

Consolidated financial statements of
SCORPIO MINING CORPORATION

Third Quarter Ended

September 30, 2007

These consolidated financial statements have not been reviewed by
the Company's external auditors

SCORPIO MINING CORPORATION

Consolidated balance sheets

	September 30, 2007 (Unaudited) \$	December 31, 2006 (Audited) \$
Assets		
Current assets		
Cash and cash equivalents	4,492,234	28,574,199
Taxes and other accounts receivable	5,116,800	1,682,411
Inventories (Note 3)	2,484,134	1,123,239
	12,093,168	31,379,849
Machinery and equipment (Note 4)	9,994,855	5,409,753
Non-producing mining properties (Note 5)	2,487,160	2,267,618
Deferred exploration and development expenditures (Note 5)	46,358,035	31,397,483
	70,933,218	70,454,703
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,641,290	1,397,061
Current portion of loans (Note 6)	19,817	-
Current portion of obligation under capital lease	75,789	77,211
	2,736,896	1,474,272
Non-controlling interest	155,907	-
Obligation under capital lease	27,114	99,009
Asset retirement obligations	161,102	153,252
Future income taxes	676,825	-
	3,757,844	1,726,533
Shareholder's equity		
Capital stock (Note 7)	70,747,521	68,184,374
Contributed surplus (Note 8)	17,586,971	14,672,356
Deficit	(21,159,118)	(14,128,560)
	67,175,374	68,728,170
	70,933,218	70,454,703

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 and deficit
(Unaudited)

	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007	Three-month period ended September 30, 2006	Nine-month period ended September 30, 2006
	\$	\$	\$	\$
Interest income	88,214	539,800	401,325	660,257
Expenses				
General and administrative	403,917	1,147,300	159,452	643,583
Amortization	9,636	28,610	1,936	5,859
Accretion of asset retirement obligations	2,617	7,849	2,446	7,336
Foreign exchange loss	684,039	1,093,318	20,349	21,234
Professional fees	109,018	209,127	49,530	165,626
Office Rent	18,800	49,550	8,720	25,930
Travel expenses	78,805	168,700	72,601	135,706
Stock-based compensation	30,056	3,633,455	185,666	475,035
Transfer agent and listing fees	13,505	54,324	43,181	61,197
Investors relations	65,551	312,877	60,269	152,631
Interest on loans	359	1,482	-	-
Interest on obligation under capital lease	2,373	8,647	-	-
Loss on disposal of machinery and equipment	6,610	7,593	-	-
Market opportunities	31,093	261,795	-	-
Gain on dilution of a subsidiary	(80,732)	(88,268)	-	-
	1,375,647	6,896,359	604,150	1,694,137
Loss before income taxes and non-controlling interest	(1,287,433)	(6,356,559)	(202,825)	(1,033,880)
Future income taxes	404,117	(676,825)	190,345	148,130
Loss before non-controlling interest	(883,316)	(7,033,384)	(12,480)	(885,750)
Non-controlling interest	2,826	2,826	-	-
Net loss for the period	(880,490)	(7,030,558)	(12,480)	(885,750)
Deficit, beginning of period	(20,278,628)	(14,128,560)	(13,397,934)	(12,524,664)
Deficit, end of period	(21,159,118)	(21,159,118)	(13,410,414)	(13,410,414)
Basic and diluted net loss per share	(0.01)	(0.08)	(0.00)	(0.01)
Weighted-average number of common shares-basic and diluted	88,185,311	87,585,734	71,514,355	66,010,088

See accompanying notes to the consolidated financial statements

SCORPIO MINING CORPORATION

Consolidated statements of cash flows
(Unaudited)

	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007	Three-month period ended September 30, 2006	Nine-month period ended September 30, 2006
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(880,490)	(7,030,558)	(12,480)	(885,750)
Items not involving cash:			-	-
Amortization	9,636	28,611	1,936	5,859
Non-controlling interest	(2,826)	(2,826)	-	-
Accretion of asset retirement obligations	2,616	7,849	2,446	7,336
Future income taxes	(404,117)	676,825	(190,345)	(148,130)
Stock-based compensation	30,056	3,633,455	185,666	475,035
Loss on disposal of machinery and equipment	6,610	7,593	-	-
Gain on dilution of a subsidiary	(80,732)	(88,268)	-	-
	(1,319,247)	(2,767,319)	(12,777)	(545,650)
Change in non-cash working capital items				
Taxes and other accounts receivable	(2,707,794)	(4,112,234)	(394,503)	(822,976)
Inventories	(296,779)	(1,360,351)	(199,630)	(159,397)
Accounts payable and accrued liabilities	924,195	269,709	(195,178)	(149,859)
	(3,399,625)	(7,970,195)	(802,088)	(1,677,882)
Financing activities				
Issue of capital stock	473,460	1,546,480	3,708,624	44,992,820
Funds received by Scorpio Gold Corporation as share subscriptions and share issuance	100,000	742,500	-	-
Repayment of loans	(17,552)	(41,191)	-	-
Repayment of obligation under capital lease	(17,478)	(58,033)	-	-
Share issue costs	-	-	(150,363)	(3,588,032)
	538,430	2,189,756	3,558,261	41,404,788
Investing activities				
Deferred exploration and development expenditures	(4,973,201)	(14,695,638)	(3,183,030)	(6,923,467)
Acquisition of machinery and equipment	(1,821,015)	(3,500,728)	(427,168)	(612,078)
Acquisition of non-producing mining properties	-	(60,000)	-	(60,000)
Subscription cash decrease as a result of de-consolidation of Scorpio Gold Corporation	-	(638,976)	-	-
Cash received from Scorpio Gold Corporation (Note 2)	176,900	176,900	-	-
Proceeds from sale of machinery and equipment	68,654	105,804	-	-
	(6,548,662)	(18,612,638)	(3,610,198)	(7,595,545)
Effect of exchange rate changes on cash and cash equivalents				
	219,089	311,110	-	-
Increase (decrease) in cash and cash equivalents	(9,190,768)	(24,081,967)	(854,025)	32,131,361
Cash and cash equivalents, beginning of period	13,683,002	28,574,201	35,460,226	2,474,840
Cash and cash equivalents, end of period	4,492,234	4,492,234	34,606,201	34,606,201
Cash and cash equivalents are comprised of:				
Cash in bank	4,492,234	4,492,234	2,127,155	2,127,155
Short-term investments	-	-	32,479,046	32,479,046
	4,492,234	4,492,234	34,606,201	34,606,201

Supplementary cash flow information (Note 10)

See accompanying notes to the consolidated financial statements

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
Nine-month period ended September 30, 2007

1. Continuing operations

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

The Company has incurred losses from inception and anticipates that it will require additional financing to commence production at its properties under development. 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.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable for 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, 2006. 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 to the unaudited interim financial statements of the Company for the three-month period ended March 31, 2007.

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. 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.

2. Sale of interest in Canadian mineral properties

On August 9, 2007, pursuant to a transfer agreement between the Company and Scorpio Gold Corporation ("Scorpio Gold") the Company transferred its Caribou, Cochrane Hill and Lac Arsenault non-producing mining properties (the "Transferred Properties") to Scorpio Gold a company related by way of certain common directors and management, in exchange for 26,830,763 common shares of Scorpio Gold, representing 93.6% of the then outstanding common shares of Scorpio Gold. Following this transaction, Scorpio Gold became a subsidiary of the Company and thus is included in the consolidated accounts of the Company.

This related party transaction has been measured at the carrying value of the assets acquired on the basis that there has been no substantive change in ownership of the Transferred Properties. Details of the transaction are as follows:

Carrying value of assets acquired from Scorpio Gold (including Transferred Properties):	
Transferred non-producing mining properties	1,128,876
Non-producing mining property costs incurred by Scorpio Gold	220,141
Machinery and equipment	434,198
Cash	176,900
Transferred asset retirement obligations	(42,336)
Non-controlling interest	(122,038)
Non-cash working capital items-net	(1,956)
	<hr/>
	1,793,785
Carrying values of the Transferred Properties sold to Scorpio Gold:	
Non-producing mining properties	482,230
Deferred exploration and development expenditures	646,646
Asset retirement obligations	(42,336)
	<hr/>
	1,086,540
Excess of the carrying value of Scorpio Gold assets acquired over the non-producing mining properties transferred	<hr/>
	707,245

The excess of the carrying value of Scorpio Gold assets acquired over the Transferred Properties has been recorded as a reduction to non-producing mining properties and deferred exploration and development expenditures in the amount of \$60,599 and \$646,646 respectively.

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
 Nine-month period ended September 30, 2007

3. Inventories

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)
Mine supplies	1,403,113	1,123,239
Ore stockpile	1,081,021	-
	2,484,134	1,123,239

4. Machinery and equipment

	September 30, 2007 (Unaudited)			December 31, 2006 (Audited)		
	Cost	Accumulated Amortization	Net value	Cost	Accumulated Amortization	Net value
	\$	\$	\$	\$	\$	\$
Land	988,694	-	988,694	125,425	-	125,425
Surface facilities	626,668	235,273	391,395	535,791	169,805	365,986
Plant and equipment	5,068,817	961,668	4,107,149	5,221,511	629,943	4,591,568
Furniture and office equipment	556,851	133,064	423,787	411,483	84,709	326,774
Construction in progress	4,083,830	-	4,083,830	-	-	-
	11,324,860	1,330,005	9,994,855	6,294,210	884,457	5,409,753

Included in plant and equipment is equipment under a capital lease having a cost of \$266,585 and accumulated amortization of \$22,872.

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
 Nine-month period ended September 30, 2007

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

	September 30, 2007 (Unaudited)				31, 2006 (Audited)
	Nuestra Señora	Cochrane Hill (a)	Caribou	Total	Total
	\$	\$	\$	\$	\$
Non-producing mining properties					
Balance, beginning of period	1,845,388	287,230	135,000	2,267,618	2,332,619
Acquisition	-	-	60,000	60,000	65,000
Non-producing mining property costs incurred by Scorpio Gold (Note 2)	-	-	220,141	220,141	-
Reduction on transfer of properties to Scorpio Gold (Note 2)	-	(42,044)	(18,555)	(60,599)	-
Write-off	-	-	-	-	(130,001)
Balance, end of period	1,845,388	245,186	396,586	2,487,160	2,267,618
Deferred exploration and development expenditures					
Balance, beginning of year	30,756,755	505,641	135,087	31,397,483	20,346,904
Reduction on transfer of properties to Scorpio Gold (Note 2)	-	(495,991)	(150,655)	(646,646)	-
Property maintenance	752,257	-	-	752,257	419,652
Mine development	4,472,330	-	-	4,472,330	6,026,288
Site administration	1,584,420	-	5,437	1,589,857	1,874,664
Drilling and exploration	4,129,609	-	2,629	4,132,238	2,385,073
Stock-based compensation	297,828	-	-	297,828	109,367
Transportation and travel	198,642	-	13,913	212,555	185,531
Depreciation of asset under capital lease	22,872	-	-	22,872	-
Depreciation of machinery and equipment	399,844	-	4,434	404,278	279,191
Roads	1,577,415	-	-	1,577,415	-
Electric power line	2,046,828	-	-	2,046,828	-
Proceeds from option agreement	-	(10,000)	-	(10,000)	-
Field supplies	-	-	22,146	22,146	13,435
Permitting and other	-	350	86,244	86,594	-
Write-off	-	-	-	-	(242,622)
Incurred during the period	15,482,045	(505,641)	(15,852)	14,960,552	11,050,579
Balance, end of period	46,238,800	-	119,235	46,358,035	31,397,483

- (a) On May 30, 2007, the Company granted to a third party the option to acquire a 60% interest in the Cochrane Hill property. In order to maintain its option, the third party must incur a minimum cumulative expenditure amount of \$4.75 million and make cash payments of \$100,000 within certain time limits.

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
 Nine-month period ended September 30, 2007

6. Loans

September 30, 2007
(Unaudited)

	\$
Loans , bearing interest at rates varying from 0% to 7.8%, repayable by monthly installments totaling 27,694 pesos (CDN \$2,507) maturing in May 2008, secured by purchased vehicles	19,817
Current portion	(19,817)
	-

7. Capital stock

(a) Authorized and issued

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

	Number of Shares	Amount
		\$
Issued and paid		
Balance, beginning of period	86,537,675	68,184,374
Issued during the period		
For exercise of stock options	725,000	870,767
For exercise of warrants	237,274	436,584
For exercise of compensation options	7,101	13,066
Balance, March 31, 2007	87,507,050	69,504,791
Issued during the period		
For exercise of options	332,500	542,013
For exercise of warrants	7,753	14,264
For exercise of compensation options	1,156	2,127
Balance, June 30, 2007	87,848,459	70,063,195
Issued during the period		
For exercise of options	250,000	304,550
For exercise of warrants	206,400	379,776
Balance, September 30, 2007	88,304,859	70,747,521

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
 Nine-month period ended September 30, 2007

7. Capital stock (continued)

(b) Warrants

	Number	Weighted average exercise price
		\$
Balance, beginning of period	17,405,842	1.40
Issued upon exercise of compensation options	3,550	1.40
Exercised	(237,274)	1.40
Balance, March 31, 2007	17,172,118	1.40
Issued upon exercise of compensation options	578	1.40
Exercised	(7,753)	1.40
Balance, June 30, 2007	17,164,943	1.40
Exercised	(206,400)	1.40
Balance, September 30, 2007	16,958,543	1.40

As at September 30, 2007, the Company has warrants outstanding entitling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
	\$	
15,488,368	1.40	April 24, 2008
1,470,175	1.40	May 3, 2008
<u>16,958,543</u>		

(c) Compensation options

Pursuant to a brokered private placement that closed in April and May 2006, an aggregate of 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 at \$1.40 per unit until May 2008. Each compensation unit consists of one common share and one-half of one common share purchase warrant. During the nine-month period ended September 30, 2007, 8,257 compensation options have been exercised and the outstanding balance of compensation options is 2,111,966 as of that date.

(d) Stock option plan

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

	Number	Weighted average exercise price
		\$
Outstanding at beginning of period	4,620,000	0.87
Granted	60,000	1.89
Exercised	(725,000)	0.63
Outstanding, March 31, 2007	3,955,000	0.93
Granted	3,405,000	1.88
Exercised	(332,500)	0.79
Cancelled	(25,000)	1.05
Outstanding, June 30, 2007	7,002,500	1.40
Granted	40,000	1.69
Exercised	(250,000)	0.74
Outstanding, September 30, 2007	6,792,500	1.43

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
Nine-month period ended September 30, 2007

7. Capital stock (continued)

	Nine-month period ended September 30, 2007 (Unaudited)
	<u>\$</u>
Weighted average fair value at grant date	1.09

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2007:

Exercise Price	Weighted average remaining contractual life (in years)	Outstanding	Exercisable
\$0.47 to \$0.66	2.18	1,872,500	1,872,500
\$0.88 to \$0.95	3.85	375,000	281,250
\$1.05 to \$1.42	2.23	270,000	247,500
\$1.60 to \$1.91	3.93	4,275,000	4,245,000
		<u>6,792,500</u>	<u>6,646,250</u>

The weighted average exercise price of outstanding and exercisable stock options is \$1.43 per share.

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:

	Nine-month period ended September 30, 2007 (Unaudited)
	<u></u>
Expected stock price volatility	60%
Risk free interest rate	4.61%
Expected life	5 years
Expected dividend yield	Nil %

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
 Nine-month period ended September 30, 2007

8. Contributed surplus

Contributed surplus consists of the following:

	Three-month period ended September 30, 2007 (Unaudited)	Nine-month period ended September 30, 2007 (Unaudited)	Three-month period ended September 30, 2006 (Unaudited)	Nine-month period ended September 30, 2006 (Unaudited)
	\$	\$	\$	\$
Balance, beginning of period	17,724,043	14,672,356	15,277,725	6,052,451
Fair value of stock options issued	73,794	3,931,281	185,666	475,035
Transfer to share capital upon exercise of stock options	(120,050)	(814,405)	-	(172,968)
Transfer to share capital upon exercise of warrants	(90,816)	(198,628)	(626,195)	(696,480)
Transfer to share capital upon exercise of compensation options	-	(3,633)	-	-
Fair value of compensation units issued to agents	-	-	-	1,399,232
Fair value of warrants issued upon closing of the private placement	-	-	-	7,779,926
Balance, end of period	17,586,971	17,586,971	14,837,196	14,837,196

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 period ended September 30, 2007 was earned in Canada. The Company's non-current assets by geographic location are as follows:

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)
	\$	\$
Canada	1,475,475	2,436,985
Mexico	57,364,575	36,637,869
	58,840,050	39,074,854

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
 Nine-month period ended September 30, 2007

10. Supplementary cash flow information

Supplementary information regarding non-cash investing and financing transactions and other information:

	Three-month period ended September 30, 2007 (Unaudited) \$	Nine-month period ended September 30, 2007 (Unaudited) \$	Three-month period ended September 30, 2006 (Unaudited) \$	Nine-month period ended September 30, 2006 (Unaudited) \$
Depreciation of machinery and equipment capitalized in deferred exploration and development expenditures	152,806	427,150	84,370	235,137
Stock-based compensation included in deferred exploration and development expenditures	46,741	297,828	-	-
Machinery and equipment included in accounts payable	1,219,335	1,219,335	1,599,271	1,599,271
Deferred exploration and development expenditures included in accounts payable	942,849	942,849	331,180	331,180
Transfer of contributed surplus to share capital on exercise of stock options	120,050	814,405	-	172,968
Transfer of contributed surplus to share capital on exercise of warrants	90,816	198,628	622,703	696,480
Transfer of contributed surplus to share capital on exercise of compensation options	-	3,633	-	-
Fair value of compensation options issued on completion of private placement	-	-	-	1,399,232
Fair value of warrants issued upon closing of the private placement	-	-	-	7,779,926
Interest paid	2,732	10,129	-	-

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 \$90,000 (781,308 pesos) during the period from January 2004 to February 28, 2005. Amounts recovered from the former employee, if any, will be recorded in the period they are received.

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. The former employee has denied the claims and has filed a proceeding with the Mexican Labour Board claiming additional benefits owing of approximately \$181,000 (2,000,000 pesos) from the Company.

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
Nine-month period ended September 30, 2007

11. Contingencies (continued)

The Company believes it has substantial defences to the counterclaim and is unlikely to incur any further loss in connection with these actions.

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 September 30, 2007 (Unaudited)	Nine-month period ended September 30, 2007 (Unaudited)	Three-month period ended September 30, 2006 (Unaudited)	Nine-month period ended September 30, 2006 (Unaudited)
	\$	\$	\$	\$
General and administrative	29,760	141,658	122,110	346,690
Deferred exploration and development expenditures	27,078	97,361	29,850	104,450
Project evaluation costs	-	56,250	-	-
Share issue costs	-	-	138,000	138,000

As at September 30, 2007 an amount of \$51,234 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.

13. Subsequent events

- (a) On November 1, 2007, the Company closed a brokered private placement and issued 15,715,000 units at a purchase price of \$1.40 for aggregate gross proceeds of \$22,001,000. Each unit consists of one common share of the Company and one quarter of one common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional common share of the Company until November 1, 2010 at a price of \$1.85 per common share. The agents received a cash commission of \$1,540,070 as well as compensation options which entitle the agents to acquire up to 1,100,050 common shares at a purchase price of \$1.49 per share at any time until November 1, 2010.
- (b) On October 26, 2007, the Company's subsidiary Scorpio Gold entered into a definitive business combination agreement with the Company and Bactech Mining Corporation ("Bactech") a public company listed on the TSX Venture Exchange (the "TSX-V"). Pursuant to the terms of the agreement, Bactech will issue to Scorpio Gold shareholders 2.6 common shares for every common share of Scorpio Gold issued and outstanding. It is anticipated that in connection with the transaction Bactech will change its name to Scorpio Gold Corporation. The business combination will result in the Company becoming the controlling shareholder of the new company. Completion of this transaction is subject to various conditions including TSX-V acceptance and approval of the shareholders of Bactech and Scorpio Gold.

INTRODUCTION

The following Management Discussion and Analysis (MD&A) is for the three month period ended September 30, 2007 and is provided as of November 1, 2007. 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 September 30, 2007 and 2006 and the audited consolidated financial statements and MD&A for the year ended December 31, 2006. These documents are available on the Company’s website (www.scorpiomining.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

The Company has three mineral properties in its portfolio: Nuestra Señora in Sinaloa State, Mexico and Cochrane Hill and Caribou in Nova Scotia, Canada. The most significant and the Company’s primary business focus is the Nuestra Señora property. President, Mr. D. Roger Scammell, PGeo, is the Company’s qualified person under NI 43-101, and has reviewed the technical disclosure provided below.

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 exploration and development plans and activity. The property comprises three mineral exploitation claims encompassing 140 hectares and six mineral exploration claims encompassing 14,174 hectares. An application has been made for one additional mineral exploration claim, the application was reviewed by the land titles office which requested clarification regarding the co-ordinates of the claim boundaries. This data has been submitted and the Company is awaiting for the approval of the title to the additional mineral exploration claim from Mexico City. The Company’s 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 the quarter ended September 30, 2007, Scorpio continued to focus its exploration, development, and construction activities on the Nuestra Señora silver-zinc-copper-lead deposit. Underground drilling totalled 10,349 metres in 79 holes and was principally directed toward defining the Hoag and Main mineralized zones, although some exploration work was also conducted. The underground development at the Nuestra Señora deposit advanced 858.4 metres. As of the end of September 2007, total underground development stands at 1,485.7 metres (1.48 kilometres) of the main 3.5 x 5 metre Nuestra Señora ramp and 4089.9 metres (4.08 kilometres) of 4 x 4 metre cross-cuts and access points. No further excavation of the ramp occurred as of the date of this report.

Underground development of the Nuestra Señora deposit is averaging 266.7 metres per month after nine months of operation. The Company’s main focus during the quarter ended September 30, 2007 was to open ore blocks on levels 9, 10 and 10.5.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

It is anticipated that block #15, located between the 10 and 10.5 levels, will be ready for long holing in November 2007.

Development has begun on level 8 toward the northwest section of the Main zone. This will become a drilling platform for defining the higher-grade portions of the Main zone which will allow the recuperation of zinc rich ore from the level 9, currently being developed, that was not mined by ASARCO in the 1960s. On level 11, the south drift has been completed for exploration purposes and advance will now be directed to the north and west drifts. A ramp joining level 3 of the Nuestra Señora mine with the Candelaria deposit has been started and the principal ventilation raise between level 6 and the Candelaria deposit has been completed. The mechanical shop and adjacent warehouse on level 8 have also been completed and both are now operative.

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

Development and Construction Update

1. As of November 1, 2007, 32 kilometres of the 34-kilometre electrical line has been installed and the remaining 2 kilometres should be completed by year end.
2. The 4.3-km bypass road and 7 km of access road to the site are now complete with the exception of the final surfacing and installation of five culverts. Both roads endured the recent rainy season without damage. The bypass road is now utilized by transport to the project, effectively reducing mine related traffic through the town of Cosalá.
3. All major mechanical equipment required for the crushing and mill process plant are currently in Cosalá, including the 300 cubic feet flotation cells, two refurbished Marcy 10 x10 balls mills, the 6x4 regrind mill, the Birdsboro Jaw crusher and the 5.5 ft. standard head cone crusher. It is anticipated that the refurbished 5.5 ft head cone crusher and drum concentrate vacuum filters will arrive within the next eight weeks.
4. All other mechanical equipment such as pumps, conditioners and clarifiers are on order and scheduled for delivery before the end of December 2007.
5. The majority of the electric motors required for the pumps and mechanical equipment have been refurbished and are ready for installation.
6. Foundations for the ball mills, jaw and cone crushers, tailings thickeners, concentrate thickeners, crushing plant and process plant are all under construction and expected to be completed within the next month. The process plant building has already been erected.
7. The water recycling tank is assembled and final welding is ongoing. Construction of a twin fresh water tank is underway.
8. The design of a river intake and supply lines for the water supply system is underway, with construction scheduled to start in November 2007.
9. Office trailers have been installed, complete with an 80-kW generator and the required support infrastructure. The offices are currently being used by the project management team administrating and supervising the construction of the crushing and mill plant. Daily management meetings are held with the contractors to ensure product compliance and maintaining the contract schedule. A 30-metre x 18-metre warehouse has also been erected in the office administration area.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

10. Installation of a main communications tower to supply telephone lines, internet connections and video feed for mill site surveillance has been completed. Telecom of México will finalize the installation once all of the equipment has arrived on site.
11. Starting in April 2007, the mining operation has been moving ore and waste from the mine site to the mill site on a regular basis. Currently, a 10-hour shift will produce 64 round trips with an average of eight trucks in operation per shift. Transport production is stable at 1,280 tonnes per shift on the 6-km access road.
12. During the quarter ended September 30, 2007, 382.1 metres of the total 858.4 metres of underground development were completed in ore, representing approximately 16,965 tonnes of ore brought to the stock pile at the mill site.
13. As of November 1, 2007, the ore stockpile inventory at the mill site consisted of 49,631 tonnes at mill site, 4,000 tonnes at the Nuestra Señora portal and 10,000 tonnes within the mine.
14. The initial commissioning of the mill facility is scheduled to commence in March 2008. From March until May 2008, the mill throughput is projected to be 500 tonnes per day (TPD), and from June 2008 onwards, mill throughput is scheduled to increase to 1,000 TPD.
15. During the initial process plant start-up and mill commissioning period, ore recoveries will not be fully optimized. In order to minimize loss to the tailings, lower-grade mineralization from the Hoag zone will be used for the initial throughput. Once mill recoveries have been optimized, the Company will begin to mine and blend in the higher-grade Nuestra Señora mineralization.
16. Long hole drilling of the first ore block within the Hoag zone is scheduled to commence before the end of the year.
17. The Company currently has four underground diamond drills in operation, performing in-fill delineation drilling of exploitation areas as well as exploration drilling.

During the quarter ended September 2007, a revised budget for the mill construction has been prepared showing an increase of US\$14 million from US\$15 million to US\$29 million compared to the original estimate included in the independent pre-feasibility study. Furthermore, commercial production (60% of maximum throughput for a sustained period) originally planned for March 2008 has been revised to June 2008.

The following factors contributed to a significant increase to the cost of the surface construction and related underground development:

1. The metallurgical and engineering work involved in the design the mill process flowsheet took longer than anticipated.
2. Acquisition of the necessary permits required more time than anticipated.
3. Shortage of qualified people in surface excavation work and poor ground conditions increased site preparation costs and caused delays to the project. For example, caverns were encountered under the foundations area and had to be uncovered and filled with concrete.
4. Some of the used mill equipment package purchased in 2004 was found to be inadequate and had to be replaced.
5. Water supply was anticipated to be from wells to be drilled at the mill site. However, test holes gave disappointing results. The water supply system will pump water through a 3 km pipeline with larger pumps.
6. The prices obtained from contractors were higher than anticipated. This reflects the high level of activity and associated shortage of resources in Mexico's mining industry.

7. The mill is being built to accommodate an expansion to 2000 TPD, requiring more civil work than would otherwise be necessary.
8. The cost of electrical supplies is higher than anticipated because of higher copper prices and premiums to shorten deliveries.
9. Increased underground development work and drilling for supporting the increase in the size of the mill facility.

Despite the delays encountered and difficulties in finding suitable contractors and suppliers, the construction work is progressing well and mill commissioning is expected to begin on time in March 2008.

Canadian mineral properties

The Company has been examining ways of advancing the Company's gold properties without further share dilution to its shareholders. In the quarter ended June 30, 2007, the Company entered into an option and joint venture arrangement on its Cochrane Hill property in Nova Scotia. In addition, the Company had previously incorporated a wholly owned subsidiary Scorpio Gold Corporation ("Scorpio Gold"), with a view to separately financing the Company's gold properties.

On August 9, 2007, the Company transferred all of its titles, rights and interests, in the Caribou property, the Cochrane Hill property and the Lac Arsenault property collectively its ("gold properties") to Scorpio Gold in consideration for 26,830,763 common shares of Scorpio Gold. The fair market value of the properties has been established to \$13,415,382 based on NI 43-101 total contained indicated and inferred ounces of the properties. The Company currently owns approximately 93% of the issued and outstanding common shares of Scorpio Gold. This transaction is subject to the approval by the Toronto Stock Exchange.

On October 26, 2007, Scorpio Gold entered into a definitive business combination agreement with the Company and Bactech Mining Corporation ("Bactech"), a public company listed on the TSX Venture Exchange (the ("TSX-V"). Pursuant to the terms of the agreement, Bactech will issue to Scorpio Gold shareholders 2.6 common shares for every common share of Scorpio Gold issued and outstanding. It is anticipated that in connection with the transaction Bactech will change its name to Scorpio Gold Corporation. The business combination will result in Scorpio Mining Corporation becoming the controlling shareholder of the new company. Completion of this transaction is subject to various conditions, including TSX-V acceptance and approval from shareholders of Scorpio Gold and Bactech. Scorpio Gold is currently considering financing opportunities to fund its exploration expenditures and general and administrative needs.

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.

Under the terms of the option agreement, Scorpio Gold has one remaining option payment of \$60,000 due April 25, 2008. A lump sum payment of \$250,000 is also due upon exercise of the option, which will be an advance against the net smelter return royalties.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

The vendor retains a 2.5% net smelter return royalty, of which 1%, may be purchased at a cost of \$1,000,000 and the remaining 1.5 % is subject to a right of first refusal in favour of the Scorpio Gold. Outstanding work requirements under the terms of the original agreement include \$500,000 each year totalling \$1.5 million over three years commencing April 25, 2007. With the vendor's consent, the commencement of the work commitments has been deferred until April 25, 2008, with all work to be completed by April 25, 2011.

During the quarter ended September 30, 2007, Maritime Diamond Drilling Ltd. of Truro, Nova Scotia was contracted to conduct a small surface drilling program. The program ran from July 9 to 27, 2007, completing eight HQ-sized core holes totalling 698 metres. The intent of the program was to target near-surface stockwork style veins, test exploration ideas and acquire fresh drill core. Three holes targeted the North limb of the anticline, one vertical hole was drilled on the anticlinal axis and four holes targeted the B/C Zones of the South Limb. The drill core has been logged and is currently stored in a secure facility. Sampling and assaying will be conducted following the completion of the business combination between Scorpio Gold and Bactech.

A preliminary review of the historical data set for the Caribou property revealed a number of significant errors. Consequently, Hudgetech Consulting of Dartmouth, Nova Scotia has been contacted to conduct a complete review of the entire data set (in progress).

Scorpio Gold continues with the permitting process for de-watering and re-entry into the mine workings. In mid October 2007, the dewatering report was submitted to the Department of Environment for its review of the proposed water management plan. The flooded mine contains about 200,000 m³ of water with slightly elevated arsenic levels and requires treatment before being released to the environment. On July 22, 2007, Scorpio Gold submitted its Code of Practice report to the Department of Labour ("Labour") detailing Scorpio Gold's plan for re-entry into the mine. In mid September 2007, Labour answered with a request for more information. The second submission for the Code of Practice is expected to be delivered to Labour in the first week of November 2007.

Cochrane Hill Property

The Cochrane Hill property consists of 65 contiguous mineral claims encompassing 1,192 hectares of land in Guysborough County, Nova Scotia. Fifty-three claims encompassing 848 hectares are held 100% by Scorpio Gold subject to a 3% net smelter return royalty, 2% of which may be purchased at a cost of \$500,000 for the first 1% and \$1 million for the second 1%. The remaining 12 claims encompassing 344 hectares were acquired by staking and are 100% owned by Scorpio Gold. The current land position also includes the Crows Nest property, a 97-hectare claim block that was staked in 2006 and is contiguous with the original Cochrane Hill property.

The Cochrane Hill property was optioned by the Company in June 2007 to Australian-based Atlantic Gold NL (Atlantic). Under the terms of the agreement, once Atlantic has completed expenditure of \$4.75 million on exploration and development within 4 years, potentially extendable for a further 2 years, and has made aggregate cash payments of C\$100,000 to Scorpio Gold, then at Scorpio Gold's election, Atlantic will have earned either a 60% joint venture interest (with Scorpio Gold retaining a 40% joint venture interest) or a 100% interest subject to a 20% free carried interest retained by Scorpio Gold. Atlantic may withdraw from the option at any time. The 53 claims held under option with the original property owner remain subject to a 3% net smelter return royalty.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

On July 27, 2007, Atlantic released an upgraded mineral resource estimate for the Cochrane Hill property based on the adoption of an open pit model and the use of a lower cut-off grade. The resource estimate was completed using the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code). Under NI 43-101, the Company is not permitted to disclose mineral resource and mineral reserve categories of the JORC Code for a non-foreign property.

Atlantic announced it will be conducting an evaluation of the historic drill core from the property which will dictate the nature and amount of follow-up drilling to complete the resource delineation and proceed with pit optimisation.

RESULTS OF OPERATIONS

Scorpio reported a net loss of \$880,490 or \$0.01 per share for the three-month periods ended September 30, 2007, compared to \$12,480 or \$0.00 per share for the same period in 2006.

Net loss for the nine-month period ended September 30, 2007 was \$7,030,558 or \$0.08 per share compared to \$885,750 or \$0.01 per share for September 30, 2006. Interest revenue decreased from \$401,325 and \$660,257 in the three and nine-month periods ended September 30, 2006 to \$88,214 and \$539,800 for the same periods of 2007 as a result of lower cash balances due to the utilization of cash for exploration and development expenditures. The Company is still at the exploration and development stage and had no operating revenue in either of these periods.

General and administrative expenses increased from \$159,452 and \$643,583 in the three and nine-month periods ended September 30, 2006 to \$403,917 and \$1,147,300 in the three and nine-month periods ended September 30, 2007 due principally to the hiring of additional staff at the Company's administrative office in Val-d'Or, Quebec required by the development of the Company's business.

Foreign exchange loss increased significantly from \$20,349 and \$21,234 in the three and nine-month periods ended September 30, 2006 to \$684,039 and \$1,093,318 in the same periods in 2007. This increase was mostly caused by a weaker Mexican Peso in 2007 which impacted the Company's Peso denominated working capital in Mexico upon consolidation. Stock-based compensation expense, which is non-cash in nature, increased from \$475,035 in the nine-month period ended September 30, 2006 to \$3,633,455 in the same period of 2007. This increase is mostly related to grants of 3,405,000 fully vested stock options recorded in the second quarter of 2007.

During the nine-month period ended September 30, 2007, the Company recorded a future income tax expense of \$676,825 compared to a recovery of \$148,130 in the same period of 2006. The tax provision arose because of certain expenditures which were determined to be non-deductible for Mexican tax purposes on filing of the Mexican statutory tax return, resulting in a non-cash future tax expense.

Balance sheet

Current assets

As of September 30, 2007, the Company had \$4,492,234 in cash and cash equivalents compared to \$28,574,199 as of December 31, 2006. The decrease in cash is mainly related to the deferred exploration and development expenditures and acquisition of machinery and equipment paid in the nine-month period ended September 30, 2007 for amounts of \$14,695,638 and \$3,500,728 respectively.

Working capital was \$9,356,272 as of September 30, 2007 compared to \$29,905,577 as of December 31, 2006 for the same reason.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

Machinery and equipment

Acquisition of machinery and equipment amounted to \$4,142,156 for the three-month period ended September 30, 2007 and \$5,155,281 for the nine-month period ended September 30, 2007 compared to \$2,026,439 and \$2,211,349 for the corresponding periods in 2006.

Acquisitions during the nine-month period of 2007 are mainly related to the construction of a mill in Mexico.

Non-producing mining properties and deferred exploration and development expenditures

Total deferred exploration and development expenditures were \$46,358,035 as of September 30, 2007 compared to \$31,397,483 as of December 31, 2006.

The exploration and development expenditures incurred during the nine-month period ended September 30, 2007 totalled \$15,607,198, compared to \$7,489,785 during the same period in 2006, as development and construction activities at the Nuestra Senora project accelerated. The capitalised expenditures on the Nuestra Senora property, including \$422,716 of depreciation and \$297,828 of stock-based compensation totalled \$15,482,045 for the first nine-months of 2007.

Liabilities

Current liabilities were \$2,736,896 as of September 30, 2007 compared to \$1,474,272 as of December 31, 2006. The difference is primarily attributable to increased activities due to the mill construction in Mexico.

Shareholders' equity

There was a decrease of \$1,552,796 in shareholders' equity in the nine-month period ended September 30, 2007 from a total of \$68,728,170 as of December 31, 2006 to \$67,175,374 as of September 30, 2007.

Capital stock increased from \$68,184,374 as of December 31, 2006 to \$70,747,521 as of September 30, 2007. Stock options and warrants exercised during the period accounted for an amount of \$1,717,330 and \$830,624 respectively.

Contributed surplus has increased by \$2,914,615 during the nine-month period ended September 30, 2007 mainly as a result of the grant of stock options as discussed above.

Cash flow

Cash flow used in operating activities was \$3,399,625 and \$7,970,195 for the three and nine-month periods ended September 30, 2007 compared to \$802,088 and \$1,677,882 in the same period of 2006. This increase was mainly caused by an increase in net loss and an overall increase in non-cash working capital items. During the nine-month period ended September 30, 2007, 46,247 tons of ore have been stockpiled, creating \$1,081,021 in inventory.

Cash flow from financing activities was \$538,430 and \$2,189,756 for the three and nine-month periods ended September 30, 2007 compared to \$3,558,261 and \$41,404,788 for the same periods in 2006. The difference is directly attributable to the issue of 35,363,300 shares under a private placement which completed in 2006.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

Proceeds from the issuance of capital stock upon the exercise of stock options, warrants and compensation options during the three and nine-month periods ended September 30, 2007 totalled \$473,460 and \$1,546,480 respectively. In addition, \$642,500 was received by Scorpio Gold during the nine-month period of 2007 as share subscriptions and \$100,000 for share issuance.

Cash flow used in investing activities was \$6,548,662 and \$18,612,638 for the three and nine-month periods ended September 30, 2007 compared to \$3,610,198 and \$7,595,545 for the same periods of 2006, as development activities at the Nuestra Senora Project accelerated.

In April 2007, Scorpio Gold, a then subsidiary of the Company, issued 1,285,000 shares for \$642,500. Upon completion of this transaction, the Company's interest was diluted to close to 0% and, as a result, Scorpio Gold ceased to be included in the Company's consolidated financial statements. When Scorpio Gold was de-consolidated, it had \$638,976 in cash which is included as a cash outflow in the Company's consolidated statements of cash flows. In August 2007, following the transfer of the Company's gold assets to Scorpio Gold, it was considered again as a subsidiary and had \$176,900 in cash that was added to the Company's consolidated cash and cash equivalents.

As at September 30, 2007, the Company had \$4,492,234 in cash and cash equivalents compared to \$34,606,201 as at September 30, 2006.

Financial condition and liquidity

During the nine-month period ended September 30, 2007, 1,307,500 common shares were issued on the exercise of stock options for proceeds of \$902,925, 451,427 common shares were issued on the exercise of warrants for proceeds of \$631,998 and 8,257 compensation options were exercised for proceeds of \$11,560.

The primary factors that will affect the future financial condition of the Company include the continued ability to raise equity and debt financing and the level of exploration and development expenditures required to meet commitments.

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 as well as its investments in machinery and equipment and expects to continue to rely on these markets in 2007 and thereafter until one or more of its projects are in production.

Industry, economic and environmental risk factors

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, 2006 annual MD&A and its Annual Information Form.

Management

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight (8) quarters:

Quarter Ending	Interest Income	Net Loss	Net Loss per share
	\$	\$	\$
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)
March 31, 2006	12,340	(420,549)	(0.01)
December 31, 2005	109,766	(1,104,151)	(0.02)

LIQUIDITY

In management's view, given the nature of the Company's activities, the most meaningful and material financial information concerning the Company relates to its current liquidity and capital resources. See "Financial Condition and Liquidity" above. The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from production. There can be no assurance, however, that the Company will be able to do so. If such funds are not available or other sources of finance cannot be obtained, the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

CONTINGENCIES

There was no change in the Company's contingencies during the quarter ended September 30, 2007.

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 \$90,000 during the period from November 2004 to February 28, 2005. Amounts recovered from the former employee, if any, will be recorded in the period they are received.

In 2005, the Company 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. The former employee has denied the claims and has filed a proceeding with the Mexican Labour Board claiming additional benefits owing of approximately \$181,000 from the Company. The Company believes it has substantial defences to the counterclaim and is unlikely to incur any further loss in connection with these actions.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements as at September 30, 2007.

PROPOSED TRANSACTIONS

In addition to the transaction between Scorpio Gold and Bactech described above, the Company evaluates in the normal course of business property acquisition transactions 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 considering. Management is uncertain whether any of these proposals will ultimately be completed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Estimates are used for, but are not limited to, accounting for doubtful accounts, inventories, stock-based compensation expense, asset retirement obligations amortization, income taxes, and the recoverability of non-producing mining properties capitalized costs and deferred exploration and development expenditures. Actual results may differ from those estimates.

The Company reviews the carrying values of its non-producing mining properties and deferred exploration and development expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated recoverable amounts determined by reference to estimated undiscounted future cash flows. The recoverability of amounts shown is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to finance the development of the properties, and on the future profitable production or proceeds from the disposition thereof. An impairment loss is recognized when the carrying value of those assets exceeds its estimated net recoverable amount.

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.

OUTLOOK

Scorpio will continue exploration and development of its mineral properties, primarily the Nuestra Senora project where more than \$30 million is expected to be spent during the fourth quarter of 2007 and the first half of 2008 to increase and upgrade mineral resources, continue underground development and complete construction of a processing mill.

On November 1, 2007, the Company closed a brokered private placement and issued 15,715,000 units at a price of \$1.40 for aggregate gross proceeds of \$22,001,000. Each unit consists of one common share and one quarter of one common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional common share until November 1, 2010 at a price of \$1.85 per common share. The agents received a cash commission of \$1,540,070 as well as compensation options which entitle the agents to acquire up to 1,100,050 common shares at a purchase price of \$1.49 per share at any time until November 1, 2010.

SCORPIO MINING CORPORATION
Management Discussion and Analysis – Quarter ended September 30, 2007

The Company may require additional cash to fund its Nuestra Senora project. Management is currently evaluating various potential sources of financing if required. In addition to the newly issued warrants and broker compensation options, the Company has outstanding close to 17 million warrants exercisable at \$1.40 and options which, if exercised, would be sufficient to meet the Company's cash requirements until the start of production in Mexico.

The Nuestra Senora project is scheduled for commercial production in the second quarter of 2008.

Disclosure of outstanding share data

Share capital as of November 1, 2007 (giving effect to the November 1, 2007 private placement)

Outstanding common shares	104,107,359
Broker compensation options (including related share purchase warrants)	4,267,999
Share purchase warrants	20,887,293
Stock options	6,640,000
Fully diluted	<u>135,902,651</u>

If all of these broker compensation options, warrants and stock options are exercised, the Company would receive proceeds of \$6,074,203, \$31,010,148, and \$9,429,900 respectively. There were no shares subject to escrow or pooling arrangements as of November 1, 2007.

Additional information

Additional information relating to the Company, including the Company's Annual Information Form (filed on SEDAR on April 2, 2007) is available for review on SEDAR at www.sedar.com.

BY ORDER OF THE BOARD

"Peter J. Hawley"

PETER J. HAWLEY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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 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, exploration success, continued availability of capital and financing, and general economic, market or business conditions, and those risk factors discussed in the Company’s MD&A and Annual Information Form for the year ended December 31, 2006.