SCORPIO

GOLD CORPORATION

Condensed Consolidated Interim Financial Statements of

Scorpio Gold Corporation

For the three and six months ended
June 30, 2015 and June 30, 2014
(unaudited)

MANAGEMENT’S COMMENTS ON UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 consolidated interim statements of operations
Three and six months ended June 30, 2015 and June 30, 2014
(In thousands of US dollars except for shares and per share amounts)
(unaudited)

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Revenue	**12,083**	10,646	**24,426**	23,895
Cost of sales excluding depletion and amortization (Note 5)	**(8,640)**	(6,871)	**(18,195)**	(15,657)
Depletion and amortization	**(1,025)**	(2,727)	**(1,758)**	(5,860)
Mine operating earnings	**2,418**	1,048	**4,473**	2,378
Expenses				
General and administrative (Note 6)	**(578)**	(488)	**(1,684)**	(1,028)
Operating earnings	**1,840**	560	**2,789**	1,350
Other (expenses) income				
Finance costs (Note 7)	**(25)**	(129)	**(102)**	(340)
Foreign exchange gain (loss)	**13**	84	**(206)**	79
Finance income	**1**	18	**11**	23
Loss on disposal of non-producing mining assets	**(38)**	-	**(38)**	-
Gain on disposal of investments	**-**	-	**172**	-
	(49)	(27)	**(163)**	(238)
Earnings before income taxes	**1,791**	533	**2,626**	1,112
Income tax (expense) recovery				
Current	**(44)**	(12)	**(124)**	(213)
Deferred	**-**	87	**-**	87
	(44)	75	**(124)**	(126)
Net earnings for the period	**1,747**	608	**2,502**	986
Net earnings attributable to:				
Shareholders of the Company	**1,009**	303	**1,140**	349
Non-controlling interest	**738**	305	**1,362**	637
	1,747	608	**2,502**	986
Earnings per share				
Basic	**0.01**	0.00	**0.01**	0.00
Diluted	**0.01**	0.00	**0.01**	0.00
Weighted average number of shares outstanding (Note 8)				
Basic	**124,948,235**	124,948,235	**124,948,235**	124,948,235
Diluted	**124,948,235**	124,966,443	**124,948,235**	124,973,603

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of comprehensive income
Three and six months ended June 30, 2015 and June 30, 2014
(In thousands of US dollars)
(unaudited)

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Net earnings for the period	**1,747**	608	**2,502**	986
Other comprehensive income (loss)				
Items that may subsequently be reversed to profit or loss:				
Change in fair value of available-for-sale investments (net of tax, nil ,$87, nil, $87,) (Note 10)	**-**	1,004	**98**	556
Reclassification to statement of operations	**-**	-	**(101)**	-
Comprehensive income for the period	**1,747**	1,612	**2,499**	1,542
Comprehensive income attributable to:				
Shareholders of the Company	**1,009**	1,307	**1,137**	905
Non-controlling interest	**738**	305	**1,362**	637
	1,747	1,612	**2,499**	1,542

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation
Condensed consolidated interim statements of financial position
As at
(In thousands of US dollars)
(unaudited)

	June 30, 2015	December 31, 2014
	$	$
Assets		
Current assets		
Cash	**1,872**	1,114
Trade and other receivables	**17**	89
Prepaid expenses and other	**566**	542
Inventories (Note 9)	**5,134**	9,568
Investments (Note 10)	**1**	5,264
Total current assets	**7,590**	16,577
Producing mining assets (Note 11)	**8,866**	7,178
Non-producing mining assets and other (Note 12)	**20,081**	11,831
Reclamation bonds	**5,783**	5,357
Total assets	**42,320**	40,943
Equity and liabilities		
Current liabilities		
Trade and other payables	**6,738**	5,264
Income taxes payable	**123**	145
Current portion of long-term debt (Note 13)	**77**	3,126
Total current liabilities	**6,938**	8,535
Long-term debt (Note 13)	**46**	312
Provision for environmental rehabilitation	**5,787**	5,745
Total liabilities	**12,771**	14,592
Equity		
Share capital (Note 14)	**51,449**	51,449
Equity reserve	**6,383**	6,184
Investment valuation reserve	**(2)**	1
Foreign currency translation reserve	**(194)**	(194)
Deficit	**(28,681)**	(29,821)
Equity attributable to shareholders of the Company	**28,955**	27,619
Non-controlling interest	**594**	(1,268)
Total equity	**29,549**	26,351
Total liabilities and equity	**42,320**	40,943

Contingencies (Note 19)
Subsequent events (Note 20)
APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of changes in equity
Three and six months ended June 30, 2015 and June 30, 2014
(In thousands of US dollars, shares in thousands)
(unaudited)

	Share capital Number	Share capital Amount	Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
		$	$	$	$	$	$	$
Balance, December 31, 2014	124,948	51,449	6,184	1	(194)	(29,821)	(1,268)	26,351
Net earnings for the period	-	-	-	-	-	1,140	1,362	2,502
Distributions to non-controlling interest	-	-	-	-	-	-	(100)	(100)
Contribution by non-controlling interest	-	-	-	-	-	-	600	600
Change in fair value of available-for-sale investments (net of tax)	-	-	-	98	-	-	-	98
Reclassification of gain on available-for-sale investments to statement of operations	-	-	-	(101)	-	-	-	(101)
Share-based compensation	-	-	199	-	-	-	-	199
Balance, June 30, 2015	124,948	51,449	6,383	(2)	(194)	(28,681)	594	29,549

	Share capital Number	Share capital Amount	Equity reserve	Investment valuation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total equity
		$	$	$	$	$	$	$
Balance, December 31, 2013	124,948	51,449	6,181	-	(194)	(9,682)	7,143	54,897
Net earnings for the period	-	-	-	-	-	349	637	986
Distributions to non-controlling interest	-	-	-	-	-	-	(621)	(621)
Change in fair value of available-for-sale investments (net of tax)	-	-	-	556	-	-	-	556
Share-based compensation	-	-	3	-	-	-	-	3
Balance, June 30, 2014	124,948	51,449	6,184	556	(194)	(9,333)	7,159	55,821

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim statements of cash flows
Three and six months ended June 30, 2015 and June 30, 2014
(In thousands of US dollars)
(unaudited)

	Three months ended June 30 2015	Three months ended June 30 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Operating activities				
Earnings before taxes for the period	**1,791**	533	**2,626**	1,112
Adjustment for:				
Income tax paid	**-**	(204)	**(145)**	(415)
Environmental rehabilitation expenditures	**-**	(22)	**(4)**	(24)
Items not involving cash:				
Finance costs	**25**	129	**102**	340
Finance income	**(1)**	(18)	**(11)**	(23)
Gain on disposal of investments	**-**	-	**(172)**	-
Loss on disposal of non-producing mining assets	**38**	-	**38**	-
Share-based compensation (Note 14)	**-**	-	**177**	3
Depletion and amortization	**1,026**	2,730	**1,761**	5,865
Cash flows from operating activities before movements in working capital:	**2,879**	3,148	**4,372**	6,858
Decrease in trade and other receivables	**3**	133	**72**	119
Decrease (increase) in prepaid expenses and other	**171**	136	**57**	(170)
Decrease (increase) in inventories	**2,401**	(972)	**4,435**	(570)
(Decrease) increase in trade and other payables	**(846)**	(221)	**16**	(875)
	4,608	2,224	**8,952**	5,362
Investing activities				
Additions to non-producing mining assets	**(4,982)**	(2,593)	**(8,528)**	(4,631)
Proceeds from disposal of non-producing mining assets	**35**	-	**35**	5,413
Proceeds from disposal of investments	**-**	-	**5,250**	-
Additions to producing mining assets	**(794)**	(895)	**(1,694)**	(1,125)
Additions to reclamation bonds	**(425)**	-	**(425)**	(2,291)
Reduction to reclamation bonds	**-**	453	**-**	3,548
Finance income received	**-**	17	**15**	17
	(6,166)	(3,018)	**(5,347)**	931
Financing activities				
Repayment of long-term debt	**(18)**	(736)	**(3,469)**	(6,257)
Interest paid	**(2)**	(103)	**(55)**	(288)
Distributions to non-controlling interest	**-**	(267)	**(100)**	(621)
Contribution by non-controlling interest	**-**	-	**600**	-
	(20)	(1,106)	**(3,024)**	(7,166)
Effect of foreign exchange rate changes on cash	**-**	(80)	**177**	(77)
(Decrease) increase in cash	**(1,578)**	(1,980)	**758**	(950)
Cash, beginning of period	**3,450**	3,805	**1,114**	2,775
Cash, end of period	**1,872**	1,825	**1,872**	1,825

Supplemental cash flow information (Note 15)
See accompanying notes to the condensed consolidated interim financial statements

1. Continuation of operations

Scorpio Gold Corporation ("Scorpio Gold" or the "Company") and its subsidiaries conduct mineral exploitation, exploration and development 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 and basis of preparation

These condensed consolidated interim 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") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on August 26, 2015.

3. Significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2014.

Management judgments and estimates

The preparation of these condensed consolidated interim financial statements requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the condensed consolidated interim financial statements. The areas involving significant judgments and estimates have been set out in and are consistent with Note 3(e) of the Company's audited consolidated financial statements as at December 31, 2014.

Subsequent to June 30, 2015, the price of gold declined. If metal prices were to remain at a low level for an extended period of time or decline further, the Company may need to re-evaluate the long-term metal price assumptions used for impairment testing. A significant decrease in long-term metal price assumptions may be an indication of potential impairment. Should the Company conclude that it has an indication of impairment at any balance sheet date, the Company is required to perform an impairment assessment.

Accounting standards issued but not effective

In addition to the accounting standards issued but not effective disclosed in the consolidated financial statements as at December 31, 2014, the following improvements will be effective January 1, 2016. The Company is assessing the impact of these amendments:

a) Amendments to *Non-current assets held for sale and discontinued operations* ("IFRS 5")

   Changes in methods of disposal with respect to non-current assets held for sale and discontinued operations.

b) Amendments to Interim financial reporting ("IAS 34")

   Disclosure of information elsewhere in the interim financial report.

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

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	6,738	6,738	-	-	-
Income taxes payables	123	123	-	-	-
Long-term debt	123	77	46	-	-
Provision for environmental rehabilitation	6,300	-	409	3,094	2,797

b) *Fair Value*

The fair value of cash, reclamation bonds and trade and other payables approximate their carrying amount due to their short-term nature. 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 in January 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.

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

5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Contractor charges	**2,008**	**3,059**	**4,847**	**6,837**
Labour	**2,255**	**2,138**	**4,629**	**4,256**
Fuel and reagents	**450**	**841**	**1,252**	**1,697**
Mechanical parts	**669**	**796**	**1,397**	**1,649**
Change in ore stockpile, metals in process and finished goods inventories	**2,433**	**(1,014)**	**4,411**	**(507)**
Royalties	**17**	**-**	**17**	**-**
Other	**808**	**1,051**	**1,642**	**1,725**
	8,640	**6,871**	**18,195**	**15,657**

6. General and administrative

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Salaries and benefits	**448**	240	**667**	496
Break fee and related costs [(1)]	**-**	-	**597**	-
Professional fees	**42**	53	**118**	142
Share-based compensation	**-**	-	**79**	3
Insurance, travel and office related	**22**	31	**78**	88
Directors fees	**30**	51	**60**	101
Investor relations	**15**	71	**51**	120
Consultants	**13**	12	**21**	26
Project evaluation	**4**	20	**4**	35
Transfer agent and listing fees	**3**	7	**6**	12
Amortization	**1**	3	**3**	5
	578	488	**1,684**	1,028

(1) 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 ("Coral Reef"). This financing was thereafter terminated and as such the Company is obligated to pay a break fee of $0.5 million along with approximately $0.1 million of related due diligence and legal costs incurred by Coral Reef.

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

7. Finance costs

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Interest on long-term debt	**2**	107	**56**	297
Unwinding of discount of provision for environmental rehabilitation	**23**	22	**46**	43
	25	129	**102**	340

8. Weighted average number of shares and dilutive share equivalents

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Basic weighted average number of shares	**124,948,235**	124,948,235	**124,948,235**	124,948,235
Effect of dilutive securities:				
Stock options	**-**	18,208	**-**	25,368
Diluted weighted average number of shares	**124,948,235**	124,966,443	**124,948,235**	124,973,603

The following potentially dilutive securities were excluded from the dilutive number of shares outstanding for the following periods as they are anti-dilutive:

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Stock options	**10,445,000**	9,510,000	**10,445,000**	9,510,000

9. Inventories

	June 30, 2015	December 31, 2014
	$	$
Supplies	**1,158**	1,183
Ore stockpile	**100**	356
Metals in process	**3,782**	7,862
Finished goods	**94**	167
	5,134	9,568

During the six-month period ended June 30, 2015, inventory included as cost of sales is $19.7 million (2014, $21.5 million).

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

10. Investments

	June 30, 2015	December 31, 2014
	$	$
Investment in common shares of Gold Standard Ventures Corp.("Gold Standard")		
Balance, beginning of period	**3,084**	-
Addition	**-**	4,363
Disposal [1]	**(3,084)**	-
Change in fair value during the period	**-**	(1,279)
Balance, end of period	**-**	3,084
Promissory note receivable from Gold Standard and accrued interest[1]	**-**	2,176
Other investment in shares		
Balance, beginning of period	**4**	3
Change in fair value during the period	**(3)**	1
Balance, end of period	**1**	4
	1	5,264

[1] During the first quarter of 2015, the Company sold its investment in the common shares of Gold Standard for aggregate net proceeds of $3.3 million which resulted in a gain on disposal of $0.2 million and the Company received payment of the debt represented by the CAD$2.5 million promissory note received as part of the sale of the Pinon property.

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

11. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Cost	$	$	$	$	$
Balance, December 31, 2013	36,794	19,427	1,016	802	58,039
Additions	1,280	100	24	37	1,441
Disposal	-	(151)	(59)	(108)	(318)
Change in provision for environmental rehabilitation	356	-	-	-	356
Transfer from non-producing mining assets	-	3,789	182	7	3,978
Balance, December 31, 2014	38,430	23,165	1,163	738	63,496
Transfer from non-producing mining assets	5,532[(1)]	45	-	-	5,577
Additions	1,392	35	370	35	1,832
Balance, June 30, 2015	45,354	23,245	1,533	773	70,905

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2013	25,910	9,389	314	559	36,172
Disposal	-	(100)	(45)	(104)	(249)
Transfer from non-producing mining assets	-	37	59	4	100
Impairments	3,632	5,426	145	-	9,203
Depletion and amortization	8,701	2,012	207	172	11,092
Balance, December 31, 2014	38,243	16,764	680	631	56,318
Transfer from non-producing mining assets [(1)]	3,963	-	-	-	3,963
Depletion and amortization	1,457	124	119	58	1,758
Balance, June 30, 2015	43,663	16,888	799	689	62,039
Net book value					
December 31, 2014	187	6,401	483	107	7,178
June 30, 2015	1,691	6,357	734	84	8,866

[(1)] The Wedge, Brodie and Solberry pits at the Mineral Ridge mine entered into the production phase during 2015, and therefore related asset and impairment balances were transferred from non-producing mining assets to producing mining assets.

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

11. Producing mining assets (Continued)

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
Cost	$	$	$
Balance, December 31, 2013	58,039	-	58,039
Additions	1,441	-	1,441
Disposal	(318)	-	(318)
Change in provision for environmental rehabilitation	356	-	356
Transfer from non-producing mining assets	1,372	2,606	3,978
Balance, December 31, 2014	60,890	2,606	63,496
Transfer from non-producing mining assets	5,555	22	5,577
Additions	1,832	-	1,832
Balance, June 30, 2015	68,277	2,628	70,905

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2013	36,172	-	36,172
Disposal	(249)	-	(249)
Transfer from non-producing mining assets	-	100	100
Impairments	9,203	-	9,203
Depletion and amortization	11,086	6	11,092
Balance, December 31, 2014	56,212	106	56,318
Transfer from non-producing mining assets	3,963	-	3,963
Depletion and amortization	1,729	29	1,758
Balance, June 30, 2015	61,904	135	62,039

Net book value

December 31, 2014	4,678	2,500	7,178
June 30, 2015	6,373	2,493	8,866

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

12. 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, 2013	15,084	3,030	771	50	805	19,740
Additions	13,097	3	-	-	2,285	15,385
Change in provision for environmental rehabilitation	82	-	-	-	-	82
Transfer	602	569	-	-	(1,171)	-
Transfer to producing mining assets	-	(2,417)	(182)	(7)	(1,372)	(3,978)
Balance, December 31, 2014	28,865	1,185	589	43	547	31,229
Transfer to producing mining assets	(5,532)	-	-	-	(45)	(5,577)
Disposal	-	(500)	-	-	-	(500)
Transfer	73	-	-	-	(73)	-
Additions	9,561	-	-	-	392	9,953
Balance, June 30, 2015	32,967	685	589	43	821	35,105

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2013	1,198	461	32	22	-	1,713
Transfer to producing mining assets	-	(37)	(59)	(4)	-	(100)
Impairments	17,697	-	-	-	-	17,697
Amortization	-	38	39	11	-	88
Balance, December 31, 2014	18,895	462	12	29	-	19,398
Transfer to producing mining assets	(3,963)	-	-	-	-	(3,963)
Disposal	-	(427)	-	-	-	(427)
Amortization	-	10	3	3	-	16
Balance, June 30, 2015	14,932	45	15	32	-	15,024

Net book value						
December 31, 2014	9,970	723	577	14	547	11,831
June 30, 2015	18,035	640	574	11	821	20,081

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

12. 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, 2013	8,026	11,174	540	19,740
Additions	13,697	1,688	-	15,385
Change in provision for environmental rehabilitation	-	82	-	82
Transfer to producing mining assets	(1,372)	(2,606)	-	(3,978)
Balance, December 31, 2014	20,351	10,338	540	31,229
Transfer to producing mining assets	(5,555)	(22)	-	(5,577)
Disposal	-	-	(500)	(500)
Additions	9,293	660	-	9,953
Balance, June 30, 2015	24,089	10,976	40	35,105

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Total
Balance, December 31, 2013	1,198	69	446	1,713
Transfer to producing mining assets	-	(100)	-	(100)
Impairments	17,697	-	-	17,697
Amortization	-	79	9	88
Balance, December 31, 2014	18,895	48	455	19,398
Transfer to producing mining assets	(3,963)	-	-	(3,963)
Disposal	-	-	(427)	(427)
Amortization	-	13	3	16
Balance, June 30, 2015	14,932	61	31	15,024

Net book value				
December 31, 2014	1,456	10,290	85	11,831
June 30, 2015	9,157	10,915	9	20,081

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

13. Long-term debt

	June 30, 2015	December 31, 2014
	$	$
Loan secured by mobile equipment having a net book value of $117,718, bearing interest at 4.8% per annum, payable by monthly instalments of $6,731 until January 2017	**123**	-
Senior secured credit agreement a)	**-**	3,438
Current portion	**(77)**	(3,126)
Long-term portion	**46**	312

a) On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton Global Value L.P. ("Waterton Global").

Future principal repayments are as follows:

2016	$77
2017	$46

14. 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 six months ended June 30, 2015 and the year ended December 31, 2014, are as follows:

	Six months ended June 30, 2015		Year ended December 31, 2014	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	(in thousands)	**CAD$**	(in thousands)	CAD$
Outstanding, beginning of period	**9,170**	**0.65**	12,227	0.61
Granted	**2,925**	**0.145**	-	-
Expired	**(1,650)**	**0.73**	(3,057)	(0.47)
Outstanding, end of period	**10,445**	**0.49**	9,170	0.65

	Six months ended June 30, 2015	Six months ended June 30, 2014
	$	$
Weighted average fair value as at grant date	**0.07**	-

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2015:

Exercise price	Weighted average remaining contractual life	Outstanding and exercisable
CAD$	(in years)	(in thousands)
0.145	4.55	2,900
0.205	3.03	100
0.275	7.94	2,290
0.64	2.18	100
0.65	0.53	300
0.75	0.96	3,025
0.91	1.58	1,730
		10,445

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

14. Share capital (Continued)

(c) Share-based compensation

The Company used the Black-Scholes model to estimate fair value using the following weighted average assumptions. Expected stock price volatility is based on the historical share price volatility.

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Expected dividend yield	**-**	-	**Nil %**	-
Expected stock price volatility	**-**	-	**76%**	-
Risk free interest rate	**-**	-	**1.21%**	-
Expected life	**-**	-	**4 years**	-
Expected forfeiture rate	**-**	-	**0.00%**	-
Share-based compensation:	**$**	$	**$**	$
Included in general and administrative expenses	**-**	-	**79**	3
Included in cost of sales	**-**	-	**98**	-
Capitalized to non-producing mining assets	**-**	-	**22**	-
Total share-based compensation	**-**	-	**199**	3

15. Supplemental cash flow information

Supplementary information regarding other non-cash investing and financing transactions

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Acquisition of mobile equipment financed by long-term debt	**-**	-	**154**	-
Share-based compensation capitalized to non-producing mining assets	**-**	-	**22**	-
Depreciation of fixed assets capitalized to non-producing mining assets	**7**	21	**13**	42
Disposal of the Pinon non-producing mining assets:				
By receipt of promissory note receivable	**-**	-	**-**	2,267
By receipt of investment in common shares in Gold Standard	**-**	-	**-**	3,737

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

16. Capital management

Capital is defined as equity attributable to equity shareholders and long-term debt (including the short-term portion thereof). The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern and to maximize the value for its shareholders.

The Company's activities have been primarily funded so far through cash flows from operating activities and equity and debt financing based on cash needs. The Company typically sells its shares by way of private placement.

The Company manages its capital structure and determines its capital requirements in light of the changing economic conditions and the risk characteristics of its assets. To reach its objectives, the Company may need to maintain or adjust its capital structure by issuing new share capital or new debt.

At this stage of its development, it is the Company's policy to preserve cash to fund its operations and not to pay dividends.

The following summarizes the Company's capital structure:

	June 30, 2015	December 31, 2014
	$	$
Long-term debt, including current portion	**123**	3,438
Equity attributable to shareholders of the Company	**28,955**	27,619
Capital	**29,078**	31,057

17. Segmented information

(a) Industry information

The Company is engaged in mining exploitation, exploration and development and has one operating mine and a service toll milling facility. During the year ended December 31, 2014, the Company's determination of its reportable operating segments was revised to reflect the fact that Goldwedge toll milling facility was placed in service. 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.

Comparative information have been prepared to conform with the current reportable segment format and definition.

Operating segment details are as follows:

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

17. Segmented information (Continued)

Three months ended June 30, 2015

	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Revenue from precious metal sales	12,083	-	-	12,083
Inter-segment (expense) - management fees	(372)	-	372	-
Cost of sales excluding depletion and amortization	(8,554)	(86)	-	(8,640)
Depletion and amortization	(1,013)	(12)	-	(1,025)
Mine operating earnings (loss)	2,144	(98)	372	2,418
Expenses				
General and administrative	-	-	(577)	(577)
Amortization	-	-	(1)	(1)
Operating earnings (loss)	2,144	(98)	(206)	1,840
Other (expenses) income				
Finance costs	(23)	(2)	-	(25)
Foreign exchange loss	-	-	13	13
Finance income	-	-	1	1
Loss on disposal of non-producing mining assets	-	-	(38)	(38)
	(23)	(2)	(24)	(49)
Earnings (loss) before income taxes	2,121	(100)	(230)	1,791
Income tax expense	(44)	-	-	(44)
Net earnings (loss) for the period	2,077	(100)	(230)	1,747

Three months ended June 30, 2014

	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Revenue from precious metal sales	10,646	-	-	10,646
Inter-segment (expense) -management fees	(370)	-	370	-
Cost of sales excluding depletion and amortization	(6,871)	-	-	(6,871)
Depletion and amortization	(2,727)	-	-	(2,727)
Mine operating earnings	678	-	370	1,048
Expenses				
General and administrative	(12)	-	(473)	(485)
Amortization	-	-	(3)	(3)
Operating earnings (loss)	666	-	(106)	560
Other (expenses) income				
Finance costs	(22)	-	(107)	(129)
Foreign exchange gain	-	-	84	84
Finance income	-	-	18	18
	(22)	-	(5)	(27)
Earnings (loss) before income taxes	644	-	(111)	533
Income tax (expense) recovery	4	-	71	75
Net earnings (loss) for the period	648	-	(40)	608

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

17. Segmented information (Continued)

Six months ended June 30, 2015

	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Revenue from precious metal sales	24,426	-	-	24,426
Inter-segment (expense) - management fees	(752)	-	752	-
Inter-segment (cost of sales) - revenue	(123)	123	-	-
Cost of sales excluding depletion and amortization	(17,867)	(328)	-	(18,195)
Depletion and amortization	(1,729)	(29)	-	(1,758)
Mine operating earnings (loss)	3,955	(234)	752	4,473
Expenses				
General and administrative	-	-	(1,681)	(1,681)
Amortization	-	-	(3)	(3)
Operating earnings (loss)	3,955	(234)	(932)	2,789
Other (expenses) income				
Finance costs	(45)	(4)	(53)	(102)
Foreign exchange loss	-	-	(206)	(206)
Finance income	-	-	11	11
Loss on disposal of non-producing mining assets	-	-	(38)	(38)
Gain on disposal of investments	-	-	172	172
	(45)	(4)	(114)	(163)
Earnings (loss) before income taxes	3,910	(238)	(1,046)	2,626
Income tax expense	(124)	-	-	(124)
Net earnings (loss) for the period	3,786	(238)	(1,046)	2,502

Six months ended June 30, 2014

	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Revenue from precious metal sales	23,895	-	-	23,895
Inter-segment (expense) -management fees	(669)	-	669	-
Cost of sales excluding depletion and amortization	(15,657)	-	-	(15,657)
Depletion and amortization	(5,860)	-	-	(5,860)
Mine operating earnings	1,709	-	669	2,378
Expenses				
General and administrative	(12)	-	(1,011)	(1,023)
Amortization	-	-	(5)	(5)
Operating earnings (loss)	1,697	-	(347)	1,350
Other (expenses) income				
Finance costs	(43)	-	(297)	(340)
Foreign exchange gain	-	-	79	79
Finance income	-	-	23	23
	(43)	-	(195)	(238)
Earnings (loss) before income taxes	1,654	-	(542)	1,112
Income tax (expense) recovery	(197)	-	71	(126)
Net earnings (loss) for the period	1,457	-	(471)	986

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

17. Segmented information (Continued)

				As at June 30, 2015
	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Total assets	28,006	13,672	642	42,320
Total liabilities	10,880	424	1,467	12,771

				As at December 31, 2014
	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Total assets	22,226	13,052	5,665	40,943
Total liabilities	10,290	412	3,890	14,592

(b) Geographic information

All revenue from the sale of precious metals for the periods ended June 30, 2015 and June 30, 2014 was earned in the United States. Substantially all of the Company's revenues are with one customer.

The Company's non-current assets by geographic locations are as follows:

	June 30, 2015	December 31, 2014
	$	$
Canada	**9**	86
USA	**34,721**	24,280
	34,730	24,366

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

18. 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, directly or indirectly.

The remuneration of directors and key management personnel during the three and six months periods ended June 30, 2015 and June 30, 2014 is as follows:

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
	$	$	**$**	$
Salaries and directors fees	**220**	283	**485**	578
Severance	**250**	-	**250**	-
Consulting fee with a director	**12**	47	**44**	70
Share-based compensation [(1)]	**-**	-	**80**	-
	482	330	**859**	648

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

As at June 30, 2015, $325,362 resulting from these transactions is included in trade and other payables.

Other than severance indicated above, key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended June 30, 2015 and June 30, 2014.

b) Waterton Global Value, L.P.

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, LLC (“Elevon”) the Company’s partner at Mineral Ridge and a related party to Scorpio Gold. Management determined in the quarter 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 period presentation to reflect this change.

19. Contingencies

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

20. Subsequent events

a) Debt financing

On August 14, 2015, the Company executed definitive agreements with Waterton Precious Metals Fund II Cayman, LP ("Waterton Fund"), an affiliate of Elevon, LLC, the Company's partner at the Mineral Ridge mine, 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 paid Waterton Fund a $0.12 million structuring fee upon the advancement of the Loan, together with reimbursement of certain expenses. 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. The Loan is also subject to mandatory prepayment in certain circumstances, including upon a change of control of the Company. The definitive documentation for the Loan includes customary representations, warranties and covenants, including restrictive covenants that are within industry standards for a secured debt financing.

The proceeds of the Loan will be mainly used to finance exploration and development at the Company's Mineral Ridge mine, for general working capital purposes and to pay the break fee and other costs associated with the Company's recently terminated financing activities.

20. Subsequent events (Continued)

b) Change to the Mineral Ridge operating agreement

In connection with the Loan, 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 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 is currently 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. The accrual of the Accrued Distribution Amount will terminate in certain circumstances, including in the event of a sale by Scorpio or 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.

c) In light of the recent downturn in the gold price, the Company has completed a detailed review of its mineral reserve and resource base at the Mineral Ridge mine as well as results from its 2014-15 drilling campaigns and has developed a revised mine plan to optimize the current working areas. The Company will focus on the current mining of the Mary LC pit as well as the newly developed Solberry and Bluelight satellite pits, both of which have a lower strip ratio and higher gold grades compared to the other deposits. Areas with higher strip ratios such as the Brodie pit and Phase 3 of the Mary LC pit will remain inactive until such time there is an increase in the gold price to support their economic development.

d) The Goldwedge mill facility has been placed on a care and maintenance basis for the near-term and can be restarted immediately when needed.