



Condensed Interim Consolidated Financial Statements of

Scorpio Gold Corporation

For the three months ended
March 31, 2017 and March 31, 2016
(unaudited)

**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Scorpio Gold Corporation

Condensed interim consolidated statements of comprehensive income

Three months ended March 31, 2017 and March 31, 2016

*(In thousands of US dollars except for shares and per share amounts)**(unaudited)*

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$	\$
Revenue	9,875	9,428
Cost of sales excluding depletion and amortization (Note 5)	(7,226)	(7,416)
Depletion and amortization	(271)	(147)
Mine operating earnings	2,378	1,865
Expenses		
General and administrative (Note 6)	(391)	(264)
Care and maintenance	(185)	(184)
Gain on disposal of mining assets	-	39
Impairment of mining assets (Note 3b))	(1,549)	-
Operating earnings	253	1,456
Other (expenses) income		
Finance costs (Note 7)	(192)	(193)
Foreign exchange loss	-	(1)
Finance income	-	1
	(192)	(193)
Earnings before income taxes	61	1,263
Income tax (expense) recovery		
Current	(149)	(109)
Deferred	128	(75)
	(21)	(184)
Net earnings and comprehensive income	40	1,079
Net (loss) earnings and comprehensive income attributable to (Note 3c)):		
Shareholders of the Company	(126)	656
Non-controlling interest	166	423
	40	1,079
Basic and diluted (loss) earnings per share (Note 3c))	(0.00)	0.01
Basic and diluted weighted average number of shares outstanding (Note 8)	124,948,235	124,948,235

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of financial position

As at

*(In thousands of US dollars)**(unaudited)*

	March 31, 2017	December 31, 2016
	\$	\$
Assets		
Current assets		
Cash	6,108	3,816
Restricted cash	-	2,307
Trade and other receivables	22	162
Prepaid expenses and other	647	817
Inventories (Note 9)	5,727	7,111
Total current assets	12,504	14,213
Producing mining assets (Note 10)	5,081	4,929
Non-producing mining assets and other (Note 11)	2,744	2,630
Reclamation bonds	5,742	5,742
Total assets	26,071	27,514
Equity and liabilities		
Current liabilities		
Trade and other payables	3,883	4,118
Provision for litigation (Note 17)	-	1,015
Income taxes payable	723	574
Current portion of long-term debt and financing lease (Note 12)	115	121
Total current liabilities	4,721	5,828
Long-term debt and financing lease (Note 12)	6,003	6,009
Provision for environmental rehabilitation	4,703	4,684
Deferred income tax liability	220	348
Total liabilities	15,647	16,869
Equity		
Share capital (Note 13)	51,449	51,449
Equity reserve	6,555	6,555
Investment valuation reserve	(2)	(2)
Foreign currency translation reserve	(194)	(194)
Deficit	(44,979)	(44,853)
Equity attributable to shareholders of the Company	12,829	12,955
Non-controlling interest	(2,405)	(2,310)
Total equity	10,424	10,645
Total liabilities and equity	26,071	27,514

Statement of compliance, basis of presentation and going concern (Note 2)

Provision and contingencies (Note 17)

APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of changes in equity

Three months ended March 31, 2017 and March 31, 2016

(In thousands of US dollars, shares in thousands)

(unaudited)

	Share capital		Equity	Investment	Foreign		Non-	Total
	Number	Amount	reserve	valuation	currency	Deficit	controlling	equity
				reserve	translation		interest	
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	124,948	51,449	6,555	(2)	(194)	(44,853)	(2,310)	10,645
Net (loss) earnings and comprehensive income	-	-	-	-	-	(126)	166	40
Distributions to non-controlling interest	-	-	-	-	-	-	(261)	(261)
Balance, March 31, 2017	124,948	51,449	6,555	(2)	(194)	(44,979)	(2,405)	10,424

	Share capital		Equity	Investment	Foreign		Non-	Total
	Number	Amount	reserve	valuation	currency	Deficit	controlling	equity
				reserve	translation		interest	
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015	124,948	51,449	6,388	(2)	(194)	(44,463)	(3,030)	10,148
Net earnings and comprehensive income (Note 3c))	-	-	-	-	-	656	423	1,079
Contribution by non-controlling interest	-	-	-	-	-	-	343	343
Balance, March 31, 2016	124,948	51,449	6,388	(2)	(194)	(43,807)	(2,264)	11,570

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Condensed interim consolidated statements of cash flows
Three months ended March 31, 2017 and March 31, 2016
(In thousands of US dollars)
(unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$	\$
Operating activities		
Net earnings before taxes	61	1,263
Adjustments for:		
Income taxes paid	-	(43)
Items not involving cash :		
Finance costs (Note 7)	192	193
Finance income	-	(1)
Gain on disposal of mining assets	-	(39)
Impairment of mining assets (Note 3b))	1,549	-
Depletion and amortization	273	151
Cash flows from operating activities before movements in working capital:	2,075	1,524
Decrease in trade and other receivables	140	9
Decrease in prepaid expenses and other	170	182
Decrease (increase) in inventories	1,384	(675)
Decrease in trade and other payables	(320)	(1,406)
	3,449	(366)
Investing activities		
Decrease of restricted cash (Note 17)	1,307	-
Additions to non-producing mining assets	(864)	(1,132)
Proceeds from disposal of non-producing mining assets	-	3
Additions to producing mining assets	(1,154)	(220)
Proceeds from disposal of producing mining assets	-	191
	(711)	(1,158)
Financing activities		
Repayment of long-term debt and financing lease	(37)	(19)
Interest paid	(148)	(150)
Distributions to non-controlling interest	(261)	-
Contribution by non-controlling interest	-	343
	(446)	174
Increase (decrease) in cash	2,292	(1,350)
Cash, beginning of period	3,816	2,273
Cash, end of period	6,108	923
Supplemental cash flow information (Note 14)		

See accompanying notes to the condensed interim consolidated financial statements

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

1. Continuation of operations

Scorpio Gold Corporation ("Scorpio Gold" or the "Company") and its subsidiaries conduct mineral exploitation, exploration and development activities in the United States.

The Company is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The address of the Company's registered office is 206-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5 and its administrative office is located at 1462, de la Quebecoise, Val-d'Or, Quebec, Canada, J9P 5H4.

2. Statement of compliance, basis of presentation and going concern

The Company's condensed interim consolidated financial statements have been prepared on the going concern basis which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

Based on the Company's current mine plan, the Company anticipates mining at Mineral Ridge through to August 2017, after which there will be residual but diminishing gold recoveries from the leach pads. As a result, the Company's revenues from operations will be adversely affected, and the Company will be increasingly required to fund operations from its available cash. In addition, \$6.0 million principal of the Company's long-term debt matures in August 2018 (Note 12). In light of the current mine plan, the Company does not expect that it will be able to generate sufficient cash flows to settle its long-term debt without it being refinanced. The Company is currently evaluating various business alternatives, which involve refinancing its long-term debt and/or raising financing through an equity financing or through other types of financing. Also, the Company could continue mining beyond its current mine plan at Mineral Ridge after receiving approval of its amendment to the revised Plan of Operations and/or following positive results from its exploration efforts provided that, in the Company's opinion, it is economically viable to do so. The successful completion of a refinancing of the Company's debt or raising financing through an equity financing or through other types of financing, obtaining operating permits and economic viability of any future mining and the ability to identify future profitable business operations beyond the current mine plan is not entirely within the control of the Company. These factors create significant doubt and material uncertainty over the Company's ability to continue as a going concern in the foreseeable future.

The Company's condensed interim consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

These condensed interim consolidated financial statements of the Company, including comparatives, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements do not include all disclosures required by IFRS for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2016 prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 30, 2017.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

3. Significant accounting policies and estimates

The preparation of financial data is based on accounting principles and estimates consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2016, except for the following policy being applied in the current quarter which was not applicable in the 2016 consolidated financial statements:

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

On January 1, 2017, the Company adopted the amendments to *Statement of Cash Flows* ("IAS 7"). The amendments improve information provided to users of financial statements about the Company's financing activities. The adoption of these amendments did not have any significant impact on the presentation of the Company's financial statements.

b) Mineral Ridge mine estimates

The fact the carrying amount of the net assets of the Company was higher than the Company's market capitalization as of March 31, 2017 is an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using fair value less costs of disposal. Impairment testing is performed using life of mine discounted cash flow projections derived from expected future production, which incorporate reasonable estimates of life of mine, future metal prices, operating costs, capital expenditures and residual values of the assets. The determination of the recoverable value used Level 3 valuation inputs.

Based on its assessment, the Company calculated that a non-cash impairment charge for Mineral Ridge of \$2.7 million would be required, using a discount rate of 9% along with an average gold price assumption of \$1,250 for the rest of 2017. However, since the depreciable amount of the assets, being defined as the net of the carrying amounts and the residual value, amounted to \$1.5 million, the Company recorded a \$1.5 million non-cash impairment charge for Mineral Ridge as at March 31, 2017.

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 mentioned above. Using the foregoing impairment testing model, a 10% increase in the gold price assumption and holding all other assumptions constant would reduce the amount of the impairment by \$0.2 million. A 10% decrease in the gold price assumption and holding all other assumptions constant has no impact on the impairment as the residual value of the assets remains constant.

c) Non-controlling interest - correction

As part of the operating agreement of the Company's 70% owned subsidiary Mineral Ridge Gold, LLC ("MRG"), Scorpio earns management fees from MRG which are eliminated upon consolidation. The non-controlling interest's share of MRG's net income (loss) had been previously calculated by excluding the management fee expense incurred by MRG; during the year ended December 31, 2016, the Company determined that the management fees should have been considered. This correction had no impact on the Company's total net earnings for the period ended March 31, 2016. However, this correction decreased the net earnings attributable to non-controlling interest in the period ended March 31, 2016 by \$0.1 million and increased the net earnings attributable to the shareholders of the Company by the same amount. This correction increased the basic and diluted net earnings per share by \$0.01 for the period ended March 31, 2016.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

4. Financial instruments

a) Financial risk factors

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

Liquidity risk

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

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

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	3,883	3,883	-	-	-
Principal and interest on long-term debt and financing lease	7,063	721	6,342	-	-
Provision for environmental rehabilitation	4,990	163	2,889	1,441	497

b) Fair Value

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

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

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(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$	\$
Contractor charges	2,481	3,697
Labour	1,599	1,989
Fuel and reagents	608	594
Mechanical parts	475	872
Change in ore stockpile, metals in process and finished goods inventories	1,409	(628)
Royalties	9	60
Utilities, permits and other	645	832
	7,226	7,416

6. General and administrative

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$	\$
Salaries and benefits	165	153
Investor relations	77	4
Directors fees	42	33
Professional fees	41	39
Insurance, travel and office related	32	25
Project evaluation	24	-
Consultants	8	7
Transfer agent and listing fees	2	2
Amortization	-	1
	391	264

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

7. Finance costs

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$	\$
Interest on long-term debt	148	150
Amortization of debt issue cost	23	21
Unwinding of discount of provision for environmental rehabilitation	19	22
Interest on financing lease	2	-
	192	193

8. Weighted average number of shares and dilutive share equivalents

	Three months ended March 31, 2017	Three months ended March 31, 2016
Basic and diluted weighted average number of shares	124,948,235	124,948,235

All of the potentially dilutive securities were excluded from the dilutive number of shares outstanding for the three-month period ended March 31, 2017 and for the three-month period ended March 31, 2016 as they are anti-dilutive.

9. Inventories

	March 31, 2017	December 31, 2016
	\$	\$
Supplies	889	865
Ore stockpile	129	244
Metals in process	4,257	3,328
Finished goods	452	2,674
	5,727	7,111

During the three-month period ended March 31, 2017, inventory included as cost of sales is \$7.5 million (2016, \$7.5 million).

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

10. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2015	67,806	23,330	1,520	779	93,435
Transfer from non-producing mining assets	594	111	12	-	717
Additions	2,554	172	500	19	3,245
Disposal	-	(431)	(59)	-	(490)
Change in provision for environmental rehabilitation	(794)	-	-	-	(794)
Balance, December 31, 2016	70,160	23,182	1,973	798	96,113
Transfer from non-producing mining assets	799 ⁽¹⁾	4	-	-	803
Additions	931	12	213	3	1,159
Disposal	-	(9)	-	-	(9)
Balance, March 31, 2017	71,890	23,189	2,186	801	98,066

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2015	67,768	18,892	975	776	88,411
Transfer from non-producing mining assets	238	81	-	-	319
Depletion and amortization	1,472	22	71	3	1,568
Impairments	682	476	46	11	1,215
Disposal	-	(280)	(49)	-	(329)
Balance, December 31, 2016	70,160	19,191	1,043	790	91,184
Transfer from non-producing mining assets	507 ⁽¹⁾	-	-	-	507
Depletion and amortization	271	2	-	-	273
Impairment	952	6	64	3	1,025
Disposal	-	(4)	-	-	(4)
Balance, March 31, 2017	71,890	19,195	1,107	793	92,985

Net book value

December 31, 2016	-	3,991	930	8	4,929
March 31, 2017	-	3,994	1,079	8	5,081

⁽¹⁾ The Brodie SE pit at the Mineral Ridge project entered into the production phase during 2017, and therefore the related asset and impairment balances have been transferred from non-producing mining assets to producing mining assets.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

*(Tabular amounts in thousands of US dollars unless otherwise noted)**(unaudited)***10. Producing mining assets (Continued)**

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
Cost	\$	\$	\$
Balance, December 31, 2015	90,807	2,628	93,435
Transfer from non-producing mining assets	698	19	717
Additions	3,238	7	3,245
Disposal	(485)	(5)	(490)
Change in provision for environmental rehabilitation	(794)	-	(794)
Balance, December 31, 2016	93,464	2,649	96,113
Transfer from non-producing mining assets	799	4	803
Additions	1,154	5	1,159
Disposal	(9)	-	(9)
Balance, March 31, 2017	95,408	2,658	98,066

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2015	86,445	1,966	88,411
Transfer from non-producing mining assets	319	-	319
Depletion and amortization	1,555	13	1,568
Impairments	1,124	91	1,215
Disposal	(325)	(4)	(329)
Balance, December 31, 2016	89,118	2,066	91,184
Transfer from non-producing mining assets	507	-	507
Depletion and amortization	271	2	273
Impairment	1,025	-	1,025
Disposal	(4)	-	(4)
Balance, March 31, 2017	90,917	2,068	92,985

Net book value

December 31, 2016	4,346	583	4,929
March 31, 2017	4,491	590	5,081

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

11. Non-producing mining assets and other

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015	15,177	685	604	43	744	17,253
Transfer to producing mining assets	(594)	-	-	-	(123)	(717)
Additions	3,850	-	-	-	123	3,973
Write-off	(2,782)	-	-	-	(3)	(2,785)
Disposal	-	-	-	(6)	-	(6)
Change in provision for environmental rehabilitation	(11)	-	-	-	-	(11)
Balance, December 31, 2016	15,640	685	604	37	741	17,707
Transfer to producing mining assets	(799)	-	-	-	(4)	(803)
Additions	738	-	-	-	196	934
Balance, March 31, 2017	15,579	685	604	37	933	17,838

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2015	12,549	515	455	34	721	14,274
Transfer to producing mining assets	(238)	-	-	-	(81)	(319)
Write-off	(1,296)	-	-	-	-	(1,296)
Amortization	-	5	1	6	-	12
Impairments	2,280	-	44	-	85	2,409
Disposal	-	-	-	(3)	-	(3)
Balance, December 31, 2016	13,295	520	500	37	725	15,077
Transfer to producing mining assets	(507)	-	-	-	-	(507)
Impairment	429	-	-	-	95	524
Balance, March 31, 2017	13,217	520	500	37	820	15,094

Net book value

December 31, 2016	2,345	165	104	-	16	2,630
March 31, 2017	2,362	165	104	-	113	2,744

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

11. Non-producing mining assets and other (Continued)

Non-producing mining interest is detailed by property as follows:

	Mineral Ridge	Goldwedge	Other	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2015	6,106	11,107	40	17,253
Transfer to producing mining assets	(698)	(19)	-	(717)
Additions	3,749	214	10	3,973
Write-off	(2,686)	(99)	-	(2,785)
Disposal	-	-	(6)	(6)
Change in provision for environmental rehabilitation	-	(11)	-	(11)
Balance, December 31, 2016	6,471	11,192	44	17,707
Transfer to producing mining assets	(799)	(4)	-	(803)
Additions	816	113	5	934
Balance, March 31, 2017	6,488	11,301	49	17,838

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2015	6,086	8,156	32	14,274
Transfer to producing mining assets	(319)	-	-	(319)
Write-off	(1,296)	-	-	(1,296)
Amortization	-	6	6	12
Impairments	2,000	409	-	2,409
Disposal	-	-	(3)	(3)
Balance, December 31, 2016	6,471	8,571	35	15,077
Transfer to producing mining assets	(507)	-	-	(507)
Impairment	524	-	-	524
Balance, March 31, 2017	6,488	8,571	35	15,094

Net book value

December 31, 2016	-	2,621	9	2,630
March 31, 2017	-	2,730	14	2,744

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

12. Long-term debt

	March 31, 2017	December 31, 2016
	\$	\$
Senior secured credit facility, repayable in August 2018, bearing interest at a rate of 10% per annum payable quarterly, secured by a first priority security interest over all of the Company's assets, net of debt issue cost of \$136,000 ^{a)}	5,864	5,841
Financing lease on mobile equipment having a net book value of \$150,000, payable by monthly installments of \$10,115 including interest at a rate of 3.2% per annum until May 2019 ^{b)}	254	282
Loan, repaid during the period	-	7
Current portion	(115)	(121)
Long-term portion	6,003	6,009

Future long-term debt principal repayments are as follows:

2018: \$6,000

- ^{a)} On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"), an affiliate of Elevon, LLC, for a loan in the principal amount of \$6 million (the "Loan"). The Company paid Waterton Fund a \$0.12 million structuring fee and incurred \$0.16 million of other related issue costs. The Loan matures and is payable 36 months after the date of advancement, but may be voluntarily prepaid by the Company at any time, provided that upon such prepayment the Company shall pay the lesser of 24 months of interest on the principal amount, or such interest as would be payable between the date of such prepayment and the maturity date of the Loan. Also, the Loan is subject to mandatory prepayment in certain circumstances, including upon a change of control of the Company, as defined in the definitive agreement.

There are certain restrictions placed on the Company pursuant to the Loan, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company's trade payables not exceed \$8.0 million. The Company has complied with all restrictions pursuant to the Loan as at March 31, 2017.

- ^{b)} Future minimum capital payments on financing lease are as follows:

	March 31, 2017	December 31, 2016
	\$	\$
2017	121	121
2018	121	121
2019	21	51
Total minimum lease payments	263	293
Less: amount representing interest	(9)	(11)
	254	282

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

13. Share capital

(a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value.

(b) Stock option plan

A summary of changes in the Company's outstanding stock options for the three months ended March 31, 2017 and the year ended December 31, 2016, are as follows:

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	(in thousands)	CAD\$	(in thousands)	CAD\$
Outstanding, beginning of period	10,890	0.27	10,545	0.49
Granted	-	-	4,140	0.085
Expired	(3,085)	0.58	(3,795)	(0.69)
Outstanding, end of period	7,805	0.15	10,890	0.27

(b) Stock option plan

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2017:

Exercise price	Weighted average remaining contractual life	Outstanding	Exercisable
CAD\$	(in years)	(in thousands)	(in thousands)
0.085	4.42	3,563	3,463
0.10	3.42	100	100
0.145	2.79	2,227	2,227
0.205	1.27	100	100
0.275	6.19	1,815	1,815
		7,805	7,705

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Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

14. Supplemental cash flow information

Change in liabilities arising from financing activities are as follows:

	March 31, 2017
	\$
Long-term debt and financing lease, beginning of period	6,130
Cash flows: Principal repayment	(35)
Non-cash: Amortization of debt issue cost	23
Long-term debt and financing lease, end of period	6,118

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(unaudited)

15. Segmented information

(a) Industry information

The Company is engaged in mining exploitation, exploration and development and has one operating mine and a toll milling facility. The Company has two reportable segments being Mineral Ridge and Goldwedge. The Other category is composed of head office, Scorpio Gold (US) Corporation and Pinon LLC. Segments are operations reviewed by the CEO who is considered to be the chief operating decision maker.

Operating segment details are as follows:

	Three months ended March 31, 2017			
	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	9,875	-	-	9,875
Inter-segment (expense) - management fees	(237)	-	237	-
Cost of sales excluding depletion and amortization	(7,226)	-	-	(7,226)
Depletion and amortization	(271)	-	-	(271)
Mine operating earnings	2,141	-	237	2,378
Expenses				
General and administrative	-	(5)	(386)	(391)
Care and maintenance	-	(183)	-	(183)
Care and maintenance amortization	-	(2)	-	(2)
Impairment of mining assets	(1,549)	-	-	(1,549)
Operating earnings (loss)	592	(190)	(149)	253
Other expenses				
Finance costs	(19)	(2)	(171)	(192)
Earnings (loss) before income taxes	573	(192)	(320)	61
Income tax expense	(21)	-	-	(21)
Net earnings (loss) and comprehensive income	552	(192)	(320)	40

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Three months ended March 31, 2017 and March 31, 2016

*(Tabular amounts in thousands of US dollars unless otherwise noted)**(unaudited)***15. Segmented information (Continued)****Three months ended March 31, 2016**

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Revenue from precious metal sales	9,428	-	-	9,428
Inter-segment (expense) - management fees	(292)	-	292	-
Cost of sales excluding depletion and amortization	(7,416)	-	-	(7,416)
Depletion and amortization	(147)	-	-	(147)
Mine operating earnings	1,573	-	292	1,865
Expenses				
General and administrative	-	-	(263)	(263)
Care and maintenance	-	(180)	-	(180)
Care and maintenance amortization	-	(4)	-	(4)
Amortization	-	-	(1)	(1)
Gain (loss) on disposal of assets	40	(1)	-	39
Operating earnings (loss)	1,613	(185)	28	1,456
Other (expenses) income				
Finance costs	(21)	(1)	(171)	(193)
Foreign exchange loss	-	-	(1)	(1)
Finance income	-	-	1	1
	(21)	(1)	(171)	(193)
Earnings (loss) before income taxes	1,592	(186)	(143)	1,263
Income tax expense	(184)	-	-	(184)
Net earnings (loss) and comprehensive income	1,408	(186)	(143)	1,079

As at March 31, 2017

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	21,967	3,592	512	26,071
Total liabilities	9,090	410	6,147	15,647

As at December 31, 2016

	Mineral Ridge	Goldwedge	Other	Total
	\$	\$	\$	\$
Total assets	23,619	3,485	410	27,514
Total liabilities	10,282	395	6,192	16,869

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

15. Segmented information (Continued)

(b) Geographic information

All revenue from the sale of precious metals for the periods ended March 31, 2017 and March 31, 2016 were earned in the United States. Substantially all of the Company's revenues are with one customer.

All of the Company's non-current assets are located in the United States of America as at March 31, 2017 and December 31, 2016.

16. Related party transactions

a) Compensation of key management personnel and directors

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

The remuneration of directors and key management personnel during the three-month periods ended March 31, 2017 and March 31, 2016 is as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Salaries and directors' fees	\$ 209	\$ 204
Consulting fee with a director	6	-
	215	204

As at March 31, 2017, an aggregate of \$84,542 resulting from transactions with key management is included in trade and other payables.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three-month periods ended March 31, 2017 and March 31, 2016.

Scorpio Gold Corporation

Notes to the condensed interim consolidated financial statements

Three months ended March 31, 2017 and March 31, 2016

(Tabular amounts in thousands of US dollars unless otherwise noted)

(unaudited)

16. Related party transactions (Continued)

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.

Related party transactions entered into with Waterton Fund during the periods ended March 31, 2017 and March 31, 2016 are as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$	\$
Interest on long-term debt	148	149

17. Provision and contingencies

During 2016, the Second Judicial District Court of Washoe County, Nevada issued a judgment awarding National EWP, Inc. ("National") US\$2.3 million in its lawsuit against Mineral Ridge Gold LLC ("MRG") for additional costs related to the construction of a water well. The Company and its legal advisors disagreed with both the Court's legal conclusions and its factual findings and began the appeals process. To prevent any collection activities during the pendency of the appeal, MRG was required to provide cash security to the Court in the amount of the judgment of US\$2.3 million.

During the early stages of the appeal, Nevada court rules required both parties to attend a settlement conference with a court-appointed mediator to seek agreeable settlement terms. After negotiation with National in February 2017, the Company determined that it was in its best interest to settle the case for an amount of US\$1 million and end the costly litigation. In February 2017, the cash security provided by MRG to the Court was released. From the released funds, the settlement amount has been paid to National and the \$1.3 million remaining funds have been returned to MRG. Also during Q1 of 2017, the Company settled another litigation case for \$15,000.

Reconciliation of provision for litigation is as follows:

	March 31, 2017	December 31, 2016
	\$	\$
Balance, opening of period	1,015	-
Additions	-	1,015
Settlement	(1,015)	-
Balance, end of period	-	1,015

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