended standards that have not yet been adopted by the Company.

i) Amendments to Statement of Cash Flows ("IAS 7")

The IASB published amendments to *Statement of Cash Flows* ("IAS 7"). The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The Company is currently assessing the impact of this new standard on its financial statements.

ii) Financial instruments ("IFRS 9")

Financial instruments ("IFRS 9") was issued by the IASB and will replace *Financial instruments: recognition and measurement* ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments also introduce a

new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new standard on its financial statements.

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

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

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

The core principle of this new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. These amendments are effective for annual periods beginning after January 1, 2018. The Company is currently assessing the impact of this new standard on its financial statements.

v) Leases ("IFRS 16")

Leases ("IFRS 16") was issued by the IASB and will replace *Leases* ("IAS 17"). IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFRS 16 is effective 1 January 2019. Early application is permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this new standard on its financial statements.

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

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

DISCLOSURE OF OUTSTANDING SECURITIES AS AT APRIL 7, 2016

Outstanding common shares	124,948,235
Stock options	10,245,000
Fully diluted	135,193,235

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, including all statements that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under “Risk Factors” in this MD&A.