

Consolidated Financial Statements of
SCORPIO MINING CORPORATION

Three-month period ended

March 31, 2008

These consolidated financial statements have not been reviewed by

the Company's external auditors

5/14/2008 9:34 AM

Scorpio Mining Corporation

Consolidated balance sheets
(Unaudited)

	March 31, 2008	December 31, 2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,367,942	17,563,300
Taxes and other accounts receivable	4,974,046	3,791,540
Inventories (Note 4)	4,682,626	3,961,836
	14,024,614	25,316,676
Property, plant and equipment (Note 5)	24,565,996	16,903,377
Non-producing mining properties (Note 6)	2,528,191	2,528,191
Deferred exploration and development expenditures (Note 6)	52,453,897	48,434,461
	93,572,698	93,182,705
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,853,036	4,024,914
Current portion of obligations under capital lease (Note 7)	188,207	76,438
	4,041,243	4,101,352
Obligations under capital lease (Note 7)	48,673	6,644
Asset retirement obligations	892,164	874,265
	4,982,080	4,982,261
Non-controlling interest	122,419	134,113
Shareholder's equity		
Share capital (Note 8)	91,287,327	89,643,919
Contributed surplus	20,663,318	19,841,367
Deficit	(23,482,446)	(21,418,955)
	88,468,199	88,066,331
	93,572,698	93,182,705

Continuing operations (Note 1)
Contingencies (Note 11)
Subsequent events (Note 13)

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of operations
(Unaudited)

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Interest income	90,077	261,232
Expenses		
Stock-based compensation	1,086,064	80,337
General and administrative	435,297	356,075
Foreign exchange loss	109,738	43,200
Business development	63,131	230,702
Investors relations	163,147	183,008
Professional fees	166,979	58,376
Travel expenses	21,770	47,140
Rent	20,130	17,580
Accretion of asset retirement obligations	17,899	2,616
Transfer agent and listing fees	28,515	36,193
Amortization	8,965	9,330
Loss on disposal of property, plant and equipment	-	983
Interest on obligations under capital lease	1,196	2,457
Interest on loans	344	-
	2,123,175	1,067,997
Loss before income taxes and non-controlling interest	(2,033,098)	(806,765)
Income tax expense	(42,159)	-
Loss before non-controlling interest	(2,075,257)	(806,765)
Non-controlling interest	11,766	-
Net loss and comprehensive loss for the period	(2,063,491)	(806,765)
Basic and diluted net loss per share	(0.02)	(0.01)
Weighted-average number of common shares-basic and diluted	104,941,276	86,889,822

Scorpio Mining Corporation

Consolidated statement of shareholders' equity
(Unaudited)

	Common shares		Contributed surplus	Accumulated other comprehensive income ("AOCI")	Deficit	Total deficit and AOCI	Total shareholders' equity
	Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance at December 31, 2007	104,719,859	89,643,919	19,841,367	-	(21,418,955)	(21,418,955)	88,066,331
Net loss for the period	-	-	-	-	(2,063,491)	(2,063,491)	(2,063,491)
Share issue costs	-	(1,554)	-	-	-	-	(1,554)
Stock-based compensation	-	-	1,217,443	-	-	-	1,217,443
Exercise of stock options	5,000	8,650	(4,200)	-	-	-	4,450
Exercise of warrants	889,300	1,636,312	(391,292)	-	-	-	1,245,020
Balance at March 31, 2008	105,614,159	91,287,327	20,663,318	-	(23,482,446)	(23,482,446)	88,468,199

Scorpio Mining Corporation

Consolidated statements of cash flows
(Unaudited)

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Operating activities		
Net loss for the period	(2,063,491)	(806,765)
Items not involving cash:		
Amortization	8,965	9,330
Non-controlling interest	(11,766)	-
Accretion of asset retirement obligations	17,899	2,616
Stock-based compensation	1,086,064	80,337
Loss on disposal of property, plant and equipment	-	983
	(962,329)	(713,499)
Change in non-cash working capital items		
Taxes and other accounts receivable	(951,240)	(725,034)
Inventories	(720,783)	(12,377)
Accounts payable and accrued liabilities	90,657	12,450
	(2,543,695)	(1,438,460)
Financing activities		
Funds received by Scorpio Gold as share subscriptions	-	537,500
Repayment of obligations under capital lease	(23,001)	(10,490)
Share issue costs	(121,961)	-
Issue of share capital	1,249,470	798,873
	1,104,508	1,325,883
Investing activities		
Deferred exploration and development expenditures	(3,930,179)	(5,861,833)
Acquisition of property, plant and equipment	(7,797,835)	(295,360)
Proceeds from sale of property, plant and equipment	-	650
	(11,728,014)	(6,156,543)
Effect of exchange rate changes on cash and cash equivalents		
	(28,157)	(9,173)
Decrease in cash and cash equivalents	(13,195,358)	(6,278,293)
Cash and cash equivalents, beginning of period	17,563,300	28,574,199
Cash and cash equivalents, end of period	4,367,942	22,295,906
Cash and cash equivalents are comprised of:		
Cash in bank	1,070,388	2,050,246
Short-term investments	3,297,554	20,245,660
	4,367,942	22,295,906

Supplementary cash flow information (Note 10)

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

1. Continuing operations

The Company was incorporated under the Canada Business Corporations Act on May 12, 1998 and conducts exploration and development on mining properties in Mexico and Canada.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to the presentation of interim financial information. These financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the most recent annual financial statements of the Company for the year ended December 31, 2007 (the "Annual Financial Statements"). These consolidated financial statements follow the same accounting policies and methods of their application as the Annual Financial Statements with the exception of the changes in accounting policies stated in note 2.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception. The Company's ability to continue as a going concern is dependent upon its ability in the future to raise financing to fund development expenditures as required and ultimately to achieve profitable operations. If the Company were unable to continue as a going concern then material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classifications used.

As indicated in note 13, the Company received gross proceeds of \$29,112,474 from warrant and broker compensation option exercises and an issue of convertible debentures in April and May 2008, which the Company believes will be sufficient to meet its expenditures until the mining operation at Nuestra Señora generates positive cash flows.

2. Changes in accounting policies

Financial instrument disclosure

On January 1, 2008, the Company adopted Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of these new accounting standards had no effect on the current or comparative balance sheet or results of operations. Certain note disclosures have been revised to conform with these new standards.

3. 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 equivalents and to taxes and other accounts receivable. The Company invests its cash equivalents in deposits with well capitalized financial institutions with strong credit ratings. Management believes that it is unlikely that any counterparty will fail to meet its obligation to the Company.

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

3. Financial instruments (Continued)

(a) Financial Risk Factors (Continued)

(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 related to cash and cash equivalents is to invest excess cash in highly liquid investments with maturity of 90 days or less. As at March 31, 2008, the Company has cash and cash equivalents of \$4,367,942 to settle current liabilities of \$4,041,243. The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms except the long term portion of obligations under capital lease for an amount of \$48,673 that will be paid by instalments until April 2009. Refer to note 13 for details of subsequent financing.

(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.

(a) Interest rate risk

As at March 31, 2008, the Company has \$3,297,554 in short term investments. Management believes the interest rate risk is insignificant since the short term investments have a maturity of 90 days or less.

The Company is also party to obligations under capital lease, bearing interest at variable rates with a balance of \$236,880 as at March 31, 2008. Management believes that a fluctuation of 1% in the interest rate over a twelve month period is "reasonably possible" but the impact on the interest on obligations under capital lease reported in these unaudited consolidated statements of operations would be insignificant.

(b) Currency risk

The Company is exposed to currency risk on fluctuations related to cash and cash equivalents, taxes and other account receivables, accounts payable and obligations under capital lease that are denominated in Mexican Pesos (MXN) and US Dollars (US).

The Company does not use derivative to manage its exposure to currency risk.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period and a +/- 10% fluctuation in US currency rates would affect earnings (loss) by approximately \$16,800 and a +/- 18% fluctuation in MXN currency rates would affect earnings (loss) by approximately \$745,000.

(c) Price Risk

The 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 does not use derivatives to manage its exposure to price risk.

Scorpio Mining Corporation

Three-month period ended March 31, 2008

3. Financial instruments (Continued)

(b) Fair values

The carrying amount of cash and cash equivalents, taxes and other accounts receivable and accounts payable approximate their fair value due to their short term nature. The carrying amount of obligations under capital lease approximates its fair value since its interest rate is LIBOR based and accordingly fluctuates with market.

4. Inventories

	March 31, 2008	December 31, 2007
	\$	\$
Mine supplies	1,747,055	1,538,388
Ore stockpile	2,935,571	2,423,448
	4,682,626	3,961,836

5. Property, plant and equipment

	March 31, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value
	\$	\$	\$	\$	\$	\$
Land	1,165,114	-	1,165,114	1,136,157	-	1,136,157
Surface facilities	781,477	284,127	497,350	666,802	256,392	410,410
Plant and equipment	5,334,899	1,169,509	4,165,390	5,105,942	1,072,067	4,033,875
Furniture and office equipment	733,706	174,626	559,080	603,470	153,932	449,538
Construction in progress	18,179,062	-	18,179,062	10,873,397	-	10,873,397
	26,194,258	1,628,262	24,565,996	18,385,768	1,482,391	16,903,377

Included in plant and equipment are equipments under capital lease having a cost of \$409,833 and accumulated amortization of \$36,703.

Scorpio Mining Corporation

6. Non-producing mining properties and deferred exploration and development expenditures

	March 31, 2008				December 31, 2007
	Nuestra Señora	Cochrane Hill	Caribou	Total	Total
	\$	\$	\$	\$	\$
Non-producing mining properties					
Balance, beginning of period	1,886,419	245,186	396,586	2,528,191	2,267,618
Acquisitions	-	-	-	-	128,500
Acquisition of non-producing mining property cost of Scorpio Gold	-	-	-	-	220,141
Write-off	-	-	-	-	(68,500)
Asset retirement obligations	-	-	-	-	41,031
Reduction of transfer of properties to Scorpio Gold	-	-	-	-	(60,599)
Balance, end of period	1,886,419	245,186	396,586	2,528,191	2,528,191
Deferred exploration and development expenditures					
Balance, beginning of period	48,212,093	-	222,368	48,434,461	31,397,483
Drilling and exploration	1,218,710	-	-	1,218,710	4,792,949
Mine development	1,435,277	-	-	1,435,277	5,266,017
Site administration	692,298	-	271	692,569	2,441,033
Electric power line	293,820	-	-	293,820	2,177,402
Roads	31,250	-	-	31,250	1,604,826
Depreciation of property, plant and equipment	146,666	-	2,499	149,165	537,894
Stock-based compensation	131,379	-	-	131,379	369,803
Transportation and travel	59,901	-	-	59,901	269,372
Depreciation of assets under capital lease	7,013	-	-	7,013	29,690
Proceeds from option agreement	-	-	-	-	(10,000)
Field supplies	-	-	352	352	78,503
Permitting and other	-	-	-	-	126,135
Incurred during the period	4,016,314	-	3,122	4,019,436	17,683,624
Reduction on transfer of properties to Scorpio Gold	-	-	-	-	(646,646)
Balance, end of period	52,228,407	-	225,490	52,453,897	48,434,461

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

7. Obligations under capital lease

The future minimum lease payments required for equipment under capital lease agreements are as follows:

	US\$	CA\$
2008	225,968	231,335
2009	10,289	10,297
Total minimum lease payments	236,257	241,632
Amount representing interest rates varying from 1% to 2.5% over LIBOR	4,748	4,752
	231,509	236,880
Less: Current portion	183,940	188,207
Long-term portion	47,569	48,673

8. Share capital

a) Authorized and issued

Authorized share capital consists of an unlimited number of common shares.

b) Warrants

	Number	Weighted average exercise price
		\$
Outstanding, beginning of period	20,412,293	1.49
Exercised	(889,300)	1.40
Outstanding, March 31, 2008	19,522,993	1.49

As at March 31, 2008, the Company has warrants outstanding entitling the holders to acquire common shares as follows :

Number of warrants	Exercise price	Expiry date
	\$	
13,931,968	1.40	April 24, 2008
1,662,275	1.40	May 3, 2008
3,928,750	1.85	November 1, 2010
19,522,993		

c) Broker compensation options

- (i) Pursuant to a brokered private placement that closed on November 1, 2007, 1,100,050 compensation options were granted as partial compensation to the agents. Each option can be exercised to acquire a common share at \$1.49 per unit until November 1, 2010.
- (ii) Pursuant to a brokered private placement that closed in April and May 2006, 2,120,407 compensation options were granted as partial compensation to the agent and certain finders. Each option can be exercised to acquire a compensation unit consisting of one common share and one-half of one common share purchase warrant at a price of \$1.40 per compensation units with the options expiring in April and May, 2008. During the three-month period ended March 31, 2008, no compensation options were exercised.

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

8. Share capital (Continued)

c) Broker compensation options (Continued)

The following table shows all of the outstanding compensation options as at March 31, 2008:

Compensation options	Exercise price	Expiry date
	\$	
1,849,898	1.40	April 24, 2008
262,068	1.40	May 3, 2008
1,100,050	1.49	November 1, 2010
<u>3,212,016</u>		

d) Stock option plan

A summary of changes in the Company's outstanding stock options is presented below :

	Number	Weighted average exercise price
		\$
Outstanding, beginning of period	6 607 500	1.44
Granted	1 990 000	1.18
Exercised	(5 000)	0.89
<u>Outstanding, March 31, 2008</u>	<u>8 592 500</u>	<u>1.38</u>
		Three-month period ended March 31, 2008
		\$
<u>Weighted average fair value at grant date</u>		<u>0.60</u>

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

8. Share capital (Continued)

d) Stock option plan (Continued)

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2008:

Exercise price	Weighted average remaining contractual life (in years)	Outstanding	Exercisable
\$			
0.47 to 0.66	1.67	1,735,000	1,735,000
0.88 to 0.95	3.36	332,500	332,500
1.05 to 1.38	4.51	2,330,000	2,322,500
1.42 to 1.77	3.95	85,000	85,000
1.88 to 1.91	3.49	4,110,000	4,095,000
		8,592,500	8,570,000

The weighted average exercise price of outstanding and exercisable stock options is \$1.38.

e) Stock-based compensation

The Company records options granted using a fair value based method of accounting. The Company uses the Black-Scholes Model to estimate fair value using the following weighted-average assumptions:

	Three-month period ended March 31, 2008
Expected dividend yield	Nil%
Expected stock price volatility	62%
Risk free interest rate	3.96%
Expected life	4 years
Total stock-based compensation	\$1,217,443

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

9. Segmented information

(a) Industry information

The Company operates in one reportable operation segment, being the acquisition, exploration and development of resource properties.

(b) Geographic information

Interest income in the three-month period ended March 31, 2008 was earned in Canada. The Company's non-current assets by geographic location are as follows:

	March 31, 2008	December 31, 2007
	\$	\$
Canada	1,599,787	1,581,159
Mexico	77,948,297	66,284,870
	79,548,084	67,866,029

10. Supplementary cash flow information

(a) Supplementary information regarding non-cash investing and financing transactions

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Depreciation of property, plant and equipment capitalized in deferred exploration and development expenditures	153,679	135,145
Stock-based compensation included in deferred exploration and development expenditures	131,379	15,785
Deferred exploration and development expenditures included in accounts payable	1,146,101	133,686
Acquisition of property, plant and equipment included in accounts payable	2,194,014	-
Acquisition of capital assets under a capital lease	143,248	-
Transfer of contributed surplus to share capital on exercise of: Stock options	4,200	414,017
Warrants	391,292	104,401
Broker compensation options	-	3,124

(b) Other supplementary information

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
Income taxes paid	38,273	-

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

11. Contingencies

(a) Environmental contingencies

The Company's exploration activities are subject to various federal, provincial and state laws and regulations in Canada and Mexico which govern the protection of the environment. These laws and regulations are continually changing and becoming more restrictive. The Company 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.

(b) Legal matters

In 2005, the Company initiated a claim against a former employee of its Mexican mining operations for recovery of unauthorized disbursements which benefited the employee in the amount of approximately \$74,000 (781,308 pesos) during the period from January 2004 to February 28, 2005.

The Company has also identified additional expenditures in the amount of approximately \$410,000 which were incurred in the period from December 2004 to January 31, 2005 and were charged to the Company's Mexican subsidiary by a company controlled by the former employee and a third party. The Company believes that certain of these expenditures were not properly authorized and also directly benefited the former employee. Amounts recovered from the former employee, if any, will be recorded in the period they are received.

The Company is also party to certain other claims incurred in the normal course of business, none of which management believes will have a material impact on the results of operations or financial position of the Company.

12. Related party transactions

The Company incurred the following charges with directors, officers and private companies controlled or under significant influence by them:

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
	\$	\$
General and administrative	20,000	58,655
Deferred exploration and development expenditures	8,218	50,483
Business development expenses	-	56,250

As at March 31, 2008 an amount of \$21,664 resulting from transactions with related parties is included in accounts payable and accrued liabilities.

The above transactions occurred within the normal course of business and are measured at the exchange amount, which is the amount of considerations established and agreed to by the related parties.

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2008

13. Subsequent events

(a) *Exercise of warrants and broker compensation options*

Between April 1st, 2008 and May 5, 2008, 6,402,842 warrants and 106,068 broker compensation options were exercised for proceeds of \$9,112,474.

(b) *Issue of convertible debentures*

On May 5, 2008, the Company closed a bought-deal private placement financing to issue convertible debentures in the aggregate principal amount of \$20,000,000. The debentures were issued at par, have a maturity date of March 5, 2011, and bear interest at a rate of 7% per year, payable semi-annually in arrears. The debentures will be convertible at any time prior to maturity at the option of the holders into common shares of the Company at a conversion price of \$1.55 per common share and will not be redeemable by the Company. In consideration for its services, the underwriter received a fee of \$750,000.

In connection with this financing, the Company received a \$10,000,000 short-term bridge loan from an institutional investor. The bridge loan was unsecured, repayable on demand, and accrued interest at a rate of 7% per annum, compounded daily. In accordance with the terms of the bridge loan, upon the closing of this financing, the principal amount of the bridge loan was repaid through the issuance to the bridge loan lender of \$10,000,000 principal amount of the debentures as part of the aggregate \$20,000,000 principal amount of debenture issued, and accrued interest was paid in cash.

INTRODUCTION

The following Management Discussion and Analysis (MD&A) is for the three month period ended March 31, 2008 and is provided as of May 6, 2008. This MD&A is to be read in conjunction with the interim unaudited consolidated financial statements of Scorpio Mining Corporation (the "Company" or "Scorpio") for the period ended March 31, 2008 and 2007 and the audited consolidated financial statements and MD&A for the year ended December 31, 2007. These documents are available on the Company's website (www.scorpionmining.com) and filed on Sedar (www.sedar.com). All dollar amounts are in Canadian dollars unless otherwise indicated. This MD&A was prepared by management and has not been reviewed by the Company's external auditors.

Scorpio is incorporated under the Canada Business Corporations Act. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec. Scorpio Mining Corporation is listed on the Toronto Stock Exchange under the trading symbol SPM. The Company is involved in the acquisition, exploration and development of mineral resource properties in Mexico and Canada.

Mineral Properties

Scorpio's primary business focus is the 100% owned Nuestra Señora property located in Sinaloa State, Mexico. The Company's interests in the Cochrane Hill and Caribou properties located in Nova Scotia and the Lac Arseneault property located in Quebec, all gold projects, were transferred to its 93 % owned subsidiary Scorpio Gold Corporation ("Scorpio Gold") in August 2007. See "Indirect Interests in Other Mineral Properties" below in this document for further details.

The Company's President, Mr. D. Roger Scammell, PGeo, is the Company's qualified person under NI 43-101, and has reviewed the following technical disclosure.

Nuestra Señora Property

The Nuestra Señora Project, located east of the town of Cosalá in the State of Sinaloa, Mexico, is the main focus of Scorpio's current exploration and development plans and activity. In March 2008, the Company secured 100% title to the 1,141-hectare Zaida mineral exploitation claim, which is contiguous to the north-northwest of the current 100% owned mineral exploitation claim holding. The Nuestra Señora property now comprises four mineral exploitation claims encompassing 1,281 hectares and six mineral exploration claims encompassing 14,174 hectares.

The Company's indirectly held wholly-owned Mexican mining subsidiary, Minera Cosalá SA de CV ("Minera Cosalá"), holds 100% ownership of the Nuestra Señora mineral rights, with no underlying royalties or property payments.

Nuestra Señora Deposit

During and subsequent to the quarter ended March 31, 2008, Scorpio continued to focus its exploration, development, and construction activities on the Nuestra Señora silver-zinc-copper-lead deposit.

Diamond Drilling

Underground drilling during the quarter ended March 31, 2008 totalled 12,193 metres and was principally dedicated to defining the areas scheduled for long-hole mining in 2008, including the entire Hoag zone, the Main NW zone and the newly discovered Santa Teresa Extension zone.

The Company currently has three underground diamond drill rigs performing in-fill delineation drilling for areas of exploitation as well as conducting exploration drilling. This includes targeting the zones outlined by the recent successful surface drilling of the Santa Teresa and Santo Domingo satellite deposits, and other areas based on new exploration models established from ongoing underground structural mapping. Exploration drilling continues to meet with great success, including recent discoveries of the Santa Teresa Extension zone, the Jewel Box trend and the Footwall zone.

The Company began additional surface exploration drilling in January, 2008 focusing on the favourable rocks north and west of the Nuestra Señora deposit. Recent structural data gathered from ongoing development strongly suggests that the north-trending Main Zone is displaced by the east-west trending Hoag Fault. Locating the displaced portion could add significantly to the current estimated resource.

In February 2008, the Company completed a geophysical program of down-hole pulse electrical magnetic surveying to determine if this technology will accurately locate known mineralized bodies within the Nuestra Señora project. The survey was successful in identifying the known deposits, particularly in the main zone. This geophysical tool is expected to greatly enhance the Company's exploration efforts in under-explored and/or structurally complex areas.

As of the date of this document, exploration drilling has shifted towards the Jewel Box extension area where high grade, potentially large tonnage targets have been identified. In addition, definition of the Main NW zone below Level 10 and of the Santa Teresa Extension above Level 8 is progressing. Total drilling at the end of April 2008 is 15,376 metres.

Underground Development

During the quarter ended March 31, 2008, underground development at the Nuestra Señora deposit advanced 722 metres including 207 metres extending the main access ramp. As of April 30, 2008, underground development totals 7,124 metres of development such as cross cuts and access points. It also includes 1,852 metres of the four metre by five metre main access ramp. The Nuestra Señora decline ramp is now connected to the 8th, 9th, 10th and 11th levels. There are 20 metres remaining before the ramp reaches Level 12.

The new access ramp which will connect the Candelaria mine with the main ramp of the Nuestra Señora mine is 50% complete with 220 metres remaining before the breakthrough into the Candelaria mine. Once finished, this access ramp will permit mining of the higher-grade Candelaria mineralization and facilitate additional development and exploration.

The Alimak ventilation raise from the 6th level of the Nuestra Señora mine to the adjacent Candelaria mine has been completed and installation of the vent fan system is expected to be completed by July 2008.

Underground grade control, mapping and sampling protocols have been established and current efforts are focused on compiling geological and engineering information for each proposed mining stope block in order to establish a comprehensive approach and mining sequence.

The initial full-scale mining is planned to start from the lower-grade Hoag zone where primary and secondary blocks have been outlined. The first long-hole production blast in Block 10-15 of the Hoag zone was completed on Friday April 18, 2008, and since then long-hole drilling has been completed for the entire block. With this first production blast, block 10-15 is now open on its full width of 20 metres. It is located between levels 10 and 10.5 and contains a total of 21,298 metric tonnes (MT). The first blast of this stope provided an extra 3,866 MT of ore to the stockpiles, which currently contain 79,000 MT. A second stope from the Hoag zone, Block 10-13, is ready and will eventually provide to the operation another 30,804 MT of material.

In addition to the Hoag zone, mine development and stope preparation is ongoing in the Main NW and Santa Teresa Extension zones, where long-hole and room-and-pillar mining methods will be used.

Mill Site Facility

Construction of the mill facility commenced in August 2007. As of March 27, 2008, Exergy Engineers & Constructors Inc. of Calgary Alberta reported the project was 95% complete. Exergy is responsible for monitoring and overseeing the mill construction. As of the date of this document, the mill facility is in the pre-commissioning stage. Initial processing including commissioning for the first two months May – June 2008 is projected to reach a maximum average of 500 tonnes per day. The purpose of this preliminary production is to determine reagent consumption and optimize the recovery of metals. Once this has been achieved, throughput will be increased to approximately 1,000 tonnes per day scheduled to commence in July 2008.

With the expectation that throughput will eventually increase, the Company applied for and was granted a permit for future increase in mineral processing to 2,000 tonnes per day.

On April 10, 2008, the mill facility was officially connected to Mexico's main power grid and a kilowatt meter was installed at the entrance to the property. Power is currently distributed between the crushing plant and the mill. Construction of a line from the mill facility to supply power to the mine is scheduled to commence in late May. It is also the Company's intention to provide the local communities of Los Braceros, La Seca and the University of Sinaloa's Research Facility with electrical power, which is part of the Company's overall mandate to assist in the development of the local communities.

On April 12, 2008, the mill facility was connected to the water supply line, which is capable of delivering sufficient fresh water for all the plant's requirements although the intention is to recycle 80% of the water used in the processing of the concentrates. This supply line will also provide the University of Sinaloa's Research Facility with fresh water, also in keeping with the Company's intent to support Mexico's education in research and development.

The Company is in the final stages of establishing commercial smelter agreements and once finalized further details will be released.

Tailings Pond and Dam Construction

The initial phase of the tailings dam has been completed and the facility is ready to receive tailings at this time. Contouring of the pond area for the second phase is in progress. This initial phase will accommodate tailings produced by the mill for the first year, while Phase 2 will have sufficient capacity for years two through five.

Housing Construction

Construction work on the permanent facility camp is 85% complete and when finished it will house 62 persons in 24 houses. This facility is being built on 14 hectares of land that the Company purchased and is ideally situated on both sides of the Cosalá by-pass road built by the Company. The site has electrical power and is connected to the municipality's water supply and sewage system. The Company also plans to build an office on the site and relocate its entire support staff from the current office in Cosalá to the new facility.

Indirect Interests in Other Mineral Properties

Scorpio's interests in the Cochrane Hill and Caribou properties located in Nova Scotia and the Lac Arseneault property located in Quebec were transferred to Scorpio Gold in consideration for the issuance of an aggregate of 26,830,763 common shares of Scorpio Gold on August 9, 2007 as part of a planned reorganization of Scorpio's assets. As a result of this transaction, Scorpio became the majority shareholder of Scorpio Gold, holding approximately 93% of the issued and outstanding Scorpio Gold shares.

On October 26, 2007, Scorpio Gold, Scorpio, TSX Venture Exchange-listed BacTech Mining Corporation ("BacTech") and a subsidiary of BacTech entered into the Business Combination Agreement, pursuant to which BacTech agreed to acquire all of the issued and outstanding securities of Scorpio Gold in exchange for common shares of BacTech. As at March 19, 2008, this business combination agreement and all transactions associated therewith, have been terminated. Scorpio is examining other alternatives to separately finance Scorpio Gold.

Exploration activities are subject to various federal and provincial laws and regulations in Canada, which govern the protection of the environment. These laws and regulations are continually changing and becoming more stringent. Scorpio 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.

Scorpio expects to incur expenditures in the future to comply with such laws and regulations.

Caribou Property

The Caribou gold property is located 80 km northeast of Halifax and 10 km south of the rural community of Upper Musquodoboit, in Halifax County, Nova Scotia. Scorpio Gold has an option to acquire a 100% interest in the property that comprises 16 contiguous mineral claims covering approximately 256 hectares.

Scorpio originally entered into an option agreement dated April 25, 2005 with John Logan Enterprises Ltd. ("Logan") to acquire a 100% interest in the claims that represent the Caribou property, a former gold producer.

There are no underlying royalties or obligations except as outlined in the option agreement and those to the Nova Scotia government as defined in the provincial mining laws. The exploration claims were staked by John Logan Ltd. in 1980. On August 9, 2007, Scorpio transferred all its Gold Assets including the Caribou Gold property to Scorpio Gold. The underlying agreement allows for the transfer of the option interest and as such Scorpio Gold has assumed and continues to carry out the option terms.

Under the option agreement, the Company made an initial non-refundable cash payment of \$10,000 and thereafter the Company could acquire a 100% interest in the property by making a payment of \$65,000 and fulfilling a work commitment of \$100,000 in the first year, and making payments of \$60,000 in each of the next three years with a work commitment of \$500,000 per year. During 2007, the property owner has agreed to delay the commencement of work commitments from April 2007 to April 2008. Outstanding work commitments remain at \$500,000 per year for an aggregate total of \$1,500,000 over three years, with all work to be completed by April 2011. To date \$598,308 of the required exploration work commitments have been fulfilled and \$255,000 of acquisition payments have been made. Upon exercise of the option, the property will remain subject to a 2.5% Net Smelter Return ("NSR") royalty in favour of the vendor. The Company retains the right to purchase 1% of the NSR royalty for the sum of \$1,000,000. Upon exercise of the option, the Company must also make an advance royalty payment of \$250,000 which will be credited against future NSR royalty payments.

Cochrane Hill Property

The Cochrane Hill property is 100% owned by Scorpio Gold, subject to an option agreement with Atlantic Gold NL ("ATV") discussed below. It consists of 53 contiguous mineral claims covering approximately 848 hectares of land in Guysborough County and encompassing one portal adit and three shallow shafts from former mining operations. The claim group is located approximately 35 km south of the town of Antigonish, and is accessible via Hwy #7, which passes within 300 metres of the Cochrane Hill mine site.

Ninety percent (90%) of the property is located on Crown land, while ten (10%) percent (west of Hwy #7) is privately held.

Prior to any mining activity, a mining permit and a surveyed surface lease are required. The Cochrane Hill former mine site is located on Crown land east of Hwy #7 and the Crows Nest deposit is located on privately held land to the west of Hwy #7. Permits to conduct exploration work on Crown land are available from the Nova Scotia Department of Natural Resources. Permission from the private land owner will be required prior to working the private lands.

In June 2007, the Company entered into an Option and Joint Venture Agreement, ("JV") (subsequently assigned to Scorpio Gold) with Atlantic Gold NL ("ATV"), whereby ATV has the right to acquire a 60% interest in the Cochrane Hill property by making staged cash payments totalling \$100,000 and performing scheduled work programs totalling \$4.75 million dollars over a four year period. At the time ATV exercises its option and acquires a 60% interest, Scorpio Gold may thereafter participate pro-rata in joint venture work programs or elect to receive a 20% carried interest in the project and have no further responsibility to fund expenditures up to commercial production. The joint venture will be responsible for the 3% NSR royalty payable to the original property owner and is responsible for keeping the claims in good standing.

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 30 contiguous unpatented claims covering approximately 480 hectares. Scorpio Gold holds a 100% interest in the property, subject to a 2% NSR royalty.

RESULTS OF OPERATIONS

Scorpio reported a net loss for the three-month period ended March 31, 2008, of \$2,063,491 (\$0.02 per share) compared to a net loss of \$806,765 (\$0.01 per share) for the three-month period ended March 31, 2007. The major differences between the 2007 and 2008 results are explained below.

The Company had no operating revenue in either of these periods because the Company is still in the exploration and development stage. Revenue consisted solely of interest income in the amounts of \$90,007 for the three-month period ended March 31, 2008, and \$261,232 for the three-month period ended March 31, 2007. This decrease is explained by a lower average cash-on-hand balance in 2008 compared to 2007.

Stock-based compensation which is non-cash in nature, increased from \$80,337 for the three-month period ended March 31, 2007, to \$1,086,064 for the three-month period ended March 31, 2008. Under the new stock option plan, which became effective May 1st, 2007, options granted now vest immediately upon their issuance whereas under the previous plan options vested over an 18 month period. The impact of this change is that calculated value of the options is now fully expensed in the period they are granted. 1,990,000 stock options were granted for the three-month period ended March 31, 2008 as compared to 60,000 options granted for the same period in 2007.

Business development expense was \$63,131 for the three-month period ended March 31, 2008, compared to \$230,702 for the three-month period ended March 31, 2007. All of these expenses relate to evaluation costs for potential merger and acquisition transactions that were not completed. For the three-month period ended March 31, 2008, the business development expenses related to the Scorpio Gold/BacTech business combination agreement that was terminated in March, 2008.

Professional fees increased from \$58,376 for the three-month period ended March 31, 2007 to \$166,979 for the three-month period ended March 31, 2008, mostly due to legal costs surrounding various financing scenarios during the first quarter of 2008.

Income Taxes

Income tax expense of \$42,159 for the three-month period ended March 31, 2008 is related to taxable income of consolidated variable interest entities.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2008, the Company had \$4,367,942 in cash and cash equivalents compared to \$17,563,300 as of December 31, 2007. The significant decrease in cash is related to the high level of expenditures incurred in Mexico to develop the Nuestra Señora project including construction of the mill facility.

Working capital was \$9,983,371 as of March 31, 2008 compared to \$21,215,324 as of December 31, 2007.

The Company expects its net cash outflows will be approximately US\$22 million in order to meet its funding requirements for its Mexican and Canadian operations during the last three quarters of 2008, as the Nuestra Señora mine comes on stream.

In order to close this funding gap, the Company closed on May 5, 2008 a bought deal private placement whereby it issued convertible debentures for gross proceeds of \$20 million. These convertible debentures pay semi-annual interest at 7%, have a maturity of 3 years, are convertible at a price of \$1.55 per share and may not be redeemed by the Company.

In connection with this financing, the Company received a \$10,000,000 short-term bridge loan from an institutional investor. The bridge loan was unsecured, repayable on demand, and accrued interest at a rate of 7% per annum, compounded daily. In accordance with the terms of the bridge loan, upon the closing of this financing, the principal amount of the bridge loan was repaid through the issuance to the bridge loan lender of \$10,000,000 of the Debentures and accrued interest was paid in cash.

In addition to the \$4.4 million of cash on hand as at March 31, 2008, options, warrants and broker compensation options were exercised from April 1, 2008 to the date of this document, providing the Company with additional proceeds of \$9.1 million. The Company believes it has sufficient financial resources to meet its expenditures until the mining operation at Nuestra Señora generates positive cash flows.

Property, plant and Equipment

For the three-month period ended March 31, 2008, property, plant and equipment acquisitions amounted to \$7,827,763 of which \$7,305,665 is related to construction in progress for the processing mill at the Nuestra Señora project in Mexico and constitutes most of the increase for the three-month period ended March 31, 2008.

Mining Properties and Deferred Exploration and Development Expenditures

Total deferred exploration and development expenditures were \$52,453,897 as of March 31, 2008, compared to \$48,434,461 as of December 31, 2007.

The exploration and development expenditures incurred during the three-month period ended March 31, 2008 totalled \$4,019,436, compared to \$5,390,182 during the same period in 2007. The capitalised expenditures on the Nuestra Señora property, including \$153,679 of depreciation and \$131,379 of stock-based compensation totalled \$4,016,314 for the first three months of 2008.

The capitalized expenditure on the Nuestra Señora property, including \$135,145 of depreciation and \$15,785 of stock-based compensation totalled \$5,380,149 for the first three months of 2007.

During the past two years, most of the exploration and development expenditure has occurred on the Nuestra Señora project and consisted mainly of mine development, site administration and drilling and exploration. During the first three months of 2008, the Company spent \$293,820 on the electrical power line and the mill facility was officially connected to Mexico's main power grid on April 10, 2008.

Liabilities

Current liabilities consisting mostly of accounts payable were \$4,041,243 as of March 31, 2008 compared to \$4,101,352 as of December 31, 2007. Included in this amount is the current portion of a new capital lease obligation which was signed in late March 2008 for a total amount of \$US165,797 for a loader.

SUMMARY OF QUARTERLY RESULTS

All amounts are in Canadian dollars and prepared in accordance with Canadian GAAP. The following table sets out selected quarterly financial information for each of the last eight quarters:

Quarter Ending	Interest Income \$	Net Loss \$	Loss per share \$
March 31, 2008	90,077	(2,063,491)	(0.02)
December 31, 2007	142,134	(259,837)	(0.00)
September 30, 2007	88,214	(880,490)	(0.01)
June 30, 2007	190,354	(5,343,303)	(0.06)
March 31, 2007	261,232	(806,765)	(0.01)
December 31, 2006	291,939	(718,146)	(0.02)
September 30, 2006	401,325	(12,480)	(0.00)
June 30, 2006	246,592	(452,721)	(0.01)

Shareholders' Equity

There was an increase of \$401,868 in shareholders' equity in the three-month period ended March 31, 2008, to \$88,468,199 from \$88,066,331 as of December 31, 2007.

Share capital increased from \$89,643,919 as of December 31, 2007 to \$91,287,327 as of March 31, 2008. Stock options and warrants exercised during the period accounted for amounts of \$8,650 and \$1,636,312, respectively.

Contributed surplus increased by \$821,951 during the three-month period ended March 31, 2008 mainly as a result of the grant of stock options.

CASH FLOW

Cash flow used in operating activities was \$2,543,695 for the first quarter of 2008 compared to \$1,438,460 for the first quarter of 2007. An increase in balances of IVA receivable (refundable Mexican sales tax) and ore stockpiles explain most of the difference.

Cash flow from financing activities was \$1,104,508 for the first quarter of 2008 compared to \$1,325,883 for the first quarter of 2007. Stock options and warrants exercised during the first quarter of 2008 generated cash inflow of \$4,450 and \$1,245,020, respectively, compared to \$456,750 and \$332,183, respectively for the first quarter of 2007.

Cash flow used in investing activities was \$11,728,014 for the first quarter of 2008 compared to \$6,156,543 for the same period of 2007 principally due to the intensive mill construction in progress and the increase in exploration and development expenditures in 2008 at the Nuestra Señora project.

CONTINGENCIES

In 2005, the Company initiated a claim against a former employee of its Mexican mining operations for recovery of unauthorized disbursements which benefited the employee in the amount of approximately \$74,000 (781,308 pesos) during the period from November 2004 to February 28, 2005.

The Company has also identified additional expenditures in the amount of approximately \$410,000 which were incurred in the period from December 2004 to January 31, 2005 and were charged to the Company's Mexican subsidiary by a Corporation controlled by the former employee and a third party. The Company believes that certain of these expenditures were not properly authorized and also directly benefited the former employee. The former employee has denied the claims and has filed a proceeding with the Mexican Labor Board claiming additional employment benefits owing of approximately \$230,000 (2,000,000 pesos) from the Company. In January 2008, the Company reached a settlement with respect to the labor claim and subsequently paid US\$140,000, in March 2008, to the former employee. The Company continues the procedures against the former employee and any amounts recovered, if any, will be recorded in the period they are received.

The Company is also party to certain other claims incurred in the normal course of business, none of which management believes will have a material impact on the results of operations or financial position of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at March 31, 2008.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of operations, the Company enters into various transactions with related parties which have been measured at exchange value and are recognized in the consolidated financial statement.

The Company incurred an aggregate amount of \$20,000 as director's fees for the three-month period ended March 31, 2008 and incurred \$8,218 for the three-month period ended March 31, 2008, for mining services with Servicios MRGP, S.A. de C.V., a company 50% owned by Mr. Peter Hawley and Mr. Roger Scammell, two directors of the Company. As at March 31, 2008, an amount of \$21,664 related to those transactions is included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates potential property and project acquisitions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board, regulatory and sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments. As of this date, the Company has a number of possible transactions that it is pursuing. Management is uncertain whether any of these proposals will ultimately be completed.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of these new accounting standards had no effect on the current or comparative balance sheet or results of operations. Certain note disclosures have been revised to conform with these new standards.

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.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with Canadian GAAP. Our significant accounting policies are contained in Note 2 to the consolidated financial statements for the year ended December 31, 2007.

Certain of these policies involve critical accounting estimates because they require us 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.

A discussion of the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements is included in the Company's Management Discussion and Analysis for the year ended December 31, 2007. We consider these estimates to be an important part of understanding our consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company currently does not own, hold or have any material interest in, or liability associated with, any derivative instruments.

Financial Condition and Liquidity

The primary factors that will affect the future financial condition of the Company include the continued ability to raise equity or debt financing and the level of exploration and development expenditures required to meet commitments or commercial production. As a mineral exploration and development company with no current production or revenue from mining operations, the Company's cash flows consist of cash outflows for administrative expenses, salaries, property acquisition and evaluation, exploration, development, and expenditures for depreciable equipment such as mobile equipment and computers required for office and field operations.

Financing activities, such as share issuances, result in cash inflows to the Company. Since its inception, the Company has relied on capital markets (and in particular, equity markets) to fund its exploration and development activities. Following the recent issue of convertible debentures and exercises of warrants, the Company believes it has sufficient financial resources to meet its commitments and capital requirements to bring its Nuestra Señora project into commercial production.

Industry, Economic and Environmental Risk Factors Affecting Performance

As a mineral exploration and development company, Scorpio's performance is affected by a number of industry and economic factors and exposure to certain environmental risks, and other regulatory requirements. These have been detailed in the Company's December 31, 2007 annual MD&A and its Annual Information Form.

OTHER MD&A REQUIREMENTS

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 have also designed internal control 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 control over financial reporting during the quarter ended March 31, 2008, that would materially affect, or is reasonably likely to materially affect, the company's internal control over financial reporting.

Recent accounting pronouncements

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

Convergence with International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada and the expected convergence with International Financial Reporting Standards (“IFRS”) by the end of 2011.

On February 13, 2008 the Canadian Accounting Standards Board confirmed 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards (IFRS). The transition will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements has not yet been determined.

Outlook

Scorpio will continue to explore and develop its mineral properties, mainly the Nuestra Señora Project in Mexico where approximately US\$16 million will be spent during the quarter ended June 30, 2008 to continue the underground development of the mine and finalize the construction and commissioning of its processing plant, with an initial capacity of 1000 tons per day, but scaleable to up to 2000 tonnes per day when warranted. The Company anticipates that commercial production from the Nuestra Señora mine will commence early in the third quarter.

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

Disclosure of Outstanding Securities as at May 6, 2008

Outstanding common shares	112,123,069
Broker compensation options	1,100,050
Share purchase Warrants	3,928,750
Options	8,772,356
Convertible debentures	<u>12,903,225</u>
Fully diluted	<u><u>138,827,450</u></u>

Forward Looking Statements

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under “Risk Factors” above and in the Company’s Annual Information Form dated March 26, 2008 available at www.sedar.com under the Company’s name.