

Consolidated Financial Statements of

SCORPIO MINING CORPORATION

Three-month period ended

March 31, 2007 and 2006

These consolidated Financial Statements have not been reviewed by

the Company's external auditors

Scorpio Mining Corporation

Consolidated balance sheets
(Unaudited)

	March 31, 2007 (Unaudited)	December 31, 2006 (Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	22,295,906	28,574,199
Taxes and other accounts receivable	2,362,393	1,682,411
Inventory	1,170,761	1,123,239
	<u>25,829,060</u>	<u>31,379,849</u>
 Machinery and equipment (Note 3)	 5,559,005	 5,409,753
 Non-producing mining properties (Note 4)	 2,267,618	 2,267,618
 Deferred exploration and development expenditures (Note 4)	 36,787,665	 31,397,483
	<u>70,443,348</u>	<u>70,454,703</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	772,774	1,397,061
Current portion of obligation under capital lease	77,211	77,211
	<u>849,985</u>	<u>1,474,272</u>
 Obligation under capital lease	 83,592	 99,009
Liability for funds received by subsidiary as share subscriptions	537,500	-
Asset retirement obligations	155,869	153,252
	<u>1,626,946</u>	<u>1,726,533</u>
Shareholders' equity		
Capital stock (Note 5)	69,504,791	68,184,374
Contributed surplus (Note 6)	14,246,936	14,672,356
Deficit	(14,935,325)	(14,128,560)
	<u>68,816,402</u>	<u>68,728,170</u>
	<u>70,443,348</u>	<u>70,454,703</u>
 Continuing operations (Note 1)		
Contingencies (Note 9)		
Subsequent event (Note 10)		

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of operations and deficit
(Unaudited)

	Three month period ended	
	March 31, 2007	March 31, 2006
	\$	\$
Interest income	261,232	12,340
Expenses		
General and administrative	356,075	170,405
Amortization	9,330	1,010
Accretion of asset retirement obligations	2,616	2,445
Foreign exchange loss (gain)	43,200	(1,316)
Office rent	17,580	8,540
Stock-based compensation	80,337	121,987
Transfer agent and listing fees	36,193	7,322
Travel expenses	47,140	37,406
Project evaluation	230,702	-
Investor relations	183,008	34,359
Professional fees	58,376	50,731
Interest on obligation under capital lease	2,457	-
Loss on disposal of machinery and equipment	983	-
	1,067,997	432,889
Net loss for the period	(806,765)	(420,549)
Deficit, beginning of period	(14,128,560)	(12,524,664)
Deficit, end of period	(14,935,325)	(12,945,213)
Basic and diluted net loss per share	(0.01)	(0.01)
Weighted average number of common shares - basic and diluted	87,354,994	44,921,564

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of cash flows
(Unaudited)

	Three Month period ended	
	March 31, 2007	March 31, 2006
	\$	\$
Operating activities		
Net loss for the period	(806,765)	(420,549)
Items not involving cash:		
Amortization	9,330	1,010
Accretion of asset retirement obligations	2,616	2,445
Stock-based compensation	80,337	121,987
Loss on disposal of machinery and equipment	983	-
	<u>(713,499)</u>	<u>(295,107)</u>
Change in non-cash working capital		
Taxes and other accounts receivable	(725,034)	78,314
Inventory	(12,377)	-
Accounts payable and accrued liabilities	12,450	(90,615)
	<u>(1,438,460)</u>	<u>(307,408)</u>
Financing activities		
Funds received by subsidiary as share subscriptions	537,500	-
Repayment of obligation under capital lease	(10,490)	-
Issue of capital stock	798,873	241,800
	<u>1,325,883</u>	<u>241,800</u>
Investing activities		
Deferred exploration and development expenditures	(5,861,833)	(1,440,103)
Acquisition of machinery and equipment	(295,360)	(1,560)
Proceeds on sale of machinery and equipment	650	-
	<u>(6,156,543)</u>	<u>(1,441,663)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9,173)</u>	<u>-</u>
Decrease in cash and cash equivalents	(6,278,293)	(1,507,271)
Cash and cash equivalents, beginning of period	<u>28,574,199</u>	<u>2,474,840</u>
Cash and cash equivalents, end of period	<u><u>22,295,906</u></u>	<u><u>967,569</u></u>
Cash and cash equivalents are comprised of:		
Cash in bank	2,050,246	86,269
Short-term investments	20,245,660	881,300
	<u><u>22,295,906</u></u>	<u><u>967,569</u></u>
Supplementary cash flow information (Note 8)		

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 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 complete 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 (the "Annual Financial Statements"). These consolidated financial statements follow the same accounting policies and methods of their application as the annual financial statements with the exception of the changes in accounting policies stated in note 2.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company anticipates that it will require additional financing to complete 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. Changes in accounting policies

(a) Comprehensive income

On January 1, 2007 the Company adopted Section 1530 of the CICA Handbook, *Comprehensive Income*. It describes how to report and disclose comprehensive income and its components.

Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as:

- changes in the currency translation adjustment relating to self-sustaining foreign operations; and
- unrealized gains or losses on available – for– sale investments.

The Company also adopted Section 3251, *Equity*. The changes in how to report and disclose equity and changes in equity are consistent with the new requirements of Section 1530, *Comprehensive Income*.

(b) Financial Instruments

On January 1, 2007, the Company adopted Section 3855 of the CICA Handbook, *Financial Instruments – Recognition and Measurement* and Section 3861 *Financial Instruments – Disclosure and Presentation*. It describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

2. Changes in accounting policies

These sections require that:

- all financial assets be measured at fair value, with some exceptions like loans and investments that are classified as held-to-maturity;
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at fair value;
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship; and
- establish presentation and disclosure standards for financial instruments and non-financial derivatives.

(c) Hedges

On January 1, 2007, the Company adopted Section 3865 of the CICA Handbook, *Hedges*. The section describes when and how hedge accounting can be used.

Hedging is an activity that may be used by a company to change an exposure to one or more risks by creating an offset between:

- changes in the cash flows attributable to a hedged item, and a hedging item; or
- changes resulting from a risk exposure relating to a hedged item and a hedging item.

Hedge accounting makes sure that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period.

(d) Accounting changes

On January 1, 2007, the Company adopted the new section 1506, *Accounting Changes*. The main features of the new sections are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information;
- changes in accounting policies are applied retrospectively unless doing so is unpracticable;
- prior period errors are corrected retrospectively; and
- new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

3. Machinery and equipment

	March 31, 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	535,684	184,772	350,912	535,791	169,805	365,986
Plant and equipment	5,424,223	740,347	4,683,876	5,221,511	629,943	4,591,568
Furniture and office equipment	498,255	99,463	398,792	411,483	84,709	326,774
	<u>6,583,587</u>	<u>1,024,582</u>	<u>5,559,005</u>	<u>6,294,210</u>	<u>884,457</u>	<u>5,409,753</u>

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

3. Machinery and equipment (continued)

During the period ended December 31, 2004, the Company purchased equipment of \$1,122,844, which has not yet been put into use. Depreciation will be charged once the equipment is put into use. Included in plant and equipment is equipment under a capital lease having a cost of \$266,585 and accumulated amortization of \$8,031.

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

	March 31, 2007 (Unaudited)			December 31, 2006 (Audited)	
	Nuestra Señora	Cochrane Hill	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	-	-	-	-	65,000
Write-off	-	-	-	-	(130,001)
Balance, end of period	<u>1,845,388</u>	<u>287,230</u>	<u>135,000</u>	<u>2,267,618</u>	<u>2,267,618</u>
Deferred exploration and development expenditures					
Balance, beginning of period	30,756,755	505,641	135,087	31,397,483	20,346,904
Property maintenance	87,120	-	-	87,120	419,652
Mine development	3,627,283	-	-	3,627,283	6,026,288
Site administration	536,137	-	-	536,137	1,874,664
Drilling and exploration	900,124	350	-	900,474	2,385,073
Stock-based compensation	15,785	-	-	15,785	109,367
Transportation and travel	78,555	-	414	78,969	185,531
Depreciation of asset under capital lease	8,031	-	-	8,031	-
Depreciation of machinery and equipment	127,114	-	-	127,114	279,191
Field supplies	-	-	1,431	1,431	13,435
Permitting and other	-	-	7,838	7,838	-
Write-off	-	-	-	-	(242,622)
Incurred during the period	<u>5,380,149</u>	<u>350</u>	<u>9,683</u>	<u>5,390,182</u>	<u>11,050,579</u>
Balance, end of period	<u>36,136,904</u>	<u>505,991</u>	<u>144,770</u>	<u>36,787,665</u>	<u>31,397,483</u>

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

5. Capital stock

(a) Authorized and issued

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

	March 31, 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 broker warrants	7,101	13,066
For exercise of warrants	237,274	436,584
Balance, end of period	<u>87,507,050</u>	<u>69,504,791</u>

(b) Warrants

	March 31, 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, end of period	<u>17,172,118</u>	<u>1.40</u>

As at March 31, 2007, the Company has warrants outstanding entitling the holders to acquire common shares as follows :

Number of warrants	Exercise price	Expiry date
	\$	
15,489,368	1.40	April 24, 2008
<u>1,682,750</u>	1.40	May 3, 2008
<u>17,172,118</u>		

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Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

5. Capital stock (continued)

(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 three month period ended March 31, 2007, 7,101 compensation options have been exercised and the outstanding balance of compensation options is 2,113,122 as of that date.

(d) Stock option plan

The Company has a stock option plan which permits the issuance of options from time to time in a fixed amount approved by shareholders. The number of shares currently reserved for issuance under this plan is 5,559,945 shares. Under the plan, the Board of Directors determines the term of a stock option to a maximum of five years and the time during which the option may vest. Stock options are issued at the discretion of the Board of Directors. The price of stock options granted shall not be less than market price. Subsequent to March 31, 2007, the Company put in place a new stock option plan. (refer to note 10)

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

	March 31, 2007 (Unaudited)	
	Number	Weighted average exercise price
		\$
Balance, beginning of period	4,620,000	0.87
Granted	60,000	1.89
Exercised	(725,000)	0.63
Balance, end of period	3,955,000	0.93

	March 31, 2007 (Unaudited)	
		\$
Weighted average fair value at grant date		1.26

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Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

5. Capital stock (continued)

(d) Stock option plan (continued)

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2007 (unaudited):

Exercise price	Weighted average remaining contractual life (in years)	Outstanding	Exercisable
\$			
0.47	3.13	1,585,000	1,585,000
0.61	3.13	75,000	75,000
0.66	1.62	550,000	550,000
0.88	4.36	200,000	100,000
0.89	4.21	75,000	37,500
0.95	4.42	100,000	50,000
1.05	3.00	175,000	125,000
1.14	2.67	300,000	300,000
1.28	1.59	30,000	7,500
1.42	4.11	30,000	15,000
1.89	4.96	60,000	15,000
1.91	2.14	775,000	775,000
		3,955,000	3,635,000

The weighted average exercise price of outstanding and exercisable stock options is \$0.93.

Subsequent to March 31, 2007 the Company received shareholder approval for the grant of an additional 3,400,000 stock options. (refer to note 10).

(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:

	March 31, 2007 (Unaudited)
Expected dividend yield	Nil%
Expected stock price volatility	80%
Risk free interest rate	3.92%
Expected life	5 years
Total stock-based compensation	\$96,122

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

6. Contributed surplus

Contributed surplus consists of the following:

	Three month period ended March 31, 2007 (Unaudited)	Year ended December 31, 2006 (Audited)
	\$	\$
Balance, beginning of period	14,672,356	6,052,451
Fair value of stock options issued	96,122	587,875
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
Transfer to share capital upon exercise of stock options	(414,017)	(329,171)
Transfer to share capital upon exercise of warrants	(104,401)	(817,876)
Transfer to share capital upon exercise of broker warrants	(3,124)	(81)
Balance, end of period	14,246,936	14,672,356

7. 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 March 31, 2007 was earned in Canada. The Company's non-current assets by geographic location are as follows:

	March 31, 2007 (Unaudited)	December 31, 2007 (Audited)
	\$	\$
Canada	2,458,694	2,436,985
Mexico	42,155,594	36,637,869
	44,614,288	39,074,854

Scorpio Mining Corporation

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

8. Supplementary cash flow information

Supplementary information regarding non-cash investing and financing transactions

	March 31, 2007 (Unaudited)	March 31, 2006 (Unaudited)
	<u>\$</u>	<u>\$</u>
Depreciation of machinery and equipment capitalized in deferred exploration and development expenditures	135,145	73,051
Transfer of contributed surplus to share capital on exercise of stock options	414,017	112,487
Stock-based compensation included in deferred exploration and development expenditures	15,785	-
Deferred exploration and development expenditures included in accounts payable	133,686	-
Transfer of contributed surplus to share capital on exercise of warrants	104,401	-
Transfer of contributed surplus to share capital on exercise of broker warrants	3,124	-

9. 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

Note to the consolidated financial statements (unaudited)
Three-month period ended March 31, 2007

10. Subsequent event

- (a) On May 1st, 2007, the shareholders of the Company approved a new stock option plan under which all 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 particular date of 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 during which the options may vest as well as the option exercise price which shall not be less than the closing price of the Company's share on the TSX immediately preceding the date of grant. This plan remains subject to the approval of the TSX.
- (b) On May 1st, 2007 the shareholders 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, which remain subject to TSX approval, are in addition to those listed in note 5d.

11. Related party transactions

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

	March 31, 2007	March 31, 2006
	(Unaudited)	(Unaudited)
	\$	\$
General and administrative	58,655	115,440
Deferred exploration and development expenditures	50,483	28,450
Project evaluation costs	56,250	-

As at March 31, 2007 an amount of \$233,125 resulting from transactions with related parties is included in accounts payable and accrued liabilities.

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

SCORPIO MINING CORPORATION

Management Discussion and Analysis of Financial Results – Quarter ended March 31, 2007

INTRODUCTION

The following Management Discussion and Analysis (MD&A) is for the three month period ended March 31, 2007 and is provided as of May 1st, 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 March 31, 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 Canada and Mexico.

Mineral Properties

The Company has three material 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. The property comprises three recorded 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. Scorpio Mining'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 and subsequent to the quarter ended March 31, 2007, Scorpio has continued to focus its exploration, development and mineral resource definition efforts on the Nuestra Señora silver-zinc-copper-lead deposit, which during ASARCO’s historical operating tenure (1954-1965) was the largest producing deposit on the property.

During the quarter ended March 31, 2007, underground drilling on the Nuestra Senora deposit amounted to 10,875.50 metres in 125 holes. Since inception, the total underground drilling for the Nuestra Senora project, including that drilled at the Candelaria deposit, is 38,656.20 metres in 323 holes.

Surface drilling of the Santo Domingo and Santa Teresa areas in 2006 totalled 3,818.70 metres in 17 holes. The drilling recommenced on March 14, 2007 and as of May 1, 2007, 3,085.60 metres had been drilled in 19 holes for a grand total in these areas of 36 holes and 6,904.30 metres since inception.

During the quarter, the decline ramp and other underground development at the Nuestra Senora deposit advanced 148 metres and 809 metres respectively. As of the date of this report, a total of 1,470 metres of

SCORPIO MINING CORPORATION

Management Discussion and Analysis of Financial Results – Quarter ended March 31, 2007

ramp advance and 2,663 metres of exploration crosscuts, drifts, drill bays and other excavations have been completed by Scorpio within the Nuestra Señora deposit.

The Nuestra Señora decline ramp is now connected to the 8th, 9th and 10th Levels and has advanced to 31 metres below the 10th Level, at the proposed elevation of the 11th Level. 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. In addition, access drifts and draw points are being driven on the 9th and 10th Levels in the footwall of the adjacent Hoag zone in preparation for its exploitation. A 10 ft. x 10 ft. Alimak raise was driven between the 10th Level and the 6th Level, a distance of 139 metres at 69°, to provide better ventilation.

In January 2007, Scorpio announced further discoveries of high-grade lenses peripheral to the extensions of the Nuestra Señora deposit. These North and South lenses represent the third and fourth mineralized bodies discovered within a six-month period of drilling.

Scorpio currently has five drills operating, three underground and two dedicated to surface exploration. Of the three underground drills, two are dedicated to infill drilling to upgrade the mineral resource categories and the third is for exploration. The infill definition drilling continues on the Hoag, Sept- 9 and Main Nuestra Señora zones from the 9th and 10th level cross-cuts and main ramp drill stations. Infill drilling of the Hoag Zone from the 9th and 10th levels continues to demonstrate continuity and substantial widths, which supports a low cost bulk mining design proposed by the Company's engineering personnel. Similarly, deep drilling of the main Nuestra Señora zone from the ramp is also confirming continuity of mineralization at depth in both width and grades.

One of the surface drills is currently targeting the Santa Teresa and Santa Domingo areas. The second drill has commenced a reconnaissance drilling program to the east of Santa Teresa, and is targeting prospective areas delineated by the geological mapping and sampling program.

During the quarter Scorpio announced an updated mineral resource estimate for the Nuestra Señora deposit. Effective January 9, 2007, Measured & Indicated Resources, using a US\$70 per tonne cut-off grade, totalled 3,544,378 tonnes grading 118 grams per tonne (g/t) Silver, 2.27% Zinc, 0.38% Copper, 1.06% Lead and 0.15 g/t Gold, and Inferred Resources totalled 4,107,110 tonnes grading 132 g/t Silver, 2.18% Zinc, 0.22% Copper, 1.00% Lead and 0.185 g/t Gold (Table 1).

Table 1. Nuestra Señora Mineral Resource Estimate (January 9, 2007) Using -15% Discounted Metal Prices

Category	Cut-off Grade US\$	Tonnes	Ag g/t	Zn %	Cu %	Pb %	Au g/t
Measured	>=\$70/tonne	2,301,283	119	2.32	0.39	1.09	0.152
Measured	>=\$50/tonne	3,287,516	100	1.91	0.32	0.92	0.132
Indicated	>=\$70/tonne	1,243,095	118	2.18	0.35	1.00	0.160
Indicated	>=\$50/tonne	1,833,590	97	1.81	0.28	0.86	0.137
Measured & Indicated	>=\$70/tonne	3,544,378	118	2.27	0.38	1.06	0.15
Measured & Indicated	>=\$50/tonne	5,121,106	99	1.88	0.31	0.90	0.133
Inferred	>=\$70/tonne	4,107,110	132	2.18	0.22	1.00	0.185
Inferred	>=\$50/tonne	6,669,687	101	1.75	0.19	0.86	0.151

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The updated mineral resource estimate was prepared by independent consultant and qualified person, Denis Boivin, PGeo. (Reference: “Technical Report Nuestra Señora Project, Sinaloa, Mexico” dated February 7, 2007; Sedar filing February 21, 2007). Mineral resources are not reserves and do not have demonstrated economic viability.

Metal prices utilized to determine the cut-off value of the resources were US\$9.76 /oz silver, US\$1.19 /lb zinc, US\$2.55 /lb copper, US\$0.48 /lb lead and US\$510 /oz gold, which represent in each case a 15% discount to average 2006 metal prices. The range in cut-off grades from US\$50 to US\$70 is due to the current bulk mining scenarios being considered by the Company and the potential of increasing mill throughput. These different cut-off grades are being used in a pre-feasibility study to determine the economic variability of the project.

In February 2007, the Company released preliminary metallurgical test results from a sample of mineralized material from the Nuestra Señora deposit. The metallurgical testing produced high-grade, clean copper, lead and zinc concentrates. The Company’s independent mill consultant is conducting additional tests with various flotation reagents to improve and upgrade the selectivity of the sulphides for both grade and recovery. A preliminary flowsheet has been designed and will be finalized once the studies are complete.

Metallurgical Test Results - Nuestra Señora Deposit

Product	Wt %	Grade, %, g/t				Distribution, %			
		Cu	Pb	Zn	Ag	Cu	Pb	Zn	Ag
Pb Conc	2.5	16.9	46.5	4.14	4893	26.5	92.3	3.2	70.4
Cu Conc	2.3	32.7	1.25	5.06	1203	47.2	2.3	3.6	16.0
Zn Conc	5.9	6.38	0.36	48.7	226	23.1	1.7	87.6	7.5
Final Tails	89.5	0.059	0.053	0.20	12.0	3.3	3.7	5.5	6.1
Head	100.0	1.59	1.26	3.23	172	100.0	100.0	100.0	100.0

In March 2007, the Company reported additional preliminary metallurgical results from a sample of mineralized material from the Hoag zone. Test results were again encouraging, indicating clean, high-grade copper, lead and zinc concentrates that are compatible with mineralization in the adjacent Nuestra Señora deposit.

Metallurgical Test Results – Hoag Zone

Product	Wt. %	Grade, %, g/t				Distribution, %			
		Cu	Pb	Zn	Ag	Cu	Pb	Zn	Ag
Pb Conc	3.55	2.26	54.10	6.05	1400.00	36.10	93.10	6.40	78.30
Cu/Pb Conc	0.92	9.40	8.00	19.1	330.00	39.00	3.60	5.2	4.80
Zn Conc	4.34	0.66	0.15	55.20	50.00	12.90	0.32	71.30	3.40
Final tails	82.47	0.01	0.028	0.14	0	3.70	1.10	3.40	0
Head	100	0.24	2.54	3.59	63.50	100.0	100.0	100.0	100.0

A 118-hectare section of land located three kilometres northwest of the mine site was purchased for the mill site and tailings containment in June 2006. An access road from the mine to the mill site has been completed and has been extended to the tailings impoundment area to allow access for condemnation drilling.

Refurbishment of the used mill components purchased from San Martin and San Manuel mill facilities in Mexico continues at the Company’s yard in Mazatlan, Mexico. Once refurbished, the various components

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will be transported to the mill site. The need for any additional mill components will be determined upon completion of final mill design.

Approval for the construction of a 33,000-volt electrical line connecting the Nuestra Señora Project with the Comedero Hydro Electric Dam, situated 26 kilometres west of Cosalá, was granted by the Mexican Comisión Federal de Electricidad in early March 2007. The first pole was erected immediately following the signing of the agreement, and as of the date of this report, 50% of the 400 poles had been erected and 1 kilometre of transmission line installed. Completion of the 34-kilometre line is expected by the end of July 2007. The line will also supply several communities located in the project area with electricity.

The planned exploration and development program to June 1, 2007 includes:

- Continued exploration drilling underground and on surface.
- Completion of a further updated mineral resource estimate
- Continued metallurgical testing
- Mine planning
- Mill design
- Completion of a pre-feasibility study

A number of mining engineering contracts have been awarded as part of an independent pre-feasibility study and mill design. The study is expected to be completed by mid-May 2007.

The Company has sufficient funds to complete these programs and, subject to positive results from the pre-feasibility study, is well-positioned to proceed with mill construction and detailed production planning.

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 paid \$60,000 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.

A mineral resource estimate was prepared for the Caribou Deposit by independent Qualified Person, Guy Mac Gillivray, PGeo, based on a compilation of all of the available underground and drill-hole data on the property. The Inferred Resource estimate using uncut gold assays is 350,305 tonnes grading 8.41 g/t gold. Using a statistical cut-off for gold of 47 g/t, the Inferred Resource for the property is 350,305 tonnes grading 5.83 g/t gold (Reference: "Technical Report - Preliminary Resource Estimate for the Caribou Property and Recommendations for Additional Work" dated December 30, 2006; Sedar filing February 21, 2007). Mineral resources are not reserves and do not have demonstrated economic viability.

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Past gold production from the property to a depth of 250 metres totals 3,366,575 grams gold (120,000 oz) or 13,995 grams of gold per vertical metre, from material with an average recovered grade of 0.458 oz/ton.

The geological model is high-grade lode gold mineralization, filling spaces and cracks created by the folding and fracturing of the host rocks. This deformation increased the permeability and thickened the sedimentary beds and mineralized zones at the crest of the folds. The resultant mineralized bodies are pipe shaped, and where situated above one another, are called “saddle reefs.” Gold may also be remobilized into bedded leads and/or shear stock-work zones related to cross-cutting fractures. Mineralization on the property occurs in two main deposit styles, bedding parallel quartz veins and flexure-associated quartz stock-work zones with or without related fissure veining.

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 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 gold property, a 97-hectare claim block that was staked in 2006 and is contiguous with the original Cochrane Hill property. No work was performed on the property during the quarter. The Company is currently considering a 2007 exploration program that would include dewatering, bulk sampling and surface and underground drilling of the Cochrane Hill gold deposit.

RESULTS OF OPERATIONS

Scorpio reported a net loss of \$806,765 or 0.01 per share for the three month period ended March 31, 2007, compared to \$420,549 (\$0.01 per share) for the same period in 2006. Interest revenue rose from \$12,340 in first quarter 2006 to \$261,232 for the same period of 2007 due to higher cash balances directly related to the equity financing of \$40,667,795 completed during the second quarter of 2006. 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 \$170,405 in the first quarter of 2006 to \$356,075 in the first quarter of 2007 due principally to the opening of an administrative office in Val-d’Or, Quebec and the hiring of additional personnel required by the development of the Company’s business, which resulted in increased expenses of \$185,670 during the quarter. Travel expenses increased by \$9,734 in the first quarter of 2007 compared to the first quarter of 2006 as a result of the increased mine development activities in Mexico. Project evaluation costs were \$230,702 for the first quarter of 2007 compared to nil in the first quarter of 2006. This was caused by the evaluation of projects for potential acquisitions that were rejected after due diligence work. Stock-based compensation expense decreased from \$121,987 in the first quarter of 2006 to \$80,337 in the same period of 2007. The increase in transfer agent and listing fees from \$7,322 in the first quarter of 2006 to \$36,193 in the same period of 2007 is due to the October 18, 2006 listing of the

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common shares of the Company on the Toronto Stock Exchange (TSX) Because the Company was represented at more investor relations conferences and similar activities, the investor relations expenses increased from \$34,359 in the first quarter of 2006 to \$183,008 in the first quarter of 2007.

Balance Sheet

Current assets

As of March 31, 2007, the Company had \$22,295,906 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 first quarter of 2007 for an amount of \$5,861,833.

Working capital was \$24,979,075 as of March 31, 2007 compared to \$29,905,577 as of December 31, 2006, for the same reason.

Fixed Assets

Acquisition of fixed assets amounted to \$295,360 for the three month period ended March 31, 2007 compared to \$1,560 for the corresponding period in 2006.

Acquisitions during the first quarter of 2007 included, amongst others, the purchase of mining equipment including tractors and generators for \$126,000 and initial land preparation and -refurbishing of mill parts for \$100,000.

Mining Properties and Deferred Exploration and Development Expenditures

Total deferred exploration and development expenditures were \$36,787,665 as of March 31, 2007 compared to \$31,397,483 as of December 31, 2006.

The exploration and development expenditures incurred during the three month period ended March 31, 2007 totalled \$5,390,182, compared to \$1,513,155 during the same period in 2006. The capitalised expenditures on the Nuestra Senora property, including \$135,145 of depreciation and \$15,785 of stock-based compensation totalled \$5,380,149 for the first three months of 2007.

Liabilities

Current liabilities were \$849,985 as of March 31, 2007 compared to \$1,474,272 as of December 31, 2006. The difference is primarily due to a decrease of \$624,287 in current liabilities related to accounts payable.

During the first quarter of 2007, Scorpio Gold Corporation, a subsidiary of Scorpio Mining Corporation, has received subscription funds totalling \$537,500 for future issuance of shares.

Shareholders' Equity

There was an increase of \$88,232 in shareholders' equity in the three month period ended March 31, 2007 from a total of \$68,728,170 as of December 31, 2006 to \$68,816,402 as of March 31, 2007.

Capital stock increased from \$68,184,374 as of December 31, 2006 to \$69,504,791 as of March 31, 2007. Stock options and warrants exercised during the period accounted for amounts of \$870,767 and \$449,650 respectively.

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Contributed surplus has been reduced by \$425,420 during the three month period ended March 31, 2007 mainly as a result of the exercise of options and warrants.

Cash flow

Cash flow used in operating activities was \$1,438,460 for the first quarter of 2007 compared to \$307,408 in the same period of 2006. This increase was mainly caused by an increase in net loss, an increase in taxes and other accounts receivable and a decrease in accounts payable and accrued liabilities.

Cash flow from financing activities was \$1,325,883 for the three month period ended March 31, 2007 compared to \$241,800 for the same period in 2006. The difference is directly attributable to the increase in issuance of capital stock for the exercise of stock options and warrants during the three month period ended March 31, 2007 and by \$537,500 of funds received by Scorpio Gold Corporation during the first quarter of 2007 as share subscriptions.

Cash flow used in investing activities was \$6,156,543 for the three month period ended March 31, 2007 compared to \$1,441,663 for the same period of 2006, as development activities at the Nuestra Senora Project accelerated.

As at March 31, 2007, the Company had \$22,295,906 in cash and cash equivalents compared to \$967,569 as at March 31, 2006.

Financial Condition and Liquidity

During the three month period ended March 31, 2007, 237,274 shares were issued through the exercise of warrants for proceeds of \$332,183, 725,000 shares were issued through the exercise of stock options for proceeds of \$456,750 and 7,101 broker warrants were exercised for proceeds of \$9,942.

The primary factors that will affect the future financial condition of the Company include the continued ability to raise equity 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.

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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:

Quarter Ending	Interest Income \$	Net Loss \$	Net Loss per share \$
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)
June 30, 2005	33,729	(770,352)	(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 March 31, 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 March 31, 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.

OTHER MD&A REQUIREMENTS

2007 Outlook

Scorpio will continue exploration and development of its exploration properties, primarily on the Nuestra Senora project where more than \$30 million is expected to be spent during 2007 to increase and upgrade mineral resources, continue underground development, complete a pre-feasibility study, and, subject to positive results, make a production decision.

The Company has been examining ways of advancing the Company's gold properties without further share dilution to shareholders. To this end the Company has formed a wholly-owned subsidiary named Scorpio Gold Corporation with a view to separately financing the Company's gold properties in Quebec and Nova Scotia. The Company realizes that it currently receives no value in the market for its gold assets. To this point the Company has formed an independent committee of its Board to evaluate its gold assets with respect to current industry standards. Once this valuation has been received and upon Toronto Stock Exchange approval, the Company will move forward at looking at various public avenues for

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positioning Scorpio Gold as self financing public vehicle to advance these projects without creating any dilution to the Company pertaining to its shares or cash. Further details will be provided when available.

Disclosure of Outstanding Share Data

Share capital as of May 1st, 2007

Outstanding common shares	87,640,706
Broker compensation options (including related share purchase warrants)	3,167,949
Share purchase warrants	17,172,696
Stock options	<u>7,197,500</u>
Fully diluted	<u>115,178,851</u>

On May 1st, 2007, the Company's shareholders approved a new stock option plan under which all 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 particular date of 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 during which the options may vest as well as the option exercise price, which shall not be less than the closing price of the Company's share on the TSX immediately preceding the date of grant. This plan remains subject to the approval of the TSX.

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, which remain subject to TSX approval are included in the above table.

If all of these warrants, stock options and the broker compensation options were exercised, the Company would receive proceeds of \$24,041,774 and \$9,956,925 and \$4,435,129 respectively. There were no shares subject to escrow or pooling arrangements as of March 31, 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 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

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statements include market prices, exploration success, continued availability of capital and financing, and general economic, market or business conditions.