

Consolidated financial statements of
SCORPIO MINING CORPORATION

Second Quarter Ended

June 30, 2007 and 2006

These consolidated financial statements have not been reviewed by

the Company's external auditors

SCORPIO MINING CORPORATION

Consolidated balance sheets

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	13 683 002	28 574 199
Taxes and other accounts receivable	2 905 539	1 682 411
Inventories (Note 2)	2 216 879	1 123 239
	18 805 420	31 379 849
Machinery and equipment (Note 3)	6 798 288	5 409 753
Non-producing mining properties (Note 4)	2 327 618	2 267 618
Deferred exploration and development expenditures (Note 4)	41 619 320	31 397 483
	69 550 646	70 454 703
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	640 217	1 397 061
Current portion of loans (Note 5)	40 273	-
Current portion of obligation under capital lease	77 211	77 211
	757 701	1 474 272
Obligation under capital lease	44 908	99 009
Asset retirement obligations	158 485	153 252
Future income taxes	1 080 942	-
	2 042 036	1 726 533
Shareholder's equity		
Capital stock (Note 6)	70 063 195	68 184 374
Contributed surplus (Note 7)	17 724 043	14 672 356
Deficit	(20 278 628)	(14 128 560)
	67 508 610	68 728 170
	69 550 646	70 454 703

Continuing operations (Note 1)

Contingencies (Note 10)

Subsequent event (Note 13)

See accompanying notes to the consolidated financial statements

SCORPIO MINING CORPORATION

Consolidated statements of operations and deficit
(Unaudited)

	Three-month period ended June 30, 2007	Six-month period ended June 30, 2007	Three-month period ended June 30, 2006	Six-month period ended June 30, 2006
	\$	\$	\$	\$
Interest income	190 354	451 586	246 592	258 932
Expenses				
General and administrative	387 308	743 383	228 022	372 061
Amortization	9 644	18 974	2 913	3 923
Accretion of asset retirement obligations	2 616	5 232	2 445	4 890
Foreign exchange loss	366 079	409 279	2 201	885
Interest on loans	1 123	1 123	-	-
Gain on dilution of a subsidiary	(7 536)	(7 536)	-	-
Professional fees	41 733	100 109	148 871	228 166
Office Rent	13 170	30 750	8 670	17 210
Travel expenses	42 755	89 895	25 699	63 105
Stock-based compensation	3 523 062	3 603 399	167 382	289 369
Project evaluation	-	230 702	-	-
Transfer agent and listing fees	4 626	40 819	10 694	18 016
Investors relations	64 318	247 326	60 201	92 362
Interest on obligation under capital lease	3 817	6 274	-	-
Loss on disposal of machinery and equipment	-	983	-	-
	4 452 715	5 520 712	657 098	1 089 987
Loss before income taxes	(4 262 361)	(5 069 126)	(410 506)	(831 055)
Future income taxes	1 080 942	1 080 942	42 215	42 215
Net loss for the period	(5 343 303)	(6 150 068)	(452 721)	(873 270)
Deficit, beginning of period	(14 935 325)	(14 128 560)	(12 945 213)	(12 524 664)
Deficit, end of period	(20 278 628)	(20 278 628)	(13 397 934)	(13 397 934)
Basic and diluted net loss per share	(0,06)	(0,07)	(0,01)	(0,01)
Weighted-average number of common shares-basic and diluted	87 667 283	87 280 977	71 150 151	58 108 478

See accompanying notes to the consolidated financial statements

SCORPIO MINING CORPORATION

Consolidated statements of cash flows
(Unaudited)

	Three-month Period ended June 30 2007	Six-month Period ended June 30 2007	Three-month Period ended June 30 2006	Six-month Period ended June 30 2006
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(5 343 303)	(6 150 068)	(452 721)	(873 270)
Items not involving cash:				
Amortization	9 644	18 974	2 913	3 923
Accretion of asset retirement obligations	2 616	5 232	2 445	4 890
Future income taxes	1 080 942	1 080 942	42 215	42 215
Stock-based compensation	3 523 062	3 603 399	167 382	289 369
Loss disposal of machinery and equipment	-	983	-	-
Gain on dilution of a subsidiary	(7 536)	(7 536)	-	-
	(734 575)	(1 448 074)	(237 766)	(532 873)
Change in non-cash working capital items				
Taxes and other accounts receivable	(679 406)	(1 404 440)	(506 386)	(428 472)
Inventories	(1 051 195)	(1 063 572)	40 231	40 231
Accounts payable and accrued liabilities	(666 935)	(654 485)	135 531	45 318
	(3 132 111)	(4 570 571)	(568 390)	(875 796)
Financing activities				
Issue of capital stock	274 147	1 073 020	41 042 398	41 284 198
Funds received by Scorpio Gold Corporation as share subscriptions	105 000	642 500	-	-
Repayment of loans	(23 639)	(23 639)	-	-
Repayment of obligation under capital lease	(30 064)	(40 554)	-	-
Share issue costs	-	-	(3 437 669)	(3 437 669)
	325 444	1 651 327	37 604 729	37 846 529
Investing activities				
Deferred exploration and development expenditures	(3 860 605)	(9 722 438)	(2 300 333)	(3 740 437)
Acquisition of machinery and equipment	(1 384 353)	(1 679 713)	(183 349)	(184 910)
Acquisition of non producing mining properties	(60 000)	(60 000)	(60 000)	(60 000)
Subscription cash decrease as a result of de-consolidation of Scorpio Gold Corporation (Note 12)	(638 976)	(638 976)	-	-
Proceeds from sale of machinery and equipment	36 500	37 150	-	-
	(5 907 434)	(12 063 977)	(2 543 682)	(3 985 347)
Effect of exchange rate changes on cash and cash equivalents				
	101 197	92 024	-	-
Increase (decrease) in cash and cash equivalents	(8 612 904)	(14 891 197)	34 492 657	32 985 386
Cash and cash equivalents, beginning of period	22 295 906	28 574 199	967 569	2 474 840
Cash and cash equivalents, end of period	13 683 002	13 683 002	35 460 226	35 460 226
Cash and cash equivalents are comprised of:				
Cash in bank	2 286 570	2 286 570	460 226	460 226
Short-term investments	11 396 432	11 396 432	35 000 000	35 000 000
	13 683 002	13 683 002	35 460 226	35 460 226

See accompanying notes to the consolidated financial statements

SCORPIO MINING CORPORATION

Note to the consolidated financial statements (unaudited)
Six-month period ended June 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 principle 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. The Company anticipates that it will require additional financing to commence production at its properties under development. 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. Inventories

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
Mine supplies	1,325,206	1,123,239
Ore stockpile	891,673	-
	<u>2,216,879</u>	<u>1,123,239</u>

3. Machinery and equipment

	June 30, 2007 (Unaudited)			December 31, 2006 (Audited)		
	Cost	Accumulated Amortization	Net value	Cost	Accumulated Amortization	Net value
	\$	\$	\$	\$	\$	\$
Land	125,425	-	125,425	125,425	-	125,425
Surface facilities	547,461	209,185	338,276	535,791	169,805	365,986
Plant and equipment	4,742,974	852,464	3,890,510	5,221,511	629,943	4,591,568
Furniture and office equipment	506,309	111,777	394,532	411,483	84,709	326,774
Construction in progress	2,049,545	-	2,049,545	-	-	-
	<u>7,971,714</u>	<u>1,173,426</u>	<u>6,798,288</u>	<u>6,294,210</u>	<u>884,457</u>	<u>5,409,753</u>

Included in plant and equipment is equipment under a capital lease having a cost of \$266,585 and accumulated amortization of \$15,661.

SCORPIO MINING CORPORATION

Note to the Consolidated Financial Statements (unaudited)
Six-month period ended June 30, 2007

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

	30 juin 2007 (Unaudited)			December 31, 2006 (Audited)	
	Nuestra Señora	Cochrane Hill (a)	Caribou Gold Mine	Total	Total
	\$	\$	\$	\$	\$
Mineral 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
Write-off	-	-	-	-	(130 001)
Balance, end of period	1 845 388	287 230	195 000	2 327 618	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
Property maintenance	569 168	-	-	569 168	419 652
Mine development	5 233 629	-	-	5 233 629	6 026 288
Site administration	940 604	-	560	941 164	1 874 664
Drilling and exploration	2 770 188	-	-	2 770 188	2 385 073
Stock-based compensation	254 087	-	-	254 087	109 367
Transportation and travel	163 899	-	638	164 537	185 531
Depreciation of asset under capital lease	15 661	-	-	15 661	-
Depreciation of machinery and equipment	258 683	-	-	258 683	279 191
Field supplies	-	-	1 785	1 785	13 435
Permitting and other	-	350	12 585	12 935	-
Write-off	-	-	-	-	(242 622)
Incurred during the period	10 205 919	350	15 568	10 221 837	11 050 579
Balance, end of period	40 962 674	505 991	150 655	41 619 320	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

Six-month period ended June 30, 2007

5. Loans

	June 30, 2007 (Unaudited)
	\$
Loans , bearing interest at rates varying from 0% to 8.25%, repayable by monthly installments totalling 95,636 pesos (CDN \$9,375) maturing between July 2007 and May 2008, secured by purchased vehicles	40,273
Current portion	(40,273)
	-

6. Capital stock

(a) Authorized and issued

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

	June 30, 2007 (Unaudited)	
	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

(b) Warrants

	June 30, 2007 (Unaudited)	
	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

SCORPIO MINING CORPORATION

Six-month period ended June 30, 2007

6. Capital stock (continued)

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

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
15,488,368	1.40	April 24, 2008
<u>1,676,575</u>	<u>1.40</u>	<u>May 3, 2008</u>
<u>17,164,943</u>		

(c) Compensation options

Under the May 2006 brokered private placement, 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 six month period ended June 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

On May 1st, 2007, the shareholders of the Company approved a new stock option plan under which all prior outstanding options are considered part of this new plan. The number of shares reserved for issuance under this plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the new plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest and before exercisable as well as the option exercise price which shall not be less than the closing price of the Company's share on the Toronto Stock Exchange immediately preceding the date of grant.

On May 1st, 2007 the shareholders also approved the previous grant of 3,400,000 stock options to directors, employees and consultants at an exercise price of \$1.88 for 5 years.

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

	June 30, 2007 (Unaudited)	
	<u>Number</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at beginning of period	4,620,000	0.87
Granted	60,000	1.89
Exercised	(725,000)	0.63
<u>Outstanding at March 31, 2007</u>	<u>3,955,000</u>	<u>0.93</u>
Granted	3,405,000	1.88
Exercised	(332,500)	0.79
Cancelled	(25,000)	1.05
<u>Outstanding at June 30, 2007</u>	<u>7,002,500</u>	<u>1.40</u>

SCORPIO MINING CORPORATION

Six-month period ended June 30, 2007

6. Capital stock (continued)

	Six-month period ended 30 juin 2007 (Unaudited)
	\$
<u>Weighted average fair value at grant date</u>	<u>1,09</u>

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

Exercise Price	Weighted average remaining contractual life (in years)	Outstanding	Exercisable
\$0.47 to \$0.66	2.47	2,022,500	2,022,500
\$0.88 to \$0.95	4.10	375,000	206,250
\$1.05 to \$1.42	2.43	365,000	342,500
\$1.70 to \$1.91	4.17	4,240,000	4,195,000
		<u>7,002,500</u>	<u>6,766,250</u>

The weighted average exercise prices of outstanding and exercisable stock options are \$1.40 and \$1.41 respectively.

(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:

	Six-month period ended 30 juin 2007 (Unaudited)
Expected stock price volatility	64%
Risk free interest rate	4,17%
Expected life	5 years
Expected dividend yield	Nil%

SCORPIO MINING CORPORATION

Six-month period ended June 30, 2007

7. Contributed surplus

Contributed surplus consists of the following:

	Three-month period ended 30 juin 2007 (Unaudited)	Six-month period ended 30 juin 2007 (Unaudited)	Three-month period ended 30 juin 2006 (Unaudited)	Six-month period ended 30 juin 2006 (Unaudited)
	\$	\$	\$	\$
Balance, beginning of period	14 246 936	14 672 356	6 061 951	6 052 451
Fair value of stock options issued	3 761 365	3 857 487	167 382	289 369
Fair value of compensation units issued to agents	-	-	1 399 232	1 399 232
Fair value of warrants issued upon closing of the private placement	-	-	7 779 926	7 779 926
Transfer to share capital upon exercise of stock options	(280 338)	(694 355)	(60 481)	(172 968)
Transfer to share capital upon exercise of warrants	(3 411)	(107 812)	(70 285)	(70 285)
Transfer to share capital upon exercise of compensation options	(509)	(3 633)	-	-
Balance, end of period	17 724 043	17 724 043	15 277 725	15 277 725

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

	June 30, 2007 (Unaudited)	December 31, 2007 (Audited)
	\$	\$
Canada	1 357 498	2 436 985
Mexico	49 387 728	36 637 869
	50 745 226	39 074 854

SCORPIO MINING CORPORATION

Six-month period ended June 30, 2007

9. Supplementary cash flow information

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

	Three-month period ended June 30, 2007 (Unaudited)	Six-month period ended June 30, 2007 (Unaudited)	Three-month period ended June 30, 2006 (Unaudited)	Six-month period ended June 30, 2006 (Unaudited)
	\$	\$	\$	\$
Depreciation of machinery and equipment capitalized in deferred exploration and development expenditures	139 199	274 344	77 716	150 767
Stock-based compensation included in deferred exploration and development expenditures	238 302	251 087	-	-
Deferred exploration and development expenditures included in accounts payable	367 189	367 189	-	-
Transfer of contributed surplus to share capital on exercise of stock options	280 338	694 355	60 481	172 968
Transfer of contributed surplus to share capital on exercise of warrants	3 411	107 812	70 285	70 285
Transfer of contributed surplus to share capital on exercise of compensation options	509	3 633	-	-
Fair value of compensation options issued on completion of private placement	-	-	1 399 232	1 399 232
Interest paid	4 940	7 397	-	-

10. 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 \$230,000 (2,000,000 pesos) 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.

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.

SCORPIO MINING CORPORATION

Six-month period ended June 30, 2007

11. 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 June 30, 2007 (Unaudited)	Six-month period ended June 30, 2007 (Unaudited)	Three-month period ended June 30, 2006 (Unaudited)	Six-month period ended June 30, 2006 (Unaudited)
	\$	\$	\$	\$
General and administrative	53,243	111,898	109,140	224,580
Deferred exploration and development expenditures	19,800	70,283	37,950	74,600
Project evaluation costs	-	56,250	-	-
Share issue costs	-	-	138,000	138,000

As at June 30, 2007 an amount of \$75,487 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.

12. Dilution of investment in Scorpio Gold Corporation

During the six month period ended June 30, 2007, Scorpio Gold Corporation, a previously wholly owned subsidiary of the Company, completed a private placement for \$912,500 by issuing 1,850,000 shares.

Upon completion of the above transaction, the Company's interest was diluted to close to 0%. As a result of this, the Company has recorded a gain on the dilution of \$7,536 upon de-consolidation.

13. Subsequent event

On August 9, 2007, the Company sold to Scorpio Gold Corporation all titles, rights and interests in its Caribou, Cochrane Hill and Lac Arseneault properties in consideration of 26,830,763 shares of Scorpio Gold Corporation. The fair market value of the transaction has been established to \$13,415,382. Following this transaction, the Company owns a 93.5% interest in Scorpio Gold Corporation. This transaction is subject to the approval by the Toronto Stock Exchange.

SCORPIO MINING CORPORATION

Management Discussion and Analysis of Financial Results – Quarter ended June 30, 2007

INTRODUCTION

The following Management Discussion and Analysis (MD&A) is for the three month period ended June 30, 2007 and is provided as of July 30th, 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 June 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. Applications have been made for one additional mineral exploration claim, the size of which will be determined at the time of approval. 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.

During and subsequent to the quarter ended June 30, 2007, Scorpio continued to focus its exploration, development, pre-feasibility and construction activities on the Nuestra Señora silver-zinc-copper-lead deposit. Surface drilling was also conducted on two satellite deposits known as Santa Teresa and Santo Domingo. The Company continues to be impressed with the widespread mineralization on the Nuestra Señora property. Since commencement of exploration, Scorpio has had success with defining the Nuestra Señora, Candelaria, Santa Teresa, Santo Domingo, Hoag, Sept 9, Main South and Main North zones of mineralization. Of the 8 zones in total, 4 represent new discoveries.

Nuestra Señora Deposit

Underground drilling on the Nuestra Señora deposit during the quarter ended June 30, 2007 totalled 10,099 metres in 110 holes. The decline ramp and other underground development at the Nuestra Señora deposit advanced 66 metres and 867 metres respectively. As of the end of July 2007 total underground development of the main 4.5 x 5 metre Nuestra Señora ramp stands at 1,606 metres (1.6 kilometres) plus 2837 metres (2.84 kilometres) of 4 x 4 metre cross-cuts and access points.

SCORPIO MINING CORPORATION

Management Discussion and Analysis of Financial Results – Quarter ended June 30, 2007

The Nuestra Señora decline ramp is now connected to the 8th, 9th and 10th Levels and has advanced to the 11th Level. It will be extended to the elevation of the 12th Level by the end of the year. Four exploration drifts were driven off the 9th and 10th Level cross-cuts and delineation drilling of the Nuestra Señora mineralization from these openings is ongoing. The south exploration drift on the 11th Level is almost complete and the north drift will commence shortly. In addition, access drifts and draw points are continuing to be driven on the 9th and 10th Levels in the footwall of the adjacent Hoag zone in preparation for its exploitation. A decline is being driven to the 10.5 Level to exploit the Hoag zone below the 10th Level. Fifty-two metres has been completed of the proposed 156 metre raise which will connect the 6th Level of the Nuestra Senora workings with the entrance to the Candelaria mine.

On June 14, 2007 the Company announced positive results from an independent Pre-Feasibility Study ("PFS") completed on June 8, 2007 by Genivar, an independent qualified engineering company, with the participation of other qualified persons and companies. The results indicate that an underground bulk mining operation at Nuestra Señora is economically viable. The study projects that the cash cost of producing silver at the Nuestra Señora project, after accounting for by-product credits, will be a negative US\$ 0.98 per ounce produced (using discounted metal prices).

Key project parameters within the study are as follows:

- Metal Prices - Metal prices used in the study are below the current market prices.
- Dilution - A mining dilution factor of 10% with a US\$30 value per tonne mined was applied to the Main Zone and 15% dilution with a US\$30 per tonne value applied to the Hoag and Sept 9 zones for the purpose of reserve estimation.
- December 2007 to March 1, 2008 is the projected commissioning period for the processing mill.
- From the beginning of the production period, the mill is expected to run three months at 500 tonnes per day (TPD) and then increase to 1,000 TPD.
- The net present value ("NPV") and internal rate of return ("IRR") in the PFS are based on current mineral reserves outlined over the life of mine (LOM) as of April 22, 2007 and do not include additional conversion of resources to reserves or additional delineation of resources. The Company currently has five drills operating on the project.
- Definition of the mineral reserves and resources in the PFS were subject to more stringent parameters for an "Ore Reserve" calculation. The differences are mainly due to a higher percentage of "ore" samples required for a cell to be classified as "ore", shorter ellipsoid search radius, an interpolation of specific gravity, a 1 metre length of composites rather than 3 metres, an enhancement in the cut-off grade, and the exclusion of over 5,800 underground chip samples.

Study Highlights

- From commencement of production until the end of LOM operations, currently projected in late 2013, a little less than 6 years, an after tax production cash flow of US\$59.5 million is projected, excluding the pre-production capital expenditures of US\$26.5 million. Using June 5, 2007 metal prices, this figure would increase to US\$105.76 million. The LOM production period does not account for possible future production resulting from the additional resources outlined in Table 2.
- The projected base case NPV, after tax, is US\$14.3 million and the IRR is 26.2% (using US\$ 11.00 per oz. for silver, US\$ 1.25 per lb. for zinc, US\$ 0.50 for lead, US\$ 2.25 for copper, 10% real discount rate, \$40.30/tonne operating costs (with operating costs including a contingency factor of 7.5%).

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- Current (June 2007) metal price NPV, after tax, is US\$46.2 million and IRR is 60.7% (using a 10% real discount rate and \$40.30/tonne operating costs). Metal prices as of June 5, 2007, are US\$ 13.63 per oz. for silver, US\$ 1.67 per lb. for zinc, US\$ 1.04 per lb for lead, US\$ 3.26 per lb for copper.
- The pre-production capital expenditure (Cap Ex) is estimated to be US\$26.5 million incurred between May 2007 and the end of February 2008. The Cap Ex indicates a payback of nearly 3 years at a production rate of 1,000 TPD.
- Mill throughput rate is projected at 350,000 tonnes per year with average grades of 127.0 g/t silver, 2.97 %zinc, 0.42 % copper, 1.42 % lead and 0.12 g/t gold.
- The milling facility will have the possibility of increasing throughput to 2,000 TPD if required.
- Estimated average annual production is 1.1 million ounces of silver, 18.0 million pounds of zinc, 1.80 million pounds of copper, 9.0 million pounds of lead at a rate of 1,000 TPD as per metals payable contained in the concentrates.
- Production is expected to begin in March of 2008.
- Mineral resource and reserve estimates included in the PFS are up to April 22, 2007. Since then, Scorpio has drilled an additional 13,180 metres, which will be included in a future updated reserve/ resource estimate.
- The study was based on the Nuestra Señora and Hoag/Sept 9 zones and does not include the Santa Teresa, Santo Domingo and Candelaria satellite deposits.
- The deposit(s) remain open and the Company is aggressively exploring for additional resources and delineating current resources to convert them into reserves.
- Currently the Company is looking at various commercial smelter terms which could enhance the net smelter returns received.

Estimated Reserves and Resources

Table 1: Mineral Reserves

Probable Reserves	Tonnes (metric)	Grade			
		Silver (g/t)	Zinc (%)	Lead (%)	Copper (%)
Main Zone	1,067,709	167	3.24	0.98	0.55
Hoag Zone	598,284	71	2.52	1.97	0.23
Sept 9 Zone	220,776	81	2.87	2.09	0.28
Total:	1,886,769	127	2.97	1.42	0.42

Note 1: The cut-off in situ value used to estimate the mineral reserve above was US\$80 per tonne.

Note 2: The mineral reserves were estimated after allowing for the following factors: dilution: 10% for the Main zone and 15% for the Hoag/Sept 9 zones; ore recovery: 75% for the Main zone, 85% for the Hoag and 95% for the Sept 9 zone and this recovery takes into account the pillars left in place.

Note 3: Average ore densities were estimated at 3.15 t/m³.

Note 4: The effective date of the mineral reserve estimate described above is April 22, 2007.

Table 2: Remaining Estimated Mineral Resources after Reserves

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Resources Category	Tonnes (metric)	Grade			
		Silver (g/t)	Zinc (%)	Lead (%)	Copper (%)
Measured	369,352	325	4.93	2.21	0.90
Indicated	361,441	315	5.04	2.33	0.80
Total:	730,793	320	4.99	2.27	0.85
Inferred	816,851	194	3.28	1.75	0.49

Note 1: The effective date of the mineral resources estimate described above is April 22, 2007.

Note 2: The above mineral resources are exclusive of the mineral reserves quoted in table 1 above.

Note 3: Under NI 43-101, inferred resources are not included in studies of mine economics.

Note 4: Mineral resources are not reserves and do not have demonstrated economic viability.

Estimation Methodology

- Estimated Resources

For the purpose of the mineral resources in the PFS, more stringent parameters than those previously calculated were applied, including:

- Base case metal values used were: US\$ 11.00 per oz. for silver, US\$ 1.25 per lb. for zinc, US\$ 0.50 for lead, US\$ 2.25 for copper.
- All calculations were made using Gemcom software, MS Access, Sages 2001.
- Capping grade factors were applied and a US\$80 per tonne cut-off grade applied to determine the qualification of "ore" vs. waste.
- The sample composites were at a length of 1 metre with respect of qualification ("ore" vs. waste) before interpolation.
- A block model with cell sizes of 2 x 2 x 5 metre was interpolated using the inverse of the square of the distance using samples in the research ellipsoids. The closest composite within a range of 10 metres was classified as measured, the closest composite between 10 and 20 metres was classified as Indicated and closest sample from 20 to 30 metres classified as inferred.
- A specific gravity overall of 3.15 t/m³ was applied to all categories.
- All known underground excavation material was subtracted from the gross calculated material resource.

- Estimated Reserves

The resource block model was then submitted to a team of specialists with the mandate to identify recoverable resources, mining method, dilution factor, pillar location etc., including:

- All calculations were made using Gemcom software, MS Access, Sages 2001, Promine and NCSS.
- The team used an US\$80 per tonne cut-off.

The resource estimate for the PFS was prepared by Denis Boivin, P.Geo., and was supervised and validated by independent Qualified Person Christian D'Amours, P.Geo., President of Géopointcom Inc. It is an update from the estimate contained in the Company's technical report dated February 5, 2007

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prepared by independent Qualified Person, Denis Boivin. It was prepared using data available up to April 22, 2007.

A supporting NI 43-101 technical report entitled “Pre-Feasibility Study – Nuestra Señora Technical Report”, dated June 8, 2007 was filed on SEDAR on July 17, 2007. The qualified persons responsible for the preparation of the report are Michel Garon, Eng. (Genivar), Denis Vachon, Eng. (Genivar), Marc Lafontaine, Eng. (Genivar) and Christian D'Amours, P.Geo. (Géopointcom).

Following review of the PFS, Scorpio's board of directors has mandated that the Company proceed toward production with a projected commencement date of March 2008.

Development and Construction Update

- Construction of the Company's 100% owned, dedicated 34-kilometre power line from the main hydro dam was initiated in the second week of March. The line should be completed by the end of September. It is anticipated that by the end of November, the electric sub-station at the mill site will be installed and the mill site will be connected to the power grid.
- The 4.3-kilometre Cosalá by-pass road has been completed and final cement work on culverts is nearing completion. This private Company-owned road is intended to be used for moving oversized mill equipment, trailers, etc. for installation at the mill facility and the transfer of daily metal concentrates to smelters without impacting the town of Cosalá with heavy traffic.
- All mill equipment required for the construction of the processing facility is currently located in Mexico at one of the three re-furbish/storage yards and shops the Company has in Mazatlan, Cananea and Cosalá.
- The first of the ball mills and 800-horsepower motors has been re-furbished and rebuilt at the Cananea shop and is now onsite in Cosalá. The second is expected to be completed by September 30th, 2007.
- The various electric motors, conveyor rollers and floatation cells located in the Mazatlan re-furbish yard are nearing completion and expected to be moved to Cosalá with the next month.
- At the Cosalá re-furbish yard a repair shop has been constructed, stockpiling of containers containing various pipes, fittings, welding machines, etc. is ongoing, and the primary jaw crusher, main pumps and the Company-owned 70-tonne crane have been re-furbished.
- In the fall of 2006 the Company purchased 118 hectares of land for the building of the mill facility, offices, hospital, ore storage pads, concentrate storage and tailing dam installation and storage of waste by-products. The area has now been stripped and surveyed at 1-metre intervals. Since March 2007 the Company has been excavating the various sites in preparation for construction. To date the mill site has been blasted and is ready for foundations, primary crusher location is in the progress of being blasted, office and building locations have been excavated, and ore stockpiling is continuing. Waste material from the mine is being used as road ballast and fill.
- The Company received five office trailers, which have been installed to form a single unit, with a working space of 230 m³ to supply temporary accommodations for the base camp, warehouse and office-construction-supervision personnel during the construction of the mill facility.
- The Company has awarded Telecom of México the communications contract for the mill site facility for the installation of a main communications tower, which is currently in construction and will supply telephone lines, internet connections and video feed for mill site surveillance.

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- The construction of the foundations for the ball mills, crusher buildings and mill flotation facility started, as scheduled, on July 29, 2007 with the outside building shells to be completed by October 31st, 2007.
- The Company has engaged CEMEX of Mazatlan to set up a mobile cement plant and provide three cement trucks to supply the 3,000 m³ of cement required for construction footings and foundations. CEMEX's subcontractor SORIA will supply five trucks per/day for the 2,100 m³ of crushed gravel and 1,700 m³ of sand required for the cement.
- As at June 30, 2007, ore stockpile inventory consists of 23,496 tonnes at mill site, 5,000 tonnes at the Nuestra Senora portal and 10,000 tonnes within the mine.
- As outlined in the PFS, the initial commissioning of the mill facility is scheduled from December 2007 to the end of February 2008. From March 1, 2008 until May 2008 the mill throughput is projected to be 500 tonnes/day (TPD) and from June 2008 onwards mill throughput is scheduled to be at 1,000 TPD.
- The milling facility will have the potential for increasing throughput to 2,000 TPD and while operating at 1,000 TPD, mill construction will continue to equip the facility for the designed maximum throughput.
- At present, during one 10-hour shift the Company is capable of moving 1,536 tonnes of waste/ore from stope development and preparation plus development ore from the underground Hoag Zone to the mill site. This consists of 8 trucks containing 24 tonnes per truck making 8 trips per shift. This supports management's view that the Company can easily haul from underground the initial 1,000 tonnes per day initially projected for mill feed and, with two shifts per day could supply a 2,000 TPD mill facility.
- The planned initial mining will start from the lower grade Hoag zone where primary and secondary blocks have been outlined. Primary blocks contain 56,000 tonnes and long hole drilling of the blocks from the 9th level to the 10th level (30 metres) will begin in August, 2007 and the first blasting of blocks is slated for October, 2007.
- The purpose of starting with ore from the lower grade Hoag area is that for the mill commissioning and initial start up period the recoveries will not be optimized, and as such the Company does not want to lose higher grade mineralization to the tailings. Once mill recoveries have been optimized the Company will begin to mine and blend in the higher grade Nuestra Senora mineralization.
- Currently the Company is mining 2,000 tonnes per month of development ore from the Hoag zone area in preparation for production and will ramp up to full mining in October 2007.
- The Company currently has four underground diamond drills performing in-fill delineation drilling for areas of exploitation as well as exploration drilling.
- As at July 30, 2007, the Company currently has over \$11.2 million in cash and cash equivalents and over \$1.8 millions receivable from IVA reclamations. All warrants are currently in the money and if exercised would bring in an additional \$24 million of cash. The Company is also in discussions with metal brokers with a view to potentially forward-selling certain by-product metals and has been approached concerning bridge loan financing. The Company does not currently anticipate it will need to undertake additional equity financing to fund the pre-production capital expenditures.

Santa Teresa and Santo Domingo Deposits

The surface expression of the Santa Teresa deposit is located at river level approximately 250 metres east of the Nuestra Señora portal and 150 metres northeast of the Santo Domingo adit. Surface drilling of the Santa Teresa and the Santo Domingo deposits during the quarter totalled 2,025.9 metres in 18 holes. The

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results are very encouraging with all 10 holes drilled to date intersecting significant widths of mineralization (see Company news releases dated May 30 and June 27, 2007). The style of mineralization has similarities to the Hoag zone, which lies adjacent to the Nuestra Señora zone at approximately 90 metres below surface.

Mineralization within the Santo Domingo deposit is exposed at river level approximately 150 metres southwest of the Santa Teresa. Scorpio's initial four surface holes into the deposit have returned positive results as reported in the Company's July 10, 2007 news release.

The surface drills have now been moved out of the river valley for the duration of the rainy season. The drill program has provided sufficient information however, to allow for exploration of the mineralized zones from the 6-Level cross-cut of the Nuestra Señora mine. Should either deposit prove to be of economic size and grade, their proximity to the existing Nuestra Señora workings would allow for exploitation with minimal development work required.

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 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 made a \$60,000 option payment on April 25, 2007 and has a 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. 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 Company. 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 was recently deferred until April 25, 2008, with all work to be completed by April 25, 2011.

No exploration work was conducted on the property during the quarter. The Company has submitted a technical report and application for withdrawal and disposal of water from the existing underground workings. An exploration program later in 2007 is under consideration.

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 under an option agreement, whereby Scorpio earned a 100% in the claims on November 1, 2005 by making a final cash payment to the property vendor. These claims remain subject to a 3% net smelter return royalty, 2% of which may be purchased by Scorpio 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. 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, then at Scorpio's election, Atlantic will have earned either a 60% joint venture interest (with Scorpio retaining a 40% joint venture interest) or a 100%

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interest subject to a 20% free carried interest retained by Scorpio. 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.

On July 27, 2007, Atlantic released an upgraded mineral resource estimate for Cochrane Hill 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 \$5,343,303 or \$0.06 per share for the three month period ended June 30, 2007, compared to \$452,721 or \$0.01 per share for the same period in 2006. Net loss for the first half of 2007 was \$6,150,068 or \$0.07 per share compared to \$873,270 or \$0.01 per share for the first half of 2006. Interest revenue was \$246,592 in second quarter 2006 and \$190,354 for the same period 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 \$228,022 in the second quarter of 2006 to \$387,308 in the second quarter of 2007 due principally to additional staff at the administrative office in Val-d'Or, Quebec required by the development of the Company's business. Foreign exchange loss increased significantly from \$2,201 in the three month period ended June 30, 2006 to \$366,079 in the same period in 2007. This increase was mostly caused by a stronger 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 \$167,382 in the second quarter of 2006 to \$3,523,062 in the same period of 2007. This increase is related to grants of 3,405,000 stock options recorded in the second quarter of 2007.

During the second quarter of 2007, the Company recorded a future income tax expense of \$1,080,942 compared to \$42,215 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 June 30, 2007, the Company had \$13,683,002 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 paid in the six month period ended June 30, 2007 for an amount of \$9,722,438.

Working capital was \$18,047,719 as of June 30, 2007 compared to \$29,905,577 as of December 31, 2006 for the same reason.

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Machinery and equipment

Acquisition of machinery and equipment amounted to \$1,424,627 for the three month period ended June 30, 2007 and \$1,719,987 for the six month period ended June 30, 2007 compared to \$183,349 and \$184,910 for the corresponding periods in 2006.

Acquisitions during the second quarter of 2007 included, amongst others, the purchase of mining equipment as well as land preparation and refurbishing of mill parts.

Mining Properties and Deferred Exploration and Development Expenditures

Total deferred exploration and development expenditures were \$41,619,320 as of June 30, 2007 compared to \$31,397,483 as of December 31, 2006.

The exploration and development expenditures incurred during the six month period ended June 30, 2007 totalled \$10,221,837, compared to \$3,891,204 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 \$274,344 of depreciation and \$254,087 of stock-based compensation totalled \$10,205,919 for the first six months of 2007.

Liabilities

Current liabilities were \$757,701 as of June 30, 2007 compared to \$1,474,272 as of December 31, 2006. The difference is primarily due to a decrease of \$756,844 in accounts payable.

Shareholders' Equity

There was a decrease of \$1,219,560 in shareholders' equity in the six month period ended June 30, 2007 from a total of \$68,728,170 as of December 31, 2006 to \$67,508,610 as of June 30, 2007.

Capital stock increased from \$68,184,374 as of December 31, 2006 to \$70,063,195 as of June 30, 2007. Stock options and warrants exercised during the period accounted for amounts of \$1,412,780 and \$450,848 respectively.

Contributed surplus has increased by \$3,051,687 during the six month period ended June 30, 2007 mainly as a result of grant of stock options as discussed above.

Cash flow

Cash flow used in operating activities was \$3,132,111 and \$4,570,571 for the three and six month periods ended June 30, 2007 compared to \$568,390 and \$875,796 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 three month period ended June 30, 2007, 23,496 tons of ore have been stockpiled, creating \$891,673 in inventory.

Cash flow from financing activities was \$325,444 and \$1,651,327 for the three and six month periods ended June 30, 2007 compared to \$37,604,729 and \$37,846,529 for the same periods in 2006. The difference is directly attributable to the issue of 35,363,300 shares under a private placement in 2006. Proceeds from issuance of capital stock for the exercise of stock options and warrants during the six

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month period ended June 30, 2007 totalled \$1,073,020 and in addition, \$642,500 was received by Scorpio Gold Corporation during the first half of 2007 as share subscriptions.

Cash flow used in investing activities was \$5,907,434 and \$12,063,977 for the three and six month periods ended June 30, 2007 compared to \$2,543,682 and \$3,985,347 for the same periods of 2006, as development activities at the Nuestra Senora Project accelerated. During the six month period ended June 30, 2007, Scorpio Gold Corporation, (“Scorpio Gold”), a previously wholly owned subsidiary of the Company, completed a private placement for \$912,500 by issuing 1,850,000 shares. 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.

As at June 30, 2007, the Company had \$13,683,002 in cash and cash equivalents compared to \$35,460,226 as at June 30, 2006.

Financial Condition and Liquidity

During the six month period ended June 30, 2007, 1,057,500 shares were issued on the exercise of stock options for proceeds of \$1,354,145, 245,027 shares were issued on the exercise of warrants for proceeds of \$450,848 and 8,257 compensation options were exercised for proceeds of \$15,193.

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, 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.

SUMMARY OF QUARTERLY RESULTS

All amounts are in Canadian dollars and the financial statements are prepared in accordance with Canadian generally accepted accounting principles.

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

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Quarter Ending	Interest Income	Net Loss	Net Loss per share
	\$	\$	\$
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)
September 30, 2005	(30,664)	(772,632)	(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 operations. 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 June 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.

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 \$230,000 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 June 30, 2007.

PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates 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, the accounting for doubtful accounts, 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.

2007 Outlook

Scorpio will continue exploration and development of its mineral properties, primarily the Nuestra Senora project where more than \$19 million is expected to be spent during the remainder of 2007 to increase and upgrade mineral resources, continue underground development and construct a processing mill.

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 as discussed in more detail above. 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, and in this quarter Scorpio Gold completed an equity financing of 1,825,000 common shares for proceeds of \$912,500. As a result, Scorpio Gold ceased to be a wholly-owned subsidiary of the Company, although it remains under common management. The Company has granted Scorpio Gold a preferential first right to acquire the gold property interests of the Company at fair market value in exchange for shares in Scorpio Gold. On August 9, 2007, the Company sold all titles, rights and interests in its gold properties to Scorpio Gold in consideration of 26,830,763 shares of Scorpio Gold. The fair market value of the properties has been established to \$13,415,382 based on NI 43-101 contained onces of the properties. Following this transaction, the Company owns a 93.5% interest in Scorpio Gold. This transaction is subject to the approval by the Toronto Stock Exchange. The Company and Scorpio Gold expect to move forward with positioning Scorpio Gold as a self-financing public vehicle to advance these gold projects.

Disclosure of Outstanding Share Data

Share capital as of July 30th, 2007

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Outstanding common shares	88,098,459
Broker compensation options (including related share purchase warrants)	3,167,949
Share purchase warrants	17,164,943
Stock options	6,782,500
Fully diluted	<u>115,213,851</u>

On May 1st, 2007, the Company's shareholders approved a new stock option plan under which all prior outstanding options are considered part of this new plan. The number of shares reserved for issuance under this plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the new plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the time period during which the options may vest and become exercisable as well as the option exercise price, which shall not be less than the closing price of the Company's share on the Toronto Stock Exchange immediately preceding the date of grant.

On May 1st, 2007 shareholders also approved the previous grant of 3,400,000 stock options to directors, employees and consultants at an exercise price of \$1.88 for 5 years. These options are included in the above table.

If all of these warrants, stock options and the broker compensation options are exercised, the Company would receive proceeds of \$24,030,920, \$9,672,525 and \$4,351,129, respectively. There were no shares subject to escrow or pooling arrangements as of June 30, 2007.

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.