



Interim Consolidated Financial Statements of
SCORPIO MINING CORPORATION

March 31, 2010

(Unaudited)

These consolidated Financial Statements have not been reviewed by

the Corporation's external auditors

Scorpio Mining Corporation

Consolidated statements of operations

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Revenue (Note 17)	6,021,941	2,253,896
Cost of sales	2,965,514	732,281
Depletion and amortization	1,719,306	606,279
Accretion of asset retirement obligations	28,037	19,740
Mine operating earnings	1,309,084	895,596
Other expenses (revenues)		
General and administrative	687,561	625,674
Interest and financing (Note 11)	507,760	482,339
Stock-based compensation	55,558	281,844
Foreign exchange loss (gain)	101,943	(148,800)
	1,352,822	1,241,057
Operating loss	(43,738)	(345,461)
Gain on dilution and deconsolidation of Scorpio Gold Corporation (Note 7)	19,786,287	-
Earnings (loss) before income taxes and share of loss of equity investee	19,742,549	(345,461)
Share of loss of equity investee (Note 7)	421,068	-
Earnings (loss) before income taxes	19,321,481	(345,461)
Income taxes (Note 13)	703,654	51,658
Net earnings (loss) for the period	18,617,827	(397,119)
Net earnings (loss) attributable to:		
Equity shareholders of the Corporation	18,686,520	(385,854)
Non-controlling interest	(68,693)	(11,265)
	18,617,827	(397,119)
Earnings (loss) per share		
Basic	0.17	(0.00)
Diluted	0.16	(0.00)
Weighted average number of shares outstanding (Note 12)		
Basic	112,248,069	112,123,069
Diluted	113,613,366	112,123,069

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of comprehensive earnings

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Net earnings (loss) for the period	18,617,827	(397,119)
Other comprehensive earnings (loss)		
Translation adjustment	(1,068,136)	545,417
Change in fair value of available-for-sale securities	(5,215)	-
Comprehensive earnings for the period	17,544,476	148,298
Comprehensive earnings attributable to:		
Equity shareholders of the Corporation	17,613,169	159,563
Non-controlling interest	(68,693)	(11,265)
	17,544,476	148,298

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of equity

(Expressed in Canadian dollars)

(Unaudited)

Three months ended March 31, 2010

	Common shares		Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income (loss) ("AOCI")	Deficit	Total deficit and AOCI	Non-controlling interest	Total equity
	Shares	Amount							
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2009	112,248,069	103,322,965	18,996,413	1,884,725	(3,817,498)	(98,589,685)	(102,407,183)	853,613	22,650,533
Net earnings for the period	-	-	-	-	-	18,686,520	18,686,520	(68,693)	18,617,827
Translation adjustment	-	-	-	-	(1,068,136)	-	(1,068,136)	-	(1,068,136)
Stock-based compensation	-	-	41,356	-	-	-	-	14,202	55,558
Exercise of stock options - Scorpio Gold	-	-	-	-	-	-	-	5,005	5,005
Change in fair value of available-for-sale securities - Scorpio Gold	-	-	-	-	-	-	-	(3,834)	(3,834)
Reduction on deconsolidation of Scorpio Gold	-	-	(734,105)	-	(5,215)	-	(5,215)	(790,496)	(1,529,816)
Balance at March 31, 2010	112,248,069	103,322,965	18,303,664	1,884,725	(4,890,849)	(79,903,165)	(84,794,014)	9,797	38,727,137

	Common shares		Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income (loss) ("AOCI")	Deficit	Total deficit and AOCI	Non-controlling interest	Total equity
	Shares	Amount							
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2008	112,123,069	103,263,721	17,974,134	1,884,725	-	(112,118,122)	(112,118,122)	100,944	11,105,402
Net loss for the period	-	-	-	-	-	(385,854)	(385,854)	(11,265)	(397,119)
Translation adjustment	-	-	-	-	545,417	-	545,417	-	545,417
Stock-based compensation	-	-	340,002	-	-	-	-	-	340,002
Balance at March 31, 2009	112,123,069	103,263,721	18,314,136	1,884,725	545,417	(112,503,976)	(111,958,559)	89,679	11,593,702

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated balance sheets

(Expressed in Canadian dollars)

(Unaudited)

	March 31, 2010	December 31, 2009
	\$	\$
Assets		
Current assets		
Cash	7,198,352	6,739,973
Accounts receivable and other	3,617,719	3,619,703
Advances to a company subject to significant influence (Note 14)	1,454,942	-
Inventories (Note 4)	4,129,963	3,335,518
Future income taxes	3,278,389	3,381,943
	19,679,365	17,077,137
Mining interests (Note 5)	15,431,281	20,401,465
Corporate office equipment (Note 6)	147,230	163,592
Investment (Note 7)	20,225,750	-
Future income taxes	6,091,196	7,008,521
	61,574,822	44,650,715
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,490,738	1,756,086
	2,490,738	1,756,086
Long-term debt (Note 8)	19,191,764	19,022,279
Asset retirement obligations (Note 9)	1,165,183	1,221,817
	22,847,685	22,000,182
Equity		
Equity attributable to equity shareholders of the Corporation:		
Share capital (Note 10)	103,322,965	103,322,965
Contributed surplus	18,303,664	18,996,413
Equity component of convertible debentures	1,884,725	1,884,725
Accumulated other comprehensive loss	(4,890,849)	(3,817,498)
Deficit	(79,903,165)	(98,589,685)
	38,717,340	21,796,920
Non-controlling interest	9,797	853,613
Total equity	38,727,137	22,650,533
	61,574,822	44,650,715

Subsequent events (Note 18)

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of cash flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Operating activities		
Net earnings (loss) for the period	18,617,827	(397,119)
Items not involving cash:		
Depletion, amortization and accretion	1,763,706	642,380
Accretion of convertible debentures	169,486	152,378
Stock-based compensation	55,558	340,002
Future income taxes	709,262	-
Gain on dilution and deconsolidation of Scorpio Gold Corporation	(19,786,287)	-
Share of loss of equity investee	421,068	-
	1,950,620	737,641
Change in non-cash working capital items		
Accounts receivable and other	(282,004)	707,794
Inventories	(918,284)	(1,095,758)
Accounts payable and accrued liabilities	903,226	970,963
	1,653,558	1,320,640
Financing activities		
Net proceeds received by Scorpio Gold as share issuance	11,550,340	-
Repayment of obligation under capital lease	-	(38,104)
	11,550,340	(38,104)
Investing activities		
Investment in Mineral Ridge by Scorpio Gold	(6,826,321)	-
Cash decrease as a result of deconsolidation of Scorpio Gold	(4,323,920)	-
Additions to expenditures on mining interests	(1,443,212)	(1,340,952)
	(12,593,453)	(1,340,952)
Effect of exchange rate changes on cash and cash equivalents	(152,066)	(146,920)
Increase (decrease) in cash and cash equivalents	458,379	(205,336)
Cash and cash equivalents, beginning of period	6,739,973	4,448,315
Cash, end of period	7,198,352	4,242,979

Supplementary cash flow information (Note 15)

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

1. Continuing operations

The Corporation was incorporated under the Canada Business Corporations Act on May 12, 1998 and conducts mining exploration, development and production in Mexico. The Corporation conducted exploration and development in Canada and in United States of America through Scorpio Gold Corporation ("Scorpio Gold") until March 10, 2010, (note 7).

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to the presentation of interim financial information. These consolidated financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the most recent consolidated annual financial statements of the Corporation for the year ended December 31, 2009 (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.

2. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its 100% owned subsidiaries, Scorpio Holding One Limited, Scorpio Holding Two Limited and Minera Cosala S.A. de C.V. Scorpio Gold ceased being a subsidiary of the Corporation on March 10, 2010 (note 7) and from that date has been accounted for as an equity investment.

(b) Changes in accounting policies

i) Investment

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results are incorporated in these consolidated financial statements using the equity method of accounting. The investment is initially recorded at fair value. Thereafter, the Corporation recognizes the Corporation's share of earnings or loss as an increase or decrease to the carrying amount of the investment and reduced by dividends received, if any.

ii) Business combinations

On January 1, 2010, the Corporation early adopted the CICA Section 1582, *Business Combinations*. This section, which replaces the former Section 1581, *Business Combinations*, establishes standards for the accounting for a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2010.

iii) Consolidated financial statements

On January 1, 2010, the Corporation early adopted CICA Section 1601, *Consolidated Financial Statements*. This section, which, together with new Section 1602, replaces the former Section 1600, *Consolidated Financial Statements*, establishes standards for the preparation of consolidated financial statements.

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)
(Expressed in Canadian dollars unless otherwise indicated)
Three months ended March 31, 2010

2. Changes in accounting policies (Continued)

iv) Non-controlling interests

On January 1, 2010, the Corporation early adopted the CICA Section 1602, *Non-Controlling Interests*. This new section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements* (January 2008).

v) Comprehensive revaluation of assets and liabilities

On January 1, 2010, the Corporation early adopted the CICA Section 1625, Comprehensive Revaluation of Assets and Liabilities. This Section has been amended as a result of issuing Business Combinations, Section 1582, Consolidated Financial Statements, Section 1601, and Non-Controlling Interests, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring after January 1, 2010.

vi) Equity

On January 1, 2010, the Corporation early adopted the CICA amended Section 3251, Equity. The amendments were issued in order to conform this Section to new Section 1602 and apply only to entities that have adopted Section 1602.

3. Financial instruments

As at March 31, 2010, the Corporation is exposed to foreign currency risk through the following financial assets and liabilities denominated in U.S. dollars (\$US) and Mexican pesos(MXP):

	As at March 31, 2010	
	\$US	MXP
Cash	5,006,466	2,927,371
Accounts receivable and other	2,810,920	5,271,205
Accounts payable	262,966	13,507,470

As of March 31, 2010, the \$US/\$CAD and MXP/\$CAD exchange rates were 1.016 and 12.113, respectively.

4. Inventories

	March 31, 2010	December 31, 2009
	\$	\$
Concentrate	647,658	189,806
Supplies	2,067,614	1,974,341
Ore stockpile	1,414,691	1,171,371
	4,129,963	3,335,518

During the three months ended March 31, 2010, inventory included as an expense is \$2,965,514, (2009, \$732,281). Included in the cost of sales for the three months ended March 31, 2010 is a concentrate inventory write-down of \$187,596 (2009, \$457,370) and a reversal of impairment of ore stockpile inventory of \$nil (2009, \$1,037,003).

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

5. Mining interests

	March 31, 2010			December 31, 2009	
	Depletable and depreciable	Non-depletable	Accumulated depreciation and depletion	Net book value	Net book value
	\$	\$	\$	\$	\$
Producing properties					
Nuestra Señora	12,331,691	-	2,949,699	9,381,992	10,430,256
Property, plant and equipment	6,586,021	199,242	1,349,560	5,435,703	5,188,459
Long-term deposit	-	212,543	-	212,543	219,257
	18,917,712	411,785	4,299,259	15,030,238	15,837,972
Non-producing properties					
Acquisition costs-Platte River (Note 18)	-	401,043	-	401,043	229,920
Caribou	-	-	-	-	921,869
Mining interests	-	-	-	-	505,850
Property, plant and equipment	-	-	-	-	195,186
Cochrane Hill	-	-	-	-	50,000
Mining interests	-	-	-	-	2,660,668
Long-term deposit	-	-	-	-	4,563,493
Deposits and deferred expenditures - Mineral Ridge Property	-	-	-	-	
	-	401,043	-	401,043	

6. Corporate office equipment

	March 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	\$	\$	\$	\$	\$	\$
Furniture and office equipment	334,044	186,814	147,230	334,044	170,452	163,592

7. Investment

On March 10, 2010, Scorpio Gold Corporation issued an aggregate 35,600,194 shares, none of which were subscribed by the Corporation. As a result, Scorpio Mining's ownership interest of Scorpio Gold decreased from 74.5% to approximately 38%. As of that date, the Corporation determined that it no longer controlled the operations of Scorpio Gold, and, as a consequence no longer consolidated the operations of Scorpio Gold as of that date. As a result, the Corporation derecognized the carrying amounts of assets, liabilities and non-controlling interest and recognized its retained investment in Scorpio Gold at its fair value as at the date of deconsolidation of Scorpio Gold. The difference of \$19,786,287 is recorded as a gain in the statement of operations. As at March 31, 2010 the fair value of the Corporation's investment in Scorpio Gold Corporation is \$22,320,885.

	\$
Balance at December 31, 2009	-
Fair value upon deconsolidation	20,646,818
Share of loss of Scorpio Gold for the period	(421,068)
Balance at March 31, 2010	20,225,750

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

8. Long term debt

On May 5, 2008, the Corporation closed a private placement financing to issue convertible debentures in the aggregate principal amount of \$20,000,000. The debentures were issued at par, have a maturity date of May 5, 2011, and bear interest at a rate of 7% per year, payable semi-annually in arrears. The debentures are convertible at any time prior to maturity at the option of the holders into common shares of the Corporation at a conversion price of \$1.55 per common share and are not redeemable by the Corporation.

At issuance, the Corporation estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the convertible debentures, calculated using a risk-adjusted discount rate of 11%, from the face value of the principal of the convertible debentures. The residual value of \$1,998,212 allocated to the conversion option is added to the face value of the convertible debentures over the life of the debentures by a charge to earnings, using the effective interest rate method.

The financial liability component of the convertible debentures at March 31, 2010 is as follows:

Principal amount of convertible debentures	20,000,000	\$
Deduct: Residual value allocated to the conversion option	(1,998,212)	
Financial liability component at issuance (present value of future cash outflows)	18,001,788	
Accretion of the residual value allocated to the conversion option	1,020,491	
Balance at December 31, 2009	19,022,279	
Accretion of the residual value allocated to the conversion option	169,485	
Balance at March 31, 2010	19,191,764	

9. Asset retirement obligations

The asset retirement obligations consist of mine closure, reclamation and retirement obligations for mine facilities and infrastructure. The Corporation has recorded the following asset retirement obligations:

	March 31, 2010	December 31, 2009
	\$	\$
Asset retirement obligations, beginning of period	1,221,817	1,160,921
Changes in estimates	-	143,129
Accretion expense	28,037	85,431
Derecognition of Scorpio Gold	(48,015)	-
Foreign currency translation adjustments	(36,656)	(167,664)
Asset retirement obligations, end of period	1,165,183	1,221,817

10. Share capital

a) Authorized and issued

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

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

10. Share capital (Continued)

b) Warrants

As at March 31, 2010 and December 31, 2009, the Corporation has warrants outstanding entitling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
	\$	
3,928,750	1.85	November 1, 2010

c) Broker compensation options

As at March 31, 2010 and December 31, 2009, the Corporation has compensation options outstanding entitling the holders to acquire common shares as follows:

Compensation options	Exercise price	Expiry date
	\$	
1,100,050	1.49	November 1, 2010

d) Stock option plan

The number of shares reserved for issuance under the 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 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 become exercisable as well as the option exercise price which shall not be less than the closing price of the Corporation's share on the Toronto Stock Exchange immediately preceding the date of grant.

During the three months ended March 31, 2010, no options were granted or exercised.

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2010:

Exercise price	Weighted average remaining contractual life	Outstanding and exercisable
\$	(in years)	
0.295 to 0.47	2.34	3,035,000
0.88 to 0.95	1.36	332,500
1.18 to 1.42	2.79	2,239,856
1.77 to 1.89	1.93	3,435,000
		<u>9,042,356</u>

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

10. Share capital (Continued)

e) Stock-based compensation

The Corporation records options granted using a fair value based method of accounting. The Corporation uses the Black-Scholes Model to estimate fair value using the following weighted-average assumptions which also includes options granted by Scorpio Gold:

	Three months ended March 31, 2010 ⁽¹⁾	Three months ended March 31, 2009
Expected dividend yield	-	Nil%
Expected stock price volatility	-	83%
Risk free interest rate	-	1.61%
Expected life	-	4 years
Scorpio Mining Corporation		
Stock-based compensation included in cost of sales	-	\$58,158
Stock-based compensation included in other expenses	-	281,844
Total stock-based compensation-Scorpio Mining Corporation	-	\$340,002
Scorpio Gold Corporation		
Stock-based compensation included in other expenses prior to deconsolidation	\$55,558	-

⁽¹⁾ No options were granted during the three months ended March 31, 2010.

11. Interest and financing

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Interest on long-term debt	345,205	345,205
Accretion of debt component of convertible debentures	169,485	152,378
Interest income	(6,930)	(15,590)
Interest on short-term loans	-	251
Interest on obligations under capital lease	-	95

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

12. Weighted average number of shares and dilutive share equivalents

	Three months ended March 31, 2010	Three months ended March 31, 2009
Basic weighted average number of shares	112,248,069	112,123,069
Effect of dilutive securities:		
Stock options	1,365,297	-
Diluted weighted average number of shares	113,613,366	112,123,069

The following potentially dilutive securities were excluded from the dilutive number of shares outstanding for the period ended March 31, 2010 as they are anti-dilutive:

- \$20,000,000 principal amount of convertible debentures (Note 8)
- 3,928,750 warrants
- 1,100,050 broker compensation options
- 6,007,356 stock options

13. Income taxes

The provision for income taxes is made up of the following components:

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Current (recovery)	(5,608)	51,658
Future	709,262	-
	703,654	51,658

14. Related party transactions

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
General and administrative	32,000	21,600
Selling costs	10,492	9,621
Cost of sales	118,191	78,774

As at March 31, 2010, an amount of \$33,236 (2009, \$37,515) resulting from transactions with related parties is included in accounts payable and accrued liabilities.

From March 11, 2010 to March 31, 2010, the Corporation earned \$10,700 as management fees from Scorpio Gold Corporation. As at March 31, 2010, this amount is included in Advances to a company subject to significant influence and is non-interest bearing.

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

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

15. Supplementary cash flow information

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Depreciation of property, plant and equipment capitalized in mining interests	7,852	2,499
Mining interests costs included in accounts payable	71,422	29,529
Acquisition of property, plant and equipment included in accounts payable	56,260	17,436
Non-cash transactions related to Scorpio Gold Corporation recorded prior to deconsolidation:		
Acquisition of Mineral Ridge property through issuance of shares by Scorpio Gold	5,790,315	-
Deferred exploration and development expenditures included in accounts payable	8,209	-

(b) *Other supplementary information*

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Income taxes paid	-	51,658
Interest paid	-	95

16. Segmented information and major customers

(a) Industry information

The Corporation operates in one reportable operating segment being acquisition, exploration, development and exploitation of mineral resources properties.

(b) Geographic information

All revenue from the sale of concentrate for the three months ended March 31, 2010 and March 31, 2009 were earned in Mexico.

The Corporation's long-term assets by geographic locations are as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Canada ⁽¹⁾	20,372,980	2,066,417
USA	-	2,660,668
Mexico	21,522,477	22,846,493
	41,895,457	27,573,578

⁽¹⁾ The March 31, 2010 balance includes the investment in Scorpio Gold for an amount of \$20,127,304.

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)

(Expressed in Canadian dollars unless otherwise indicated)

Three months ended March 31, 2010

16. Segmented information and major customers (Continued)

(c) Major customers

During the three months ended March 31, 2010, the Corporation earned its revenues from two customers (2009, three customers) with each customer accounting for 47% and 53% of revenues (2009, 10%, 33% and 57%) respectively for the period.

17. Revenue

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Metal payable	7,948,744	3,581,811
Treatment and selling costs	(1,926,803)	(1,327,915)
Revenue	6,021,941	2,253,896

18. Subsequent events

(a) Acquisition of Platte River Gold

On April 1, 2010, the Corporation acquired 100% of Platte River Gold Inc. ("Platte") and all of its subsidiaries. The Corporation issued 74,832,020 common shares in exchange for all of Platte's outstanding common shares, with the effect that subsequent to the transaction, the former shareholders of Platte own 40% of the issued and outstanding common shares of the Corporation. In addition, a further 4,414,967 shares are issuable to the former holders of Platte's stock options and warrants, which by their terms, became exercisable for the Corporation's shares upon the closing of this acquisition. The acquisition will be accounted for as an acquisition of assets.

(b) Grant of options

On April 8, 2010, the Corporation granted 6,010,000 stock options to directors, employees and consultants at an exercise price of \$0.80 for 5 years, vesting with 25% being released every 6 months.



MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) is for the first quarter ended March 31, 2010 and is provided as of May 7, 2010. This MD&A is to be read in conjunction with the interim unaudited consolidated financial statements of Scorpio Mining Corporation (the “Corporation” or “Scorpio Mining”) for the period ended March 31, 2010 and the audited consolidated financial statements and MD&A for the year ended December 31, 2009. These documents are available on the Corporation’s website (www.scorpionmining.com) and filed on Sedar (www.sedar.com). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

CORPORATION’S ACTIVITIES, OBJECTIVES AND STRATEGY

Scorpio Mining is incorporated under the Canada Business Corporations Act. The Corporation is a reporting issuer in the jurisdictions of British Columbia, Alberta, Ontario and Quebec. Scorpio has been listed on the Toronto Stock Exchange (“TSX”) under the trading symbol of SPM since October 18, 2006; previously it was listed on the TSX Venture Exchange under the same symbol. At the present time, the Corporation has one producing mine, the 100% owned, Nuestra Señora silver-lead-zinc-copper mine located in Cosalá, the State of Sinaloa, Mexico, which completed its commissioning and achieved commercial production in January 2009.

Scorpio Mining is involved in the acquisition, exploration, development and exploitation of mineral resource properties primarily in Mexico, with the objective of becoming a profitable low-cost mid-tier silver producer and creating significant growth in shareholder value. Its strategy focuses on acquiring and developing additional advanced development-stage or operating-stage potential low-cost silver projects mainly located in Mexico.

On April 1, 2010, the Corporation acquired 100% of Platte River Gold Inc. (“Platte”) and all of its subsidiaries. The Corporation issued 74,832,020 common shares in exchange for all of Platte’s outstanding common shares, with the effect that subsequent to the transaction, the former shareholders of Platte own 40% of the issued and outstanding common share of the Corporation. In addition, a further 4,414,967 shares are issuable to the former holders of Platte’s stock options and warrants, which by their terms, became exercisable for the Corporation’s shares upon the closing of this acquisition. Refer to Recent Transactions section of this document.

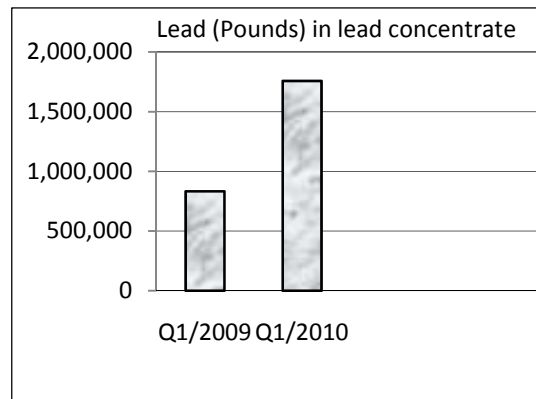
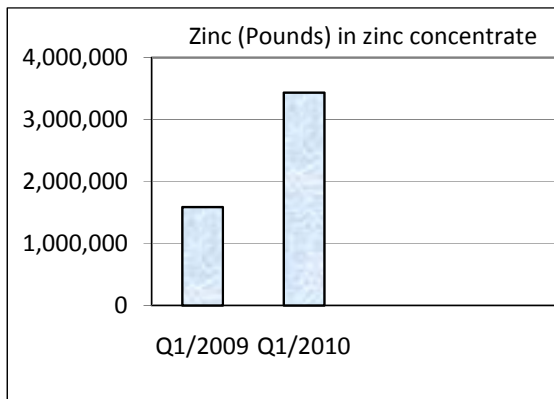
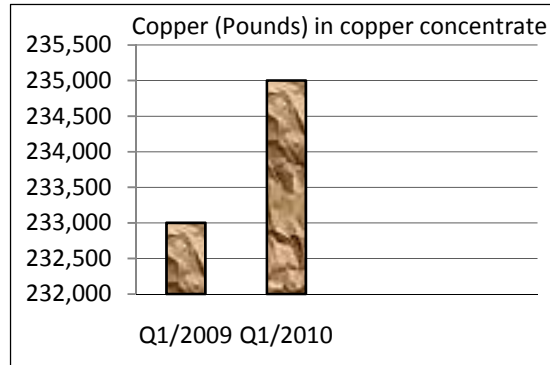
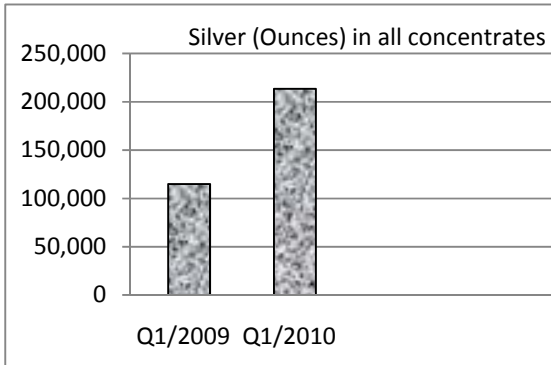
On March 10, 2010, Scorpio Gold Corporation (“Scorpio Gold”) issued 35,600,194 shares, none of which were subscribed by the Corporation. As a result, Scorpio Mining decreased its ownership in Scorpio Gold from 74.5% to approximately 38%. Scorpio Gold has been trading on the TSX-V under the symbol of SGN since June 15, 2009. Scorpio Gold is involved in the acquisition, exploration and development of mineral resource properties and has recently acquired a 70% interest in the Mineral Ridge Property, a former producing gold mine located in Esmeralda County, Nevada. As Scorpio Gold’s financial statements are no longer consolidated with the Corporation’s financial statements, this MD&A will no longer include discussions of Scorpio Gold operations. Scorpio Gold’s MD&A is available on its web site (www.scorpiongold.com) and filed on Sedar (www.sedar.com).

HIGHLIGHTS FOR THE FIRST QUARTER ENDED MARCH 31, 2010 AND SUBSEQUENT EVENTS

- Nuestra Señora mine continued to increase production and, for the first quarter of 2010, processed 92,658 tonnes, which is equivalent to 44% of the total production for 2009.
- Nuestra Señora mine operating earnings were \$1,309,084 for the three-month period ended March 31, 2010 compared to \$895,596 for the same period of 2009.
- Adjusted EBITDA ⁽¹⁾ was \$1,862,218 for the three-month period ended March 31, 2010 compared to \$1,061,102 for the same period of 2009.
- Due to the gain on dilution and deconsolidation of Scorpio Gold Corporation of \$19,786,287, net earnings were \$18,617,827 for the three-month period ended March 31, 2010 compared to net loss of \$397,119 for the same period of 2009.
- Nuestra Señora unit cash operating costs ⁽¹⁾ were 7.7% lower than 2009, at US\$33.01 per tonne for the three-month period ended March 31, 2010 compared with US\$35.78 per tonne for the same period of 2009.
- The average monthly mill throughput increased from 13,199 tonnes in Q1 2009 to 30,886 tonnes in Q1 2010, an increase of 134%. During Q1 of 2010, the Nuestra Señora mill processed 92,658 tonnes in 79 days of production at an average grade of 1.12% lead, 0.23% copper, 2.18% zinc and 81 g/t silver.
- For the first quarter ending March 31, 2010, contained metals produced in concentrates consisted of 1.758 million pounds of lead, 235,000 pounds of copper, 3.434 million pounds of zinc and 213,435 ounces of silver.
- On April 1, 2010, the Corporation acquired 100% of Platte River Gold Inc. through the issuance of 74,832,020 common shares.

⁽¹⁾ This is a non-GAAP performance measure; please see Non-GAAP Performance Measures section.

Metal production during Q1 of 2010 compared with Q1 of 2009



Key Operating Statistics**Q1/2010** **Q1/2009****Metal Production (contained in concentrates)**

Lead (000s pounds in lead concentrate)	1,758	833
Copper (000s pounds in copper concentrate)	235	233
Zinc (000s pounds in zinc concentrate)	3,434	1,587
Silver (ounces in all concentrates)	213,435	114,846

Mining

Waste (tonnes)	17,803	4,580
Ore (tonnes)	99,679	20,557
Total material mined (tonnes)	117,482	25,137

Milling

No. Of operating days	79	55
Tonnes Processed	92,658	39,596
Processed per day	1,173	720
Lead Grade (%)	1.12	1.43
Zinc Grade (%)	2.18	2.66
Copper Grade (%)	0.23	0.44
Silver Grade (g/t)	81	109

Recoveries

Lead (%) (in lead concentrate)	77%	79%
Copper (%) (in copper concentrate)	51%	47%
Zinc (%) (in zinc concentrate)	77%	78%
Silver (%) (total all concentrates)	89%	89%

Concentrates grades**Lead Concentrate**

Lead (%)	52.77	50.46
Copper (%)	3.47	6.61
Zinc (%)	5.76	6.40
Silver (g/t)	2,720	3,198

Copper Concentrate

Copper (%)	17.94	29.39
Lead (%)	24.09	13.02
Zinc (%)	2.78	2.13
Silver (g/t)	3,499	2,884

Zinc concentrate

Zinc (%)	52.90	57.82
Lead (%)	1.37	0.89
Copper (%)	0.58	0.60
Silver (g/t)	153	114

MINERAL PROPERTIES

Scorpio's primary business focus is the 100% owned Nuestra Señora silver-lead-zinc-copper mine located in Sinaloa State, Mexico, which completed its commissioning and commenced commercial production in January 2009. Below are the key operating statistics for Q1, 2010 and Q1, 2009.

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

Nuestra Señora Property

The Nuestra Señora mine and conventional flotation milling operation, located east of the town of Cosalá in the State of Sinaloa, Mexico, is the main focus of Scorpio's current mine production, development and exploration activity. The Nuestra Señora property comprises eleven mining concessions covering a total area of 18,064 hectares. The Corporation recently purchased the Lot El Pinos Claim (40 has.) from a private owner. This claim is located to the north of the mill and contains a mineral occurrence. It is also enclosed by the existing Minera Cosalá property and therefore considered strategic. The deed is in the process of being transferred from the owner to Minera Cosalá.

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

Nuestra Señora Deposit

During, and subsequent to the first quarter ending March 31, 2010, Scorpio Mining continued to focus its development and production activities on the Nuestra Señora silver-lead-zinc-copper deposit. As defined by the 2010 mine plan, production was increased in January to 31,335 tonnes per month (tpm) in response to continued stable and relatively high metal prices. To achieve this, areas of lower grade bulk-mineable ore were reactivated and the production blended with ore from the higher-grade cut-and-fill stopes as well as stockpile #1 located at the plant. As a consequence, the mill throughput increased from 71,378 tonnes during the last quarter of 2009 to 92,658 tonnes in the first quarter of 2010. The total material processed for the first three months of 2010 represents 44% of the total amount that was processed during the twelve months of 2009, albeit at slightly lower grade.

Diamond Drilling

The underground ore definition drilling continued in the first quarter of 2010 and consisted of 3,120 metres. The purpose of this program was to define the M-02 and M-03 mineralized zones between levels 11 and 12 to provide a better understanding of the geometry of the mineralization. Due to encouraging results, further definition drilling of the M-05 and M-08 is required to determine the limits of mineralization. Consequently, a second diamond drill is scheduled to be on site by the end of April of 2010. An access drift is currently being driven from the 12th level cross-cut, following the mineralized M-03 structure. This drift will also be used for definition drilling of the M-04, M-05 and M-10 stopes on, above and below level 12.

There was no exploration drilling done in 2009 due to depressed metal prices. However, the exploration program re-commenced in early April 2010 as planned and will initially consist of 7,116 meters of exploration/definition drilling between Levels 12 to 15. This will be followed up with an in-fill drilling program later in 2010. No surface drilling was done in 2009 and none is currently planned for 2010.

Underground Development & Production

During the first quarter ending March 31, 2009, underground development at the Nuestra Señora mine advanced a total of 1,231 metres.

Following the successful operation of the Nuestra Señora mine in 2009, the Corporation established a new 2010 mine operating plan which includes increased production commencing in January 2010 to approximately 30,000 tonnes per month, based on a revised budget and mining plan.

For the first three months ending March 31, 2010, underground development at Nuestra Señora totalled 1,232 metres, of which 1,165 metres were cross cuts and access drifts and 67 metres were for the access on the 12th Level. To date, the development totals 12,533 metres consisting of 10,072 metres of cross-cuts and 2,461 metres of ramping. The Nuestra Señora access ramp is now connected to the 8th, 9th, 10th, 11th and 12th Levels and to the Candelaria ramp. During the last quarter of 2009, the ramp reached the 12th level and a cross-cut on the level advanced 250 metres. While the ventilation raise is being driven between levels 11 and 12, definition drilling of the M-01, M-02, M-04 and M-10 zones will be conducted from the face of the cross-cut.

The mine currently generates its electrical power using diesel generators. The Environmental Impact Statement ("EIS") required to extend the electrical supply line from the mill to the mine, a distance of approximately 3.5 kilometres, was submitted in March 2010. The proposed line crosses the land owned by the University of Sinaloa and therefore the University had submitted the original EIS on behalf of the Corporation. It was anticipated that the permit would be approved in early April 2010 but SEMARNAP requested additional information which has caused a delay. It was re-submitted and now approval is likely to be granted by early May. The project is anticipated to be completed by August 2010. Completion of the extension of the power lines would likely decrease mine costs by reducing dependence on diesel.

Processing Facility

The Nuestra Señora deposit has a variety of mineralized zones that vary from the Hoag Zone, which is an area of lead and zinc ore with relatively low copper and silver grades but high tonnage material, to the North-West Zone which is a region of semi-massive high grade lead-zinc-copper mineralization with elevated silver values.

In August 2008, as a consequence of decreasing metal prices and the beginning of a general global recession, the Corporation ceased mining the lower-grade Hoag Zone and an emphasis was placed on developing the higher grade portions of the mine including the North-West area of the Main Zone and the Santa Teresa area. In January 2009, the proportion of high grade ore mixed with the lower grade mill stockpile was increased, resulting in a higher grade mill feed. With the improving metal prices during 2009, a smaller proportion of the high grade material was blended with a greater amount of the lower-grade material, which will extend the planned life of the higher-grade stope areas should they be required in a declining metal price environment. This strategy did not result in a significantly lower head grade to the processing mill. In fact, the grades of the base metals were higher than expected, indicating that the predicted resource grade for the exploited areas had been underestimated.

During the first quarter 2010, the mill processed 92,658 tonnes of ore in 79 days at an average grade of 1.12% lead, 0.23% copper, 2.18% zinc and 81 g/t silver. In order to provide a relatively consistent mill feed grade, the blending ratio at the mill varied, depending on the grade of the material being mined.

With the current improved metal price environment, the proportion of lower grade ore shipped to the mill was increased to maximize metal production and, correspondingly, the head grades realized were lower than those budgeted. While the lead and zinc concentrates continue to be of good quality, the copper concentrate contains a high level of lead and is sold as a bulk copper/lead concentrate. If the head grade of copper ore feed decreases below 0.5% there is a proportional increase in lead content in the copper concentrate. Since the grade of ore being processed is lower than this threshold, the amount of lead in the bulk concentrate has increased correspondingly.

Further metallurgical testing will be carried out to improve the recovery of fine grained lead in the lead concentrate thereby reducing the amount in the copper concentrate.

Nuestra Señora Mill throughput for the first quarter

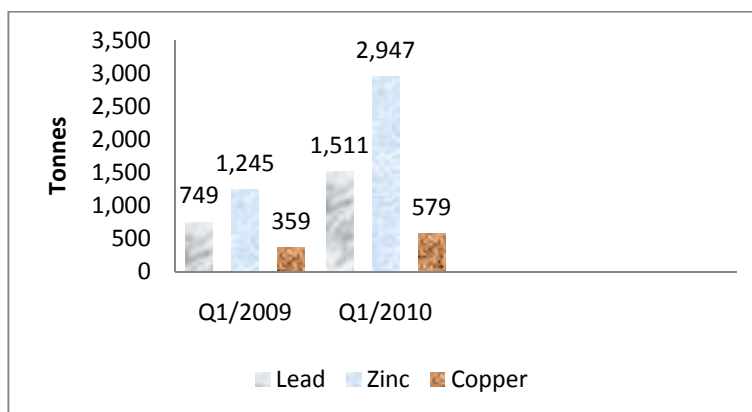
	<u>2009</u>	<u>2010</u>
Processed (Tonnes)	39,596	92,658
Lead Grade (%)	1.43	1.12
Copper Grade (%)	0.44	0.23
Zinc Grade (%)	2.66	2.18
Silver g/t	109	81

The mill throughput for the quarter was 134% higher than for the same period of 2009. The continuing high metal prices over the first three months of 2010 provided an opportunity to increase mill throughput from 23,324 tpm in December 2009 to 31,335 in January 2010 as higher-tonnage lower-grade mineralization in the Main and Hoag Zones became economic and was exploited thereby reducing the reliance on the high-grade cut-and-fill stopes.

As of the end of March 2010, the stockpile inventory at the mill site was 51,165 tonnes. The mill throughput average remained approximately the same during first three months, although February was slightly lower due to the shorter month. It totalled 30,886 tpm during Q1 2010 compared to 13,199 tpm in the first quarter of 2009.

On March 25, 2010, the trunnion ring of ball mill A cracked and the mill was taken out of service. The mill was disassembled, the ring was repaired and the mill is expected to be back in service in mid May. During April throughput was 18,484 tonnes, operating with ball mill B only.

Concentrate production of lead and zinc continued to increase during the first quarter of 2010:



The first quarter 2010 production of contained metal in the concentrates consisted of 1.758 million pounds of lead, 235,000 pounds of copper, 3.434 million pounds of zinc and 213,435 ounces of silver. This compared to Q1 2009 where the contained metal produced was 833,000 pounds of lead, 233,000 pounds of copper, 1.587 million pounds of zinc and 114,846 ounces of silver.

Concentrate Sales

During the first three months of 2010, the Corporation sold 1,515 dry metric tonnes (“dmt”) of lead concentrate, 2,452 dmt of zinc concentrate and 530 dmt of copper concentrate. During the first three months of 2009, the Corporation sold 1,072 dmt of lead concentrate, 939 dmt of zinc concentrate and 199 dmt of copper concentrate.

The following table shows the movement of concentrate inventories, production and sales (in dmt) for the first quarter of 2010:

	Concentrates		
	Lead	Zinc	Copper
Inventory beginning	181	0	0
Production during Q1	1,511	2,947	594
Sales during Q1	1,515	2,452	530
Inventory as of March 31, 2010	177	495	64

RESULTS OF OPERATIONS

Adjusted EBITDA ⁽¹⁾ was \$1,862,218 for the three-month period ended March 31, 2010 compared to \$1,061,102 for the same period of 2009. Management believes adjusted EBITDA is a better measure to compare performance between Q1 2010 and Q1 2009.

Due to the gain on dilution and deconsolidation of Scorpio Gold Corporation, Scorpio Mining reported net earnings for the three-month period ended March 31, 2010, of \$18,617,827 compared to a net loss of \$397,119 for the three-month period ended March 31, 2009. Basic earnings per share for the three-month period ended March 31, 2010 was \$0.17 compared to a basic loss per share of \$0.00 for the same period of 2009. The major differences between these periods are explained below.

During the three-month period ended March 31, 2010, revenue from mining operations totalled \$6,021,941 compared to \$2,253,896 for the three-month period ended March 31, 2009, mainly due to the fact that the Corporation processed more than twice the tonnage at lower grade compared to the same period of 2009. In addition, metal prices were higher during the first quarter of 2010 than during the first quarter of 2009.

Mine operating earnings for the first quarter of 2010 were \$1,309,084 compared to \$895,596 for the first quarter of 2009. The 2009 amount includes a reversal of the 2008 impairment of ore stockpile inventory of \$1,037,003 which essentially brought it back to its historical book value. Also included in the Q1 2009 cost of sales is a concentrate inventory write-down of \$457,370.

On March 10, 2010, Scorpio Gold Corporation issued an aggregate 35,600,194 shares, none of which were subscribed by the Corporation. As a result, Scorpio Mining’s ownership interest of Scorpio Gold decreased from 74.5% to approximately 38%. As of that date, the Corporation determined that it no longer controlled the operations of Scorpio Gold, and, as a consequence, no longer consolidated the operations of Scorpio Gold as of that date. The deconsolidation of Scorpio Gold resulted in a \$19,786,287 gain in the statement of operations for the quarter ended March 31, 2010.

From March 10, 2010, the Corporation records the results of Scorpio Gold using the equity method. Under this method, the Corporation recognizes its share of loss of Scorpio Gold in the statement of operations as a share of loss of equity investee which amounted to \$421,068 for the period from March 11 to March 31, 2010.

⁽¹⁾This is a non-GAAP performance measure; please see Non-GAAP Performance Measures section.

Stock-based compensation which is non-cash in nature, decreased from \$281,844 for the three-month period ended March 31, 2009, to \$55,558 for the three-month period ended March 31, 2010. During the quarter ended March 31, 2009, 1,900,000 options were granted. The \$55,558 stock-based compensation expense recorded in the consolidated financial statements for the period ended March 31, 2010 relates to options granted by Scorpio Gold Corporation while it was part of the consolidated group. No options were granted by the Corporation during the first quarter of 2010.

Income tax expense amounted to \$703,654 for the first quarter of 2010 compared to \$51,658 for the same period of 2009. The 2010 future income tax expense of \$709,262 relates to the reversal of future income tax assets originally recorded in 2009 in respect of its Mexican subsidiary as the Corporation's Mexican operation was in a taxable position during the first quarter of 2010.

Comprehensive earnings for the first quarter of 2010 were \$17,544,476 compared to \$148,298 for the same period in 2009. The \$1,068,136 unrealized loss on translation adjustment for the period ended March 31, 2010 comes mainly as a result of the weakening of the US dollar vis-à-vis the Canadian dollar for that period. For the same period in 2009, the US dollar was strengthening vis-à-vis the Canadian dollar.

LIQUIDITY AND FINANCIAL POSITION

As of March 31, 2010, the Corporation had \$7,198,352 in cash, compared to \$6,739,973 as of December 31, 2009.

Working capital was \$17,188,627 as of March 31, 2010 compared to \$15,321,051 as of December 31, 2009.

As a result of the deconsolidation of Scorpio Gold, the Corporation now presents in its consolidated balance sheet its advances to Scorpio Gold which amounted to \$1,454,942 as of March 31, 2010.

The primary factors that will affect the future financial condition of the Corporation include the ongoing ability to maintain profitable operations at its operating property and to finance through the placement of equity or debt financing the level of exploration and development expenditure required to continue advancing the mine to be able to profitably feed the mill.

The Corporation considers that it has sufficient capital to meet its current commitments for 2010. However, should the Corporation decide to accelerate the development at several Platte assets and expand its current mill facility, it is probable that a cash infusion may be required.

EQUITY INVESTMENT

Following the deconsolidation of Scorpio Gold Corporation on March 10, 2010, the Corporation now presents its investment in that company as a single line item on its balance sheet which had a book value of \$20,225,750 as of March 31, 2010.

Scorpio Gold recently acquired a 70% interest in the Mineral Ridge property located in Nevada. That property was in production as recently as 2005. Scorpio Gold is currently working on completing a mineral resource estimate and related 43-101 compliant technical report which is intended to be followed by a full feasibility study with a view to bring back the property into commercial production.

NON GAAP PERFORMANCE MEASURES

Non-GAAP performance measures are furnished to provide additional information to supplement its financial statements, which are presented in accordance with Canadian GAAP. The Corporation believes that these measures, together with the measures determined in accordance with GAAP, provide investors with an ability to evaluate the underlying performance of the Corporation. These performance measures do not have a meaning within GAAP and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with GAAP.

The Corporation has included cash operating cost per tonne in this document. This is a common performance measure but does not have standardized meaning. These performance measures are included in the MD&A because these statistics are key performance measures that management uses to monitor performance. Management uses these statistics to assess the Corporation's performance relative to its budget and the overall effectiveness and efficiency of mining operations. Certain investors use this information to determine the Corporation's ability to generate earnings and cash flows for use in investing and other activities. The measures are not necessarily indicative of operation profit or cash flows from operations as determined under GAAP.

Non-GAAP reconciliation of operating cash costs per tonne:

	2010	2009
	Q1	Q1
	\$	\$
Tonnes of ore milled	92,658	39,596
Cost of sales per consolidated interim financial statements expressed in \$CAD	2,965,514	732,281
Cost of sales expressed in \$US	US\$2,845,461	US\$602,007
Adjustments:		
Concentrate inventory write-down	(179,238)	(364,432)
Variation in inventory	392,474	399,762
Stock-based compensation	-	(48,361)
Stockpile inventory write-up	-	827,819
Cash operating costs	US\$3,058,697	US\$1,416,795
Cash operating costs per tonne	US\$33.01	US\$35.78

Non-GAAP reconciliation of adjusted EBITDA

EBITDA is a non-GAAP measure that represents an indication of the Corporation's continuing capacity to generate income from operations before taking into account management's financing decisions and costs of consuming capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Accordingly, a standardized definition of EBITDA, as set out by the CICA's Canadian Performance Reporting Board ("CPRB"), comprises revenue less operating expenses before interest expense, capital asset amortization and impairment charges, and income taxes.

Adjusted EBITDA has been included in this document. Under GAAP, entities must reflect in compensation expense the cost of stock-based compensation. In the Corporation's circumstances, stock-based compensation involves a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in

exchange. As such, the Corporation has made an entity-specific adjustment to EBITDA for these expenses. The Corporation has also made an entity-specific adjustment to EBITDA in order to take out the non-cash gain on dilution and deconsolidation of Scorpio Gold Corporation.

The following table provides a reconciliation of adjusted and standardized EBITDA to the first quarter of 2010 and the first quarter of 2009 financial statements:

	2010	2009
	Q1	Q1
	\$	\$
Net earnings (loss) for the period	18,617,827	(397,119)
Income taxes	703,654	51,658
Interest expense	507,760	482,339
Depletion and amortization of mineral properties, plant and equipment	1,763,706	642,380
Standardized EBITDA	21,592,947	779,258
Stock-based compensation	55,558	281,844
Gain on dilution and deconsolidation of Scorpio Gold Corporation	(19,786,287)	-
Adjusted EBITDA	1,862,218	1,061,102

SUMMARY OF QUARTERLY RESULTS

All amounts are in Canadian dollars and prepared in accordance with Canadian GAAP.

The following table sets out selected quarterly financial information for each of the last eight quarters:

Quarter Ending	Revenue	Net earnings (loss)	Basic earnings (loss) per share	Diluted earnings (loss) per share
	\$	\$	\$	\$
March 31, 2010	6,021,941	18,617,827 ⁽¹⁾	0.17	0.16
December 31, 2009	7,095,337	12,543,108 ⁽²⁾	0.11	0.11
September 30, 2009	5,413,071	908,549	0.01	0.01
June 30, 2009	4,650,139	462,634	0.00	0.00
March 31, 2009	2,253,896	(385,854)	(0.00)	(0.00)
December 31, 2008	Nil	(85,975,323) ⁽³⁾	(0.77)	(0.77)
September 30, 2008	Nil	(723,458)	(0.01)	(0.01)
June 30, 2008	Nil	(1,936,895)	(0.02)	(0.02)

⁽¹⁾ Includes a \$19.8 million gain on dilution and deconsolidation of Scorpio Gold

⁽²⁾ Includes a \$10.4 million future income tax recovery adjustment

⁽³⁾ Includes a \$84.2 million impairment charge

CASH FLOWS

Cash flow from operating activities was \$1,653,558 for the first quarter of 2010 compared to \$1,320,640 for the first quarter of 2009. For the first quarter of 2009, a net outflow amount of \$1,026,746 was transferred from operating activities to investing activities as they relate to payment of accounts payable and receipt of accounts receivable related to 2008, at which time the related transactions had been recorded as part of deferred development expenditures.

Cash flow from financing activities was \$11,550,340 for the first quarter of 2010 and is related to net proceeds received by Scorpio Gold from share issuance prior to deconsolidation. Cash flows used in financing activities

was \$38,104 for the first quarter of 2009 as the Corporation's obligation under capital lease was completely repaid during this period.

Cash flow used in investing activities for the first three months of 2010 included \$6,826,321 paid by Scorpio Gold, prior to its deconsolidation, for its investment in the Mineral Ridge Gold project in Nevada. Upon deconsolidation, Scorpio Gold had a bank balance of \$4,323,920 which has been included as cash outflows in the Corporation's consolidated statements of cash flows. Cash flows used in investing activities also includes expenditures on mining interests for a total of \$1,443,212 for the first quarter of 2010 compared to \$1,340,952 for the first quarter of 2009.

CONTINGENCIES

Environmental Contingencies

The Corporation's exploration activities are subject to various federal, provincial and state laws and regulations in Mexico which govern the protection of the environment. These laws and regulations are continually changing and becoming more restrictive. The Corporation conducts its operations so as to protect public health and the environment and believes its operations are in material compliance with all applicable laws and regulations. The Corporation expects to incur expenditures in the future to comply with such laws and regulations.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements as at March 31, 2010.

TRANSACTIONS WITH RELATED PARTIES

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

The Corporation incurred an amount of \$32,000 for the first quarter of 2010 as directors' fees, compared \$21,600 for the first quarter of 2009 as two additional directors were appointed during the first quarter of 2010. The Corporation also incurred \$118,191 (2009, \$78,774) during the first quarter of 2010 for mining services with Servicios MRGP, S.A. de C.V., a company 25% owned by each of Mr. Peter J. Hawley and Mr. Roger D. Scammell, directors of the Corporation.

During the first quarter of 2010, the Corporation also incurred \$10,492 (2009, \$9,621) as consulting services with Neil S. Seldon & Associates Ltd., a company controlled by Mr. Neil Seldon, a director of the Corporation.

As at March 31, 2010 an amount of \$33,236 (2009, \$37,515) related to those transactions is included in accounts payable and accrued liabilities.

From March 11, 2010 to March 31, 2010, the Corporation earned \$10,700 as management fees from Scorpio Gold. As at March 31, 2010, the amount receivable from this transaction is included in Advances to a company subject to a significant influence.

RECENT TRANSACTIONS

Acquisition of Platte River Gold

On April 1, 2010, the Corporation acquired 100% of Platte River Gold Inc. and all of its subsidiaries. The Corporation issued 74,832,020 common shares in exchange for all of Platte's outstanding common shares, with the effect that, subsequent to the transaction, the former shareholders of Platte owns 40% of the issued and outstanding common share of the Corporation. In addition, a further 4,414,967 shares are issuable to the former

holders of Platte's stock options and warrants, which by their terms, became exercisable for the Corporation's shares upon the closing of this acquisition.

Highlights of the Platte River transaction

- Diversified production potential from a minimum of two silver-zinc deposits less than 10 kilometres from Scorpio's central milling facility in a mining-friendly jurisdiction.
- Scorpio's existing milling facility was designed with additional capacity and could be expanded to process all of Platte's material with a modest capital outlay.
- Increases the Corporation's overall mineral resource base.
- Combines experienced management teams.
- Reduces overhead from combined operations less than 10 kilometres apart.
- Enhances market presence.
- Increases leverage to current metal price environment.
- Combines high-quality institutional shareholder bases.
- Potential increased cash flows to support organic growth and Scorpio's strategy of low-cost external growth through consolidation.

About Platte River Gold Inc.

Platte is a private Canadian company formed in April 2004 to carry out precious and base metals exploration, focusing in Mexico and Nevada. Its headquarters is in Reno, Nevada, and it also has offices in Hermosillo and Cosalá, Mexico. Platte's employees and contractors have had direct roles in the discoveries of the El Peñon deposit in Chile, the Dolores Mine in Mexico, and the Jerritt Canyon and Paradise Peak mines in Nevada.

Prior to the acquisition by the Corporation, Platte had a significant institutional shareholder base for a private company, with Tocqueville, CGT, Libra, Sprott and US Global owning 83% of the outstanding shares.

Platte's Mexican subsidiary, Minera Platte S.L. de C.V. (MPRG), controls four significant projects in Mexico, the most important of which is the polymetallic, La Verde Project, near Cosalá, Sinaloa, about 2.5 hours drive from Mazatlan, which comprises 10,980 hectares of exploration and exploitation concessions.

MPRG also owns the small scale operating La Verde underground silver-copper-gold mine, all contiguous to the northern boundary of Scorpio's Cosalá area land holdings.

The La Verde mine is producing approximately 12,000 tonnes per month and is currently leased out to a Mexican mine contractor for a monthly payment and royalty to MPRG.

In the La Verde Project area, MPRG has drilled 371 holes for more than 65,700 metres of core and reverse circulation drilling and has identified several significant deposits. These include the San Rafael deposit, with the related zinc-silver-lead-gold massive sulphide "Main Zone", the silver-copper-gold-and zinc-lead "120 Zone" and the silver-gold "Upper Zone" deposits. All of these zones have been drilled out at 25-50 meter drill spacing and remain open to expansion. In addition, preliminary metallurgical work has been completed on the Main and 120 Zones and indicates normal metal recoveries. An internal study has reviewed the economics of exploitation of the deposits by open pit mining followed by underground extraction.

Recently prepared mineral resource estimates for the San Raphael deposits using 1.5% and 4.5% zinc equivalent cut-off grades are as follows:

San Rafael and Related Deposits

Table 1. Mineral Resource Estimate - Main Zone and Upper Zone - August 12, 2009

<u>Cutoff</u> (%Zn eq)	<u>Category</u>	<u>Tonnes</u>	<u>Ag (g/t)</u>	<u>Zn (%)</u>	<u>Pb (%)</u>	<u>Cu (%)</u>	<u>Au (g/t)</u>
1.5%	Measured	3,250,000	59.4	2.51	1.12	0.05	0.081
1.5%	Indicated	9,403,000	58.9	1.95	0.90	0.04	0.112
1.5%	M & I	12,653,000	59.1	2.09	.96	0.04	0.104
1.5%	Inferred	198,000	28.1	0.95	0.63	0.01	0.069
4.5%	Measured	1,491,000	92.1	4.07	1.79	0.07	0.094
4.5%	Indicated	3,322,000	100.9	3.70	1.54	0.07	0.131
4.5%	M & I	4,813,000	98.2	3.82	1.62	0.07	0.119
4.5%	Inferred	4,000	93.1	1.90	1.48	0.04	0.113

Table 2. Mineral Resource Estimate - Upper Zone (Only) - August 12, 2009

<u>Cutoff</u> (% Zn eq)	<u>Category</u>	<u>Tonnes</u>	<u>Ag (g/t)</u>	<u>Zn (%)</u>	<u>Pb (%)</u>	<u>Cu (%)</u>	<u>Au (g/t)</u>
1.5%	Indicated	993,000	121.9	0.25	0.20	0.06	0.426
1.5%	Inferred	18,000	99.6	.01	0.04	0.02	0.211
4.5%	Indicated	228,000	287.5	0.38	0.34	0.12	0.766
4.5%	Inferred	1,000	234.3	0.00	0.00	0.02	0.075

Table 3. Mineral Resource Estimate - 120 Zone - August 12, 2009

<u>Cutoff</u> (% Zn eq)	<u>Category</u>	<u>Tonnes</u>	<u>Ag (g/t)</u>	<u>Zn (%)</u>	<u>Pb (%)</u>	<u>Cu (%)</u>	<u>Au (g/t)</u>
1.5%	Indicated	3,089,000	94.5	0.48	0.14	0.25	0.132
1.5%	Inferred	347,000	98.2	0.06	0.01	0.22	0.127
4.5%	Indicated	645,000	244.8	0.36	0.08	0.57	0.248
4.5%	Inferred	43,000	302.6	0.13	0.01	0.43	0.207

Note: Metal prices used in above estimates are US\$12/oz silver, US\$0.80/lb zinc, US\$0.70/lb lead, US\$2.00/lb copper and US\$750 /oz gold. Mineral resources are not reserves and do not have demonstrated economic viability.

El Cajon Deposit

The El Cajon Ag-Cu-Au deposit has also been explored with 25-50 meter drill spacing and is also open to expansion. Preliminary metallurgical work completed to date reports satisfactory recoveries. An internal study has reviewed the economics of exploitation the deposit by underground extraction.

A recently prepared mineral resource estimate for the El Cajon deposit using 50 g/t and 100 g/t silver equivalent cutoff grades is as follows:

Table 4. Mineral Resource Estimate – El Cajon Deposit - October 8, 2009

<u>Cutoff</u> (g/t Ag eq)	<u>Category</u>	<u>Tonnes</u>	<u>Ag (g/t)</u>	<u>Cu (%)</u>	<u>Au (g/t)</u>
50	Indicated	2,442,000	129.4	0.44	0.19
50	Inferred	996,000	97.2	0.34	0.13
100	Indicated	1,751,000	161.7	0.54	0.25
100	Inferred	545,000	138.5	0.49	0.20

Note: Metal prices used in above estimate are US\$12/oz silver, US\$2.00/lb copper and US\$750 /oz gold. Mineral resources are not reserves and do not have demonstrated economic viability.

In addition to the exploration and exploitation concessions, MPRG has title to the surface rights to more than 430 hectares of land at the La Verde project and the San Rafael and El Cajon deposits. Elsewhere on the property there are an extensive number of additional polymetallic and precious metal targets, some with historical drilling and others identified and ready for initial drilling.

In and around the Parral District, Chihuahua, Mexico, MPRG controls an additional three projects and more than 4,000 hectares of exploration concessions, one of which has had two rounds of drilling (38 holes) and has identified a potential vein-hosted silver deposit. This mineralization is open in two directions and will require an additional drill program to enable a resource estimate.

In Nevada, Platte River Gold (US) Inc. (PRG) controls three projects and 368 mining claims. The most important project is the Gabel Project (51% PRG) in the northern Roberts Mountains and within the Battle Mountain - Eureka Gold Trend. This project is a joint venture with Blue Cove Capital (49%) and consists of 303 unpatented mining claims on BLM land, covering primarily lower-plate lithologies prospective for sediment-hosted gold mineralization. Limited drilling by PRG in 2008 encountered a 180-foot (54.8-meter) intersection grading 0.45 g/t gold in one hole and 170 feet (51.8 meters) grading 0.35 g/t gold in another hole at depths of less than 350 feet (106 meters) in the Denay Formation. This formation is an important host to gold mineralization elsewhere in northern Nevada and has not been well explored in the northern Roberts Mountains. The property also contains a gold resource at Chert Cliff, which is historical in nature and currently non-compliant with NI 43-101.

PROPOSED TRANSACTIONS

In the normal course of business, the Corporation evaluates potential property and project acquisitions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board, regulatory and sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments.

CHANGES IN ACCOUNTING POLICIES

Investment

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results are incorporated in these consolidated financial statements using the equity method of accounting. The investment is initially recorded at fair value. Thereafter, the Corporation recognizes the Corporation's share of earnings or loss as an increase or decrease to the carrying amount of the investment and reduced by dividends received, if any.

Business combinations

On January 1, 2010, the Corporation early adopted the CICA Section 1582, *Business Combinations*. This section, which replaces the former Section 1581, *Business Combinations*, establishes standards for the accounting for a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2010.

Consolidated financial statements

On January 1, 2010, the Corporation early adopted CICA Section 1601, *Consolidated Financial Statements*. This section, which, together with new Section 1602, replaces the former Section 1600, *Consolidated Financial Statements*, establishes standards for the preparation of consolidated financial statements.

Non-controlling interests

On January 1, 2010, the Corporation early adopted the CICA Section 1602, *Non-Controlling Interests*. This new section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements* (January 2008).

Comprehensive revaluation of assets and liabilities

On January 1, 2010, the Corporation early adopted the CICA Section 1625, *Comprehensive Revaluation of Assets and Liabilities*. This Section has been amended as a result of issuing *Business Combinations*, Section 1582, *Consolidated Financial Statements*, Section 1601, and *Non-Controlling Interests*, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring after January 1, 2010.

Equity

On January 1, 2010, the Corporation early adopted the CICA amended Section 3251, *Equity*. The amendments were issued in order to conform this Section to new Section 1602 and apply only to entities that have adopted Section 1602.

International Financial Reporting Standards (“IFRS”)

In February 2008, the CICA’s Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Scorpio Mining will be required to report its results in accordance with IFRS beginning in 2011. The Corporation has an IFRS conversion project to complete the transition to IFRS by January 1, 2011, including the preparation of 2010 required comparative information.

The Corporation IFRS conversion project consists of three phases: scoping and diagnostics, analysis and development and implementation and review.

The Corporation has made significant progress on its IFRS conversion project during the last few months. Phase one of the conversion project is now complete and the Corporation has identified the current International Accounting Standards (“IAS”) pronouncements that are different from Canadian GAAP and could impact the Corporation’s consolidated financial statements.

Phase two of the IFRS conversion project is nearing completion of which the Corporation needs only to complete the summarization of 2011 IFRS disclosure requirements.

Detailed diagnostics and evaluation of the IFRS standards that could have financial impacts on the Corporation’s financial statements and of the various options and alternative methodologies provided for under IFRS is completed.

The identification and design of operational and financial business processes, the initial staff training as well as the analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS is also completed.

Phase three of our conversion project includes the implementation and review of the Corporation’s IFRS conversion plan. The execution of changes to information systems and business processes is complete and the information system is currently collecting financial information necessary to compile IFRS-compliant financial statements. The formal authorization processes to approve recommended accounting policy changes and training across the Corporation is nearing completion. Audit committee approval of IFRS compliant financial statements is expected to take place towards the end of 2010.

Scorpio Mining will continue to update its IFRS conversion project to reflect new and amended accounting standards issued by the International Accounting Standards Board.

Following is the analysis of expected IFRS 1 accounting policy impacts:

Scorpio Mining has identified the following balance sheet items which will have an impact upon transition to IFRS: property, plant and equipment (“PP&E”), cumulative translation differences, asset retirement obligation (“ARO”) and income taxes. The following discussion provides an overview of these areas and the impact of applying the exemptions available under IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

Property, Plant and Equipment

Under International Accounting Standard (IAS) 16, *Property, Plant and Equipment*, an entity is required to choose, for each class of property, plant and equipment, to account for each class using either the cost model or the revaluation model. IFRS 1 contains an elective exemption in which an entity may elect fair market value as the new cost basis for property and equipment at the date of transition. The Corporation will benefit from this exemption and deemed the December 31, 2009 fair value of the Nuestra Señora Property, plant and equipment to be the deemed cost from January 1, 2010 going forward. IAS 16 also requires an entity to break an asset down to its significant components upon initial measurement and depreciate assets based on the useful life of the

significant individual components as opposed to the assets as a whole. Following our analysis, the Corporation does not expect any significant impact on the way its components are tracked and depreciated.

Cumulative translation differences

Under IAS 21, The Effects of Changes in Foreign Exchange Rates, a company is required to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from prior to the date of transition to IFRS.

Asset Retirement Obligation

Under Canadian GAAP, the discount rate used to estimate the liability is not updated to current market discount rates, while under IFRS, the rate is updated each reporting period. The Corporation will adopt this change in accounting policy prospectively. The Corporation will benefit of the IFRS 1 exemption and measure the liability as at the date of transition in line with IAS 37.

Income Taxes

The current version of IAS 12 (Income Taxes) is similar to Canadian GAAP with the following exception that all deferred taxes assets and liabilities are treated as long term instead of the Canadian GAAP approach of allocating between current and long term portions.

Financial statements disclosures

In addition to the sections noted above, there are generally more extensive presentation and disclosure requirements under IFRS compared to Canadian GAAP. These will be incorporated into the model financial statements, and will result in additional data collection where required.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mining company, Scorpio Mining'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 Corporation's December 31, 2009 annual MD&A and its Annual Information Form.

OTHER MD&A REQUIREMENTS

Controls and Procedures Certification

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Corporation's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Corporation and its consolidated subsidiaries would have been known to them, and by others, within those entities.

Management have also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. There has been no change in the design of the Corporation's

internal control over financial reporting during the quarter ended March 31, 2010, that would materially affect, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Outlook

The Corporation has begun an aggressive expansion program aimed at increasing production and reducing unit operating costs while increasing metal output over the next 2.5 years, at which time it expects to achieve intermediate producer status with respect to metals produced. In order to achieve its goal, the Corporation has initiated work to design an open pit mining operation of the San Rafael body at a minimum of 2,000 TPD mining operation. To this end, the Corporation is in final planning for this open pit infill drilling for mine planning, condemnation drilling for waste rock disposal, and geomechanical and hydrogeological drilling for rock mechanics of the pit walls and any potential water flow in the pit area. The Corporation is also in the process of finalizing an expansion plan for its Mexico operations. The current plan is to install a second circuit for the San Rafael material at the Nuestra Señora mill facility, at a normal throughput of 2,500 TPD. This new circuit, together with the existing circuit of 1,600 TPD, will easily handle the planned 2012 production increase to 4,000 TPD. The Corporation expects the plant expansion to be cost-effective and completed by the end of the second quarter of 2011.

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

Disclosure of Outstanding Securities as at May 7, 2010

Outstanding common shares	187,105,089
Broker compensation options	1,100,050
Share purchase Warrants	6,895,611
Options	16,675,462
Convertible debentures	<u>12,903,225</u>
Fully diluted	<u>224,679,437</u>

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future exploration drilling, exploration and development activities, production activities and events or developments that the Corporation expects, are forward looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under "Risk Factors" above and in the Corporation's Annual Information Form dated March 29, 2010 available at www.sedar.com under the Corporation's name.