

Consolidated Financial Statements of

SCORPIO MINING CORPORATION

Three-month period ended

March 31, 2009

These consolidated financial statements have not been reviewed by

the Company's external auditors

Scorpio Mining Corporation

Consolidated statements of operations (Unaudited)

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	\$	\$
Revenue (Note 15)	2,253,896	-
Cost of sales	732,281	-
Depletion and amortization	606,279	-
Accretion of asset retirement obligations	19,740	17,899
Mine operating earnings (loss)	895,596	(17,899)
Other expenses		
General and administrative	625,674	907,934
Interest and financing (Note 9)	482,339	(88,537)
Stock-based compensation	281,844	1,086,064
Foreign exchange (gain) loss	(148,800)	109,738
	1,241,057	2,015,199
Loss before income taxes and non-controlling interest	(345,461)	(2,033,098)
Current income tax expense	51,658	42,159
Loss before non-controlling interest	(397,119)	(2,075,257)
Non-controlling interest	11,265	11,766
Net loss for the period	(385,854)	(2,063,491)
Basic and diluted loss per share	(0.00)	(0.02)
Weighted-average number of common shares-basic and diluted	112,123,069	104,941,276

Consolidated statements of comprehensive income (Unaudited)

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	\$	\$
Net loss for the period	(385,854)	(2,063,491)
Unrealized gain on foreign currency translations	545,417	-
Comprehensive income (loss) for the period	159,563	(2,063,491)

Scorpio Mining Corporation

Consolidated statement of shareholders' equity
 Three-month period ended March 31, 2009
 (Unaudited)

	Common shares		Contributed surplus	Convertible debentures- equity component	Accumulated other comprehensive income ("AOCI")	Deficit	Total deficit and AOCI	Total shareholders' 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)	11,004,458
Net loss for the period	-	-	-	-	-	(385,854)	(385,854)	(385,854)
Unrealized gain on foreign currency translations	-	-	-	-	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)	11,504,023

Scorpio Mining Corporation

Consolidated balance sheets (Unaudited)

	March 31, 2009	December 31, 2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,242,979	4,448,315
Accounts receivable and other	2,137,071	2,272,456
Inventories (Note 4)	4,783,714	3,571,282
	11,163,764	10,292,053
Mining interests (Note 5)	21,945,362	21,871,019
Corporate office equipment (Note 6)	210,556	226,917
	33,319,682	32,389,989
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,978,296	1,703,473
Current portion of obligation under capital lease	-	37,559
	1,978,296	1,741,032
Long term debt (Note 7)	18,535,012	18,382,634
Asset retirement obligations	1,212,672	1,160,921
	21,725,980	21,284,587
Non-controlling interest	89,679	100,944
Shareholders' equity		
Share capital (Note 8)	103,263,721	103,263,721
Contributed surplus	18,314,136	17,974,134
Convertible debentures-equity component	1,884,725	1,884,725
Accumulated other comprehensive income	545,417	-
Deficit	(112,503,976)	(112,118,122)
	11,504,023	11,004,458
	33,319,682	32,389,989

Continuing operations (Note 1)
Contingencies (Note 11)

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Consolidated statements of cash flows (Unaudited)

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	\$	\$
Operating activities		
Net loss for the period	(385,854)	(2,063,491)
Items not involving cash:		
Depletion, amortization and accretion	794,758	26,864
Non-controlling interest	(11,265)	(11,766)
Stock-based compensation	340,002	1,086,064
	737,641	(962,329)
Change in non-cash working capital items		
Accounts receivable and other	707,794	(951,240)
Inventories	(1,095,758)	(720,783)
Accounts payable and accrued liabilities	970,963	90,657
	1,320,640	(2,543,695)
Financing activities		
Repayment of obligation under capital lease	(38,104)	(23,001)
Share issue costs	-	(121,961)
Issue of share capital	-	1,249,470
	(38,104)	1,104,508
Investing activities		
Expenditures on mining interests	(1,340,952)	(11,728,014)
Effect of exchange rate changes on cash and cash equivalents		
	(146,920)	(28,157)
Decrease in cash and cash equivalents	(205,336)	(13,195,358)
Cash and cash equivalents, beginning of period	4,448,315	17,563,300
Cash and cash equivalents, end of period	4,242,979	4,367,942
Cash and cash equivalents are comprised of:		
Cash in bank	4,242,979	1,070,388
Short-term investments	-	3,297,554
	4,242,979	4,367,942
Supplementary cash flow information (Note 10)		

See accompanying notes to the consolidated financial statements

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited) Three-month period ended March 31, 2009

1. Continuing operations

The Company was incorporated under the Canada Business Corporations Act on May 12, 1998. Effective January 1st, 2009, its Nuestra Señora mine in Mexico achieved commercial production. The Company is also conducting exploration and development on mining properties in Canada.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to the presentation of interim financial information. These 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 Company for the year ended December 31, 2008 (the "Annual Financial Statements"). These consolidated financial statements follow the same accounting policies and methods of their application as the Annual Financial Statements with the exception of the changes in accounting policies stated in note 2.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations under prevailing market prices or raise equity or debt financing as required. 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) *Change in translation method*

In prior years the Company translated the results of its foreign subsidiaries and variable interest entities ("VIE") using the temporal method, which assumes that a foreign operation is financially and operationally dependent of the reporting enterprise. Monetary assets and liabilities were translated at the rate in effect at the balance sheet date, non-monetary items at historic exchange rates, and revenue and expense items at average exchange rates of the reporting period. Gains and losses on translation were charged to earnings up to December 31, 2008.

The following circumstances occurred in the quarter ended March 31, 2009 which indicate that the foreign subsidiaries and VIE's are no longer integrated foreign operations:

- The Nuestra Señora mine achieved commercial production in January 2009.
- In conjunction with the above, the functional currency of the foreign subsidiaries and VIE's has been determined to be the US dollar.

For these reasons, effective January 1, 2009, the Company now translates the results of its foreign operations using the current rate method, which assumes that foreign operations are self-sustaining. Under this method, assets and liabilities are translated into the reporting currency at the rate of exchange in effect at the balance sheet date; revenue and expense items are translated at the average exchange rate for the reporting period. Differences arising from these foreign currency translations are recorded in the accumulated other comprehensive income as unrealized gain or loss on foreign currency translations until they are realized by a reduction in the investment.

(b) *Goodwill and intangible assets*

On October 1st 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Furthermore, Emerging Issues Committee ("EIC") Abstract 27, Revenues and Expenditures during the Pre-operating Period, is no longer applicable for companies that have adopted Section 3064. This standard did not have a material impact on the Company's financial condition or operation results.

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Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

3. Financial instruments

(a) Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash and trade receivables on concentrate sales. The credit risk on cash is limited because the Company invests its cash in deposits with well capitalized financial institutions with strong credit ratings. During the three-month period ended March 31, 2009, risk on trade receivables related to concentrate sales was managed by receiving advances of 80% to 100% of the estimated value of the concentrate shipped as per offtake agreements. As at March 31, 2009, the Company's exposure to credit risk with respect to trade receivables amounts to \$206,850 (US\$164,154) (December 31, 2008, \$86,041 (US\$70,226)).

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's current policy to manage liquidity risk related to cash is to keep its cash in a bank account. As at March 31, 2009, the Company has cash of \$4,242,979 to settle current liabilities of \$1,978,296. The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms except the convertible debentures in the principal amount of \$20 million, which mature in May 2011.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

(a) Interest rate risk

The Company's convertible debentures carry a fixed interest rate of 7% per annum and accordingly are not subject to interest rate risk.

(b) Currency risk

As at March 31, 2009, the Company 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, 2009	
	\$US	MXP
Cash	723,316	1,634,029
Accounts receivable and other	111,985	16,042,247
Accounts payable and accrued liabilities	239,221	7,125,146

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

3. Financial instruments (Continued)

(c) Currency risk (Continued)

The sensitivity analyses below have been determined as at March 31, 2009.

	Reasonably possible changes	
	MXP/\$US	\$US/CDN
	Exchange rate	Exchange rate
	+/- 10%	+/- 10%
Approximate impact on:		
	\$	\$
Net income	92,000	1,200
Comprehensive income	-	176,000

(d) Price Risk

The price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. As at March 31, 2009, price risk with respect to trade receivables on concentrate sales is non-existent since either metal prices have been fixed with a customer or the quotational period ended, in all other cases, before the end of the quarter.

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

(b) Fair values

The carrying amount of cash, accounts receivable and other and accounts payable approximate their fair value due to their short-term nature. Management estimates the fair value of long-term debt (convertible debentures) to be \$18,200,000 which is based on the discounted value of future payments required under the debentures.

4. Inventories

	March 31, 2009	December 31, 2008
	\$	\$
Concentrate	1,358,723	912,110
Supplies	2,221,457	2,588,415
Ore stockpile	1,203,534	70,757
	4,783,714	3,571,282

During the three-month period ended March 31, 2009, inventory included as an expense is \$732,281 (2008; \$nil). Included in the cost of sales is the reversal of the impairment of ore stockpile inventory of \$1,037,003 and a concentrate inventory write-down of \$457,370.

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

5. Mining interests

	March 31, 2009			December 31, 2008	
	Depletable and depreciable	Non-depletable	Accumulated depreciation and depletion	Net book value	Net book value
	\$	\$	\$	\$	\$
Producing properties:					
Nuestra Señora	14,316,513	-	411,492	13,905,021	-
Property, plant and equipment	6,492,055	247,222	202,309	6,536,968	-
	20,808,568	247,222	613,801	20,441,989	-
Non-producing properties:					
Nuestra Señora	-	-	-	-	13,849,766
Caribou	-	764,840	-	764,840	729,986
Cochrane Hill	-	225,186	-	225,186	225,186
Property, plant and equipment	74,185	456,348	17,186	513,347	7,066,081
	74,185	1,446,374	17,186	1,503,373	21,871,019
	20,882,753	1,693,596	630,987	21,945,362	21,871,019

6. Corporate office equipment

	March 31, 2009			December 31, 2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	\$	\$	\$	\$	\$	\$
Furniture and office equipment	334,034	123,478	210,556	334,034	107,117	226,917

7. Long term debt

On May 5, 2008, the Company 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 Company at a conversion price of \$1.55 per common share and are not redeemable by the Company.

Generally accepted accounting principles for compound financial instruments required the Company to allocate the proceeds received from the convertible debentures between; (i) the estimated fair value of the holders' option to convert the debentures into common shares and (ii) the estimated fair value of the future cash outflows related to the debentures. At issuance, the Company 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 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.

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Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

7. Long term debt (Continued)

The financial liability component of the convertible debentures at March 31, 2009 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
Add: Accretion of the residual value allocated to the conversion option	533,224
Long-term balance of financial liability component	18,535,012

The principal amount of the convertible debentures plus accrued interest to March 31, 2009 amounted to \$20,565,753.

8. Share capital

a) Authorized and issued

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

b) Warrants

	Number	Weighted average exercise price
		\$
Outstanding, beginning of period	3,928,750	1.85
Exercised	-	-
Outstanding, March 31, 2009	3,928,750	1.85

As at March 31, 2009, the Company 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

Pursuant to a brokered private placement that closed on November 1, 2007, 1,100,050 compensation options were granted as partial compensation to the agents. Each option can be exercised to acquire a common share at \$1.49 each until November 1, 2010.

The following table shows all of the outstanding compensation options as at March 31, 2009:

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

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

8. Share capital (Continued)

d) Stock option plan

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

	Number	Weighted average exercise price \$
Outstanding, beginning of period	8,197,356	1.42
Granted	1,900,000	0.295
Cancelled	(50,000)	1.53
Outstanding, March 31, 2009	10,047,356	1.21
		Three-month period ended March 31, 2009 \$
Weighted average fair value at grant date		0.18

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2009:

Exercise price \$	Weighted average remaining contractual life (in years)	Outstanding and exercisable
0.295 to 0.47	3.37	3,110,000
0.88 to 0.95	2.36	332,500
1.05 to 1.18	3.51	2,155,000
1.28 to 1.42	3.76	364,856
1.77 to 1.91	2.49	4,085,000
		10,047,356

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Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

8. Share capital (Continued)

e) Stock-based compensation

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

	Three-month period ended March 31, 2008
Expected dividend yield	Nil%
Expected stock price volatility	83%
Risk free interest rate	1.61%
Expected life	4 years
Total stock-based compensation	\$340,002

9. Interest and financing

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	\$	\$
Interest on short-term loans	251	344
Interest on long-term debt	345,205	-
Accretion of debt component of convertible debentures	152,378	-
Interest on obligations under capital lease	95	1,196
Interest income	(15,590)	(90,077)
	482,339	(88,537)

10. Supplementary cash flow information

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

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2008
	\$	\$
Depreciation of property, plant and equipment capitalized in mining interests	2,499	153,679
Stock-based compensation included in mining interests	-	131,379
Mining interests costs included in accounts payable	29,529	1,146,101
Acquisition of property, plant and equipment included in accounts payable	17,436	2,194,014
Acquisition of capital assets under a capital lease	-	143,248
Transfer of contributed surplus to share capital on exercise of:		
Stock options	-	4,200
Warrants	-	391,292

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

10. Supplementary cash flow information (Continued)

(b) *Other supplementary information*

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2008
	\$	\$
Income taxes paid	51,658	38,273
Interest paid	95	1,540

11. Contingencies

(a) *Environmental contingencies*

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

(b) *Legal matters*

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

12. Related party transactions

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

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	\$	\$
General and administrative	21,600	20,000
Mining interests expenditures	-	8,218
Selling costs	9,621	-
Cost of sales	78,774	-

As at March 31, 2009, an amount of \$37,515 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

Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

13. Segmented information and major customers

(a) Industry information

The Company operates in one reportable operating segment being mining.

(b) Geographic information

All revenue from the sale of concentrate for the three-month period ended March 31, 2009 was earned in Mexico.

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

	March 31, 2009	December 31, 2008
Canada	1,713,929	1,697,936
Mexico	20,441,989	20,400,000
	22,155,918	22,097,936

(c) Major customers

The Company earned revenues from two customers that each exceeded 10% of revenue during the three-month period ended March 31, 2009 from which accounted for 90% (\$2,289,971) (2008, \$nil) of the total revenues of the period.

14. Capital management

Capital is defined as shareholders' equity and long-term debt, including obligation under capital lease and current portion. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern and to maximize the value for its shareholders.

The Company manages its capital with the objective of safeguarding the entity's ability to continue as a going concern and to maximize the value for its shareholders. The Company's activities have been funded so far through debt and equity financing based on cash needs. The Company typically sells its shares by way of private placement. There were no changes in these objectives, policies and processes used to manage capital during the period.

The Company manages its capital structure and determines its capital requirements in light of the changing economic conditions and the risk characteristics of its assets. To reach its objectives the Company may have to maintain or adjust its capital structure by issuing new share capital or new debt.

At this stage of its development it is the policy of the Company to preserve cash to fund its operations and not to pay dividends. The Company is not subject to any externally imposed capital requirements.

The following summarizes the Company's capital structure:

	March 31, 2009	December 31, 2008
	\$	\$
Long-term debt	18,535,012	18,420,193
Shareholders' equity	11,504,023	11,004,458
Capital	30,039,035	29,424,651

Scorpio Mining Corporation

Notes to the consolidated financial statements (Unaudited)
Three-month period ended March 31, 2009

15. Revenue

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
	\$	\$
Metal payable	3,581,811	-
Treatment and refining charges	(1,039,424)	-
	2,542,387	-
Selling costs	(288,491)	-
Revenue	2,253,896	-

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

SCORPIO MINING CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The following Management Discussion and Analysis (MD&A) is for the first quarter ended March 31st, 2009 and is provided as of May 8, 2009. This MD&A is to be read in conjunction with the interim unaudited financial statements of Scorpio Mining Corporation (the “Company” or “Scorpio”) for the period ended March 31, 2009 and the audited consolidated financial statements and MD&A for the year ended December 31, 2008. These documents are available on the Company’s website (www.scorpionmining.com) and filed on Sedar (www.sedar.com). All dollar amounts are in Canadian dollars unless otherwise indicated.

COMPANY’S ACTIVITIES, OBJECTIVES AND STRATEGY

Scorpio Mining Corporation is incorporated under the Canada Business Corporations Act. The Company 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 Company has currently one producing mine, the 100% owned, newly commissioned, Nuestra Señora silver-lead-zinc-copper mine located in Cosalá, the State of Sinaloa, Mexico, which achieved commercial production in January 2009.

The Company is involved in the acquisition, exploration, development and exploitation of mineral resource properties primarily in Mexico and also in Canada with the objective of becoming a profitable low cost mid-tier silver producer and creating significant growth in shareholder value. Its near term strategy focuses on optimizing cash flows at the Nuestra Señora mine. In light of the current global economic situation, management of the Company has been given the mandate to look at distressed assets owned by other public companies that no longer have the ability to fund such assets on a going forward basis or are in financial difficulty. The potential growth focus of the Company is to acquire and develop additional advanced development stage or operating stage potential low-cost silver projects mainly located in Mexico.

The Company temporarily suspended its operations at the Nuestra Senora mine, Sinaloa State, Mexico from May 1st to May 6th, 2009. The Company did this in accordance with a Mexican governmental decree issued on May 1st aimed at preventing the spread of the H1N1, or the swine flu virus in Mexico. Under the current operating plan, the mine and mill runs at the rate of 17 days per month. The temporary shut-down is not expected to impact the Company's production for 2009. The Company’s Mexican operations are relatively isolated and there have been no reported cases of the swine flu in the Cosalá area since the outbreak.

Highlights for the three-month period ended March 31, 2009

- Nuestra Senora mine operating earnings were \$895,596.
- Net loss was \$385,854 or \$0.00 per share.
- The Company's Mexican operations generated positive cash flows.
- Nuestra Senora cash operating costs were below budget at US\$35.78 per tonne compared with the forecast cost of US\$37.11 per tonne⁽¹⁾.
- Mill throughput increased to more than 12,000 tonnes per month (tpm) in January and February and 15,260 tonnes in March as a result of operating three additional days that month to compensate for the scheduled one-week Easter holiday shutdown in April.
- During the first quarter of 2009, the mill processed 39,596 tonnes in 55 days at an average grade of 1.44% lead, 0.44% copper, 2.66% zinc and 109 g/t silver at a blending ratio of two high-grade ore components to three development ore components (ratio 2:3)
- During the first quarter the contained metal in the concentrates produced was 1.02 million pounds of lead, 259,000 pounds of copper, 1.63 million pounds of zinc and 117,125 ounces of silver.
- On April 21, 2009, the Company, through its marketing agent Ocean Partners USA Inc. ("Ocean") secured a six-month (May to October, 2009) contract for all of its copper and zinc concentrate.
- The strike at the Peñoles refinery ended on April 15th, 2009 and a written notice was subsequently received from Peñoles for the Company to resume lead concentrate shipments on May 1st, 2009.

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

Key Operating Statistics (January to March 2009) Q1

Metal Production (contained in concentrates)

Lead (000s pounds)	1,021
Copper (000s pounds)	259
Zinc (000s pounds)	1,631
Silver (ounces)	117,125

Mining

Waste (tonnes)	4,580
Ore (tonnes)	20,558
Total material mined (tonnes)	25,138

Milling

No. of operating days	55
Tonnes Processed	39,596
Processed per day	720
Lead grade (%)	1.44
Zinc grade (%)	2.66
Copper Grade (%)	0.44
Silver Grade (g/t)	109

Recoveries

Lead (%)	86%
Copper (%)	83%
Zinc (%)	79%
Silver (%)	89%

Concentrate Grades

Lead Concentrate	
Lead Grade (%)	50.46
Copper Grade (%)	6.61
Silver Grade (g/t)	3,198
Zinc Grade (%)	6.40

Copper Concentrate

Copper grade (%)	29.39
Lead grade (%)	13.02
Zinc Grade (%)	2.13
Silver Grade (g/t)	2,884

Zinc Concentrate

Zinc Grade (%)	57.82
Lead grade (%)	0.89
Copper grade (%)	0.60
Silver Grade (g/t)	114

2009 Nuestra Señora Production Forecast

Production (Tonnes)	144,336
Lead Grade (%)	1.22
Copper Grade (%)	0.41
Zinc Grade (%)	2.76
Silver g/t	125

Mineral Properties

Scorpio's primary business focus is the 100% owned Nuestra Señora silver-lead-zinc-copper mine located in Sinaloa State, Mexico which achieved commercial production in January 2009. The Company's non-material gold assets, consisting of its interests in the Cochrane Hill and Caribou properties located in Nova Scotia and the Lac Arseneault property located in Quebec were transferred to its 93% owned subsidiary, Scorpio Gold Corporation ("Scorpio Gold"), in August 2007. See "Indirect Interests in Other Mineral Properties" below for further details.

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

Nuestra Señora Property

The Nuestra Señora mine, an underground mine and conventional milling operation located east of the town of Cosalá in the State of Sinaloa, Mexico, is the main focus of Scorpio's current exploration, development and mine production activity. The Nuestra Señora property comprises five mineral exploitation claims covering an area of 1,896 hectares while the mineral exploration claims that surround them are comprised of six claims covering an area of 13,560 hectares for a total of 15,456 hectares.

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

Nuestra Señora Deposit

During and subsequent to the quarter that ended March 31, 2009, Scorpio continued to focus its development and production activities on the Nuestra Señora silver-lead-zinc-copper deposit. The mine plan for 2009 is completed. Production for the entire year will come from the higher grade cut and fill stopes, designed to improve the mill feed grade. The areas of bulk mineable ore have been developed and are ready to produce when required. Near-term scheduling is aimed at providing easily accessible high-grade ore material and optimizing cash flows.

Diamond Drilling

A small definition drilling program of close to 1,000 meters commenced on March 30th 2009. The objective is to better define ongoing and upcoming stopes for production. Exploration diamond drilling has been postponed until market conditions improve. However, definition and exploration drilling completed over the last two years provides sufficient information to enable reliable mine planning for the next few years. To date, no surface drilling has been done in 2009.

Underground Development & Production Mining

During the quarter that ended March 31st, 2009, underground development at the Nuestra Señora mine advanced a total of 373 meters. Total development increased from 50 metres in January to 176 metres in March. The plan was to complete 150 metres in March but since the working period for the mill was extended by three days, the mine continued with some of the development planned in April and advanced an additional 26 metres.

The focus of recent mine development has been to maximize mining flexibility by developing accesses to cut and fill stopes in several areas in the mine, including the Santa Teresa zone on Level 9.5 and Level 9, the M-5 zone on Level 11 and the Silver Vein zone on Level 8. The long hole mining areas in the lower grade Hoag zone are currently on stand by and the current tonnage available in this zone which would require minimum work to extract is 75,000 tonnes.

To April 30th, 2009, underground development at Nuestra Señora totals 9,231 metres, of which 6,966 meters were cross cuts and access drifts and 2,265 metres were of the four metre by five metre main access ramp. The Nuestra Señora decline ramp is now connected to the 8th, 9th, 10th and 11th Levels. No advance was undertaken on the main ramp during the first quarter ending March 31, 2009 and there are 61 metres remaining before it reaches Level 12. The development priority during the first quarter was to open and excavate current cut and fill stopes and to optimize the mine with additional new working areas for ore extraction and thereby increasing the mine's flexibility to provide high-grade material from multiple cut and fill stopes.

The new access ramp connecting the Candelaria mine with the main ramp of the Nuestra Señora mine was completed at the end of April 2009. This development had been delayed due to mining activities being done in the cut and fill stopes. The Candelaria ramp is 4 metres wide by 3 meters high. In order to accommodate the haulage trucks it will have to be widened to the same size as the main ramp 5 metres by 4 metres. In conjunction with this work: the mine will be re-habilitated; the ore located near the Candelaria Mine entrance re-sampled to determine its grade; and further mapping and sampling of the ore zones will be carried out.

Underground operations were temporarily suspended during the month of December while management was preparing a revised production plan and the mill worked on improving recoveries; producing better quality lead and zinc concentrates; and producing a separate copper concentrate.

Commercial production was achieved at the beginning of January 2009 with underground operations recommencing on the 5th of January 2009. The December 2008 revised production plan called for the mill to process 11,500 tonnes per month and for mine development of 117 meters per month for the first six months of 2009. During the first three months of 2009, production from the mill and development from the mine have exceeded the plan. Based on the data collected in the first three months of 2009, a mine plan was completed for the remaining nine months of 2009 and the projected mill throughput was increased to 12,000 tonnes per month. With the recent increase in mill grades resulting from selective mining, a substantial reduction in expenditures and current metal prices, the Company anticipates that it will maintain a positive cash position.

Underground operations restarted in January, 2009 but because the mine operated only 10 days during that month there was less development advancement. Because more maintenance was required due to the equipment having been idle at the end of 2008, there was a corresponding increase in expenditures to purchase parts both for the mill and the underground operations and reagents for the mill. This added to the operational costs during the month of January. However overall during the first quarter there was an improvement in efficiency of underground operations which is reflected in the reduction of the cost per metre of development from US\$ 1,435 in January, 2009 to US\$ 567 in March. Underground ore production increased from 3,495 tonnes in January to 9,658 tonnes in March. The increase was in part due to the completion of mine development to access the higher grade areas that began at the end of 2008 with a corresponding increase in accessible ore. In addition, underground material was mixed with the mill stockpile in a ratio of three to two to provide a relatively consistent grade for the material being processed by the mill. In March it was decided to increase the amount of underground ore and reduce the material from the stockpile starting in May 2009. This required an increase in the underground production to maintain the 12,000 tonnes per month. The ratio of underground ore to stockpile is currently being maintained on a two to one basis.

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 September 2008, it was apparent that a significant drop in metal prices was imminent. At the time, the planned underground production was based on mining the lower grade Hoag Zone and mixing that ore with smaller amounts of high grade ore from other zones. In conjunction with the change in underground production, a concerted effort was made to reduce operational costs.

Until November 2008, the plant continued to produce only lead and zinc concentrates. For any copper that was contained within the lead concentrate, the Company received no revenue from the smelter for this metal. With the increase in copper content, resulting from accessing higher grade material, it was decided to produce a separate copper concentrate thereby producing a product for which the Company would receive additional revenue. To achieve this, it was necessary to maintain a consistent mill feed with a copper grade between 0.4% and 0.8% for efficient separation. Therefore the higher grade ore transported from the mine was mixed with lower copper grade material that is stockpiled at the mill site.

The normal metallurgical process utilizes cyanide to reduce the amount of copper in the lead concentrate and assist in the later recovery of this metal. Although the Company has a permit to use cyanide, at the recommendation of a metallurgical consultant, it was decided to use environmentally friendly corn starch in its place. Following a successful period of metallurgical testing at the end of 2008 and early 2009, the mill has improved the recoveries and is now consistently producing good quality lead and zinc products as well as a saleable copper concentrate without utilizing cyanide.

During the first quarter of 2009, the mill processed 39,596 tonnes in 55 days at a grade of 1.44% lead; 0.44% copper; 2.66% zinc and 109 g/t silver. The mill recoveries at the end of December 2008 were 85.4% for lead; 82.1% for copper; 80.4% for zinc and 84.6% for silver. The focus for the first quarter of 2009 was to improve the recovery of silver. As of the end of March with the exception of zinc, which was essentially unchanged, the recoveries showed improvement, 86% for lead (budgeted 78.5%); 83.1% for copper (budgeted 66.5%); 79.3% for zinc (budgeted 66.5%) and 89.4% for silver (budgeted 83.5%).

As of the end of March 2009, the ore stockpile inventory at the mill site was over 40,503 tonnes. Since start-up, the mill had processed 120,000 tonnes of material grading 1.49% lead, 0.24% copper, 1.76% zinc and 64.16 g/t silver. Mill throughput increased to more than 12,000 tonnes per month (tpm) in January and February. It was planned that the mill would work three additional days in March since it was anticipated there would be less throughput in April due to the one week Easter shutdown. Consequently, the mill processed 15,260 tonnes. Despite the closure, the operation did process 12,078 tonnes in April compared with the budget of 10,500 tonnes.

The mill was operational for 22 days during March. Total tonnage processed was of 15,260 tonnes, for a daily average of 694 tonnes. From this total 5,896 tonnes came from stockpile #1 and 9,364 tonnes came from the mine. Concentrate production for the month of March is as follows; 286 tonnes of lead concentrate, 499 tonnes of zinc concentrate and 134 tonnes of copper concentrate. No lead concentrate was shipped from our on site storage area during the month. The Met-Mex Peñoles S.A. de CV ("Peñoles") smelter was still on strike and sent the company a "Force Majeure Notice" on March 13th, 2009 informing Minera Cosalá that the smelter would not accept any further shipments of lead concentrate. Consequently, our agent Ocean negotiated a short term contract and 500 wet metric tonnes (wmt) was shipped to Manzanillo for processing at a Chinese smelter. A total of 106 wmt of copper concentrate and a total of 1,034 wmt of zinc concentrate were sent to Manzanillo, México for processing off-shore.

To improve the recuperation of re-cycled water from the tailings pond and to reduce the consumption of fresh water, an additional pump was installed on a floating platform in the water containment area. Several water supply lines within the mill were re-designed to deliver re-cycled water to the circuits rather than the fresh water which was part of the original design. Several pumps which are part of the mill circuit were also changed to increase the pumping efficiency particularly those that deliver the tailings to the containment pond.

The recycled water contains sediment and during the last year of operation these had collected at the bottom of the 1 million litre storage tank to a depth of approximately 2.5 metres thereby reducing its capacity. During the four day shutdown in March most of this sediment was removed. The tank will be monitored in future and if there is a further build up of sediment it will be removed.

Several modifications were made to control the fluid levels inside the lead, copper and zinc floatation cells and four small pumps for the distribution of the reagents were also installed. There are ongoing studies being conducted by the Company's metallurgical consultant with the aim of improving the lead, silver and zinc recoveries and reducing the lead in the copper concentrate from 10 to 5%. It is anticipated that these studies will continue for at least one more year.

The vacuum pump of the lead concentrate dryer was not operating properly and as a consequence the material contained a more than the acceptable 8% moisture. While changes were being made which included replacing the 100 horse power (“hp”) motor with a 150 hp one and in order to avoid an interruption to milling because of the continued production of lead concentrate, the copper dryer was used alternatively to dry copper then the lead.

Mill production summary - First Quarter 2009																		
	Tons	Assayed Head grade				Concentrate Zinc				Concentrate Copper				Concentrate Lead				Silver
	milled	Pb %	Cu %	Zn %	Ag g/tm	tons	Zn %	Rec %	Ag g/tm	tons	Cu %	Rec %	Ag g/tm	tons	Pb %	Rec %	Ag g/tm	Rec %
Jan 09	12,183	1.73	0.48	2.79	106.81	462.96	57.6	78.3	93.84	84.5	27.73	40	2547.9	339.04	49.76	79.9	2696.76	88.9
Feb	12,153	1.38	0.39	2.79	101.58	462.86	56.63	75.74	130.52	66.32	31.19	43.95	2563.1	269.45	50.6	80.04	3219.81	87.37
March	15,260	1.23	0.44	2.42	116.32	498.93	58.75	79.2	122.36	134.18	29.31	58.5	3248.3	285.76	51.15	77.9	3776.68	89.4

Concentrate Sales

In December 2008 the Corporation’s agent, Ocean, brokered a sale of 500 wmt of bulk copper/lead concentrate and a second one for 1,000 wmt of zinc concentrate. The latter concentrate was delivered to Ocean’s storage facilities in Manzanillo in January 2009.

The Company has fulfilled its commitment to deliver 1,500 tonnes of zinc concentrate to Ocean by April 30, 2009 under a second short term contract.

Following this, the company decided to secure longer term contracts for all its copper and zinc concentrates and on April 21st, 2009, the Company through Ocean entered into six month (May to October 2009) contracts with concentrate trading company with storage facilities in Manzanillo.

On March 13th, 2009, as a result of the strike that began in February at the Peñoles smelter in Mexico, a “Force Majeure Notice” was issued informing the Company that Peñoles will not be able to receive further shipments of lead concentrate until the dispute is resolved. Before the beginning of the strike, during the first quarter of 2009, the Company had shipped 164 tonnes of lead concentrate to Peñoles.

In the interim, the Company made alternative arrangements to deliver 500 wmt of lead concentrate for offshore shipment by April 30, 2009. The strike at the Peñoles refinery ended on April 15th, 2009 and Peñoles sent written notice for the Company to resume shipment of lead concentrates on May 1st, 2009. Due to ongoing problems at the Peñoles refinery they have been unable to lift the “Force Majeure” at this time. However, they did agree to forego the clause whereby the contract would have been extended while the “Force Majeure” was in effect. Consequently, an agreement was reached on May 8th, 2009 whereby the current contract would be extended by only one month and will now expire at the end of June rather than the end of May. Ocean is preparing a proposal outlining the renewal terms effective July 1st, 2009 that will be presented to Peñoles in mid-May. Minera Cosalá recommenced shipments of its lead concentrate on May 11th, 2009. It plans to ship 350 wmt during the month and thereafter at least 200 wmt per month.

During the first quarter, the Company sold 587 tonnes of lead concentrate, 1,877 tonnes of zinc concentrate and 200 tonnes of copper concentrate.

The inventory of concentrates remaining at the Cosalá plant site as at March 31st, 2009 was:

TYPE	Tonnage
Lead Concentrate	432
Copper Concentrate	247
Zinc Concentrate	153

Indirect Interests in Other Mineral Properties

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

On July 28, 2008, Scorpio Gold entered into a letter of intent (the "Letter of Intent") with Cincoro Capital Corp. ("Cincoro"), pursuant to which Scorpio Gold and Cincoro agreed to enter into a business combination intended to result in Scorpio Gold obtaining a public listing for its shares.

On November 3, 2008, Scorpio Gold, Cincoro and the shareholders of Scorpio Gold entered into a definitive share exchange agreement (the "Share Exchange Agreement") which superseded and replaced the Letter of Intent. Pursuant to the terms of the Share Exchange Agreement, Cincoro will complete a 3:1 share consolidation, and will acquire all of the issued and outstanding common shares of Scorpio Gold in consideration for the issuance to the Scorpio Gold shareholders of one post-consolidated common shares of Cincoro for each Scorpio Gold common share so acquired. The acquisition is subject to certain conditions precedent including Cincoro completing a minimum equity financing of \$1.5 million and, if completed, will constitute Cincoro's "qualifying transaction" under the policies of the TSX-V. Upon completion of the transaction with Cincoro, the Company will become the controlling shareholder in Cincoro. The transaction is scheduled to complete on or before July 31, 2009.

Exploration activities in Nova Scotia and Quebec are subject to various federal and provincial laws and regulations in Canada, which govern the protection of the environment. These laws and regulations are continually changing and becoming more stringent. Scorpio conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. Scorpio expects to incur expenditures in the future to comply with such laws and regulations.

RESULTS OF OPERATIONS

During the three-month period ended March 31, 2009 revenue from mining operations totalled \$2,253,896.

The Company's Nuestra Señora mine achieved commercial production effective January 1, 2009. Therefore, sales of concentrates from that date are presented as revenue whereas they were presented as an offset to deferred development expenditures in periods prior to 2009. Similarly, mine operating costs are now included in cost of sales while they were capitalized to deferred development expenditures in prior periods.

Mine operating earnings for the first quarter of 2009 were \$895,596. This 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 cost of sales is a concentrate inventory write-down of \$457,370 as well as a non-cash stock-based compensation charge of \$58,158.

Scorpio reported a net loss for the three-month period ended March 31, 2009, of \$385,854 (\$0.00 per share) compared to a net loss of \$2,063,491 (\$0.02 per share) for the three-month period ended March 31, 2008. The major difference between these periods can be explained by the mine operating earnings as indicated above as well as the variation in other expenses indicated below.

General and administrative decreased from \$907,934 for the first quarter of 2008 to \$625,674 for the first quarter of 2009. This reduction results from the planned cost reduction in payroll and investor relation areas as well as in legal costs which were higher in the 2008 period due to the costs associated with various financing transactions then in process.

Interest and financing charges were \$482,339 for the three-month period ended March 31, 2009, compared to net revenue of \$88,537 for the comparative period in 2008. This increase is explained by the reduction in interest revenue in 2009 and by the fact that the Company issued and sold \$20 million principal amount of convertible debentures in May 2008, after the end of the first quarter of 2008.

Stock-based compensation which is non-cash in nature, decreased from \$1,086,064 for the three-month period ended March 31, 2008, to \$281,844 for the three-month period ended March 31, 2009. An aggregate of 1,990,000 stock options were granted for the three-month period ended March 31, 2008 compared to 1,900,000 options granted for the same period in 2009. Although the number of options issued is similar, the expense in 2009 is significantly lower. The reason for this is that, under the Black-Scholes model when the exercise price is lower, the resulting calculated value of an option is lower. The exercise price for the options granted during the first quarter of 2009 is \$0.295 and most of the options granted during the 2008 comparative period have an exercise price of \$1.18.

Comprehensive income for the first quarter of 2009 was \$159,563 compared to a loss of \$2,063,491 for the same period in 2008. Effective January 1, 2009, the Company determined that the functional currency for its Mexican subsidiary changed from the Canadian to the US dollar. Therefore the Company now records unrealized gains or losses on foreign currency translation of its self-sustaining subsidiaries which led to a \$545,417 gain during the three-month period ended March 31, 2009, mainly following the impact of the strengthening of the US dollar on the inter-company advances denominated in Canadian dollars.

LIQUIDITY AND FINANCIAL POSITION

As of March 31, 2009, the Company had \$4,242,979 in cash and cash equivalents, compared to \$4,448,315 as of December 31, 2008.

Working capital was \$9,185,468 as of March 31, 2009 compared to \$8,551,021 as of December 31, 2008.

The Nuestra Señora mine achieved commercial production on January 1, 2009 and, since that date, has generated sufficient cash flows from the sale of concentrates to essentially maintain the Company's cash position. Furthermore, during the quarter ended March 31, 2009, the company's working capital increased.

The primary factors that will affect the future financial condition of the Company include the ongoing ability to achieve profitable operations at its operating property or raise equity or debt financing, and the level of exploration and development expenditures required to meet commitments or achieve commercial production in the case of the Company's non-producing properties.

Significant cash outflows expected in 2009 include interest payments on the outstanding convertible debentures due in May and November totalling \$1.4 million. Furthermore, Scorpio Gold needs to invest approximately \$819,000 in exploration expenditures on its Caribou property before April 2011 in order to meet its commitments and obtain ownership of that property. Scorpio Gold is currently in the process of going public on the TSX Venture Exchange through the transaction with Cincoro (see "Indirect Interest in Other Mineral Properties"). If and when this milestone is achieved, it is expected that Scorpio Gold will become financially independent from the Company. The Company considers that it has sufficient capital to meet its commitments for 2009. However, it is possible that a cash infusion may be required if and when a growth oriented acquisition transaction materializes. Such a transaction will be dependant upon the Company's ability to raise capital by way of an equity or debt financing or by other means.

NON GAAP PERFORMANCE MEASURES

Non-GAAP performance measures are furnished to provide additional information. 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 how the Company is performing to plan and to assess the overall effectiveness and efficiency of mining operations. 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.

Non-GAAP reconciliation of cash operating cash costs per tonne

	<u>Q1 - 2009</u>
Tonnes of ore milled	<u>39,596</u>
Cost of sales per consolidated interim financial statements \$CAD	<u>\$732,281</u>
Cost of sales expressed in \$US	US\$602,007
Adjustments:	
Stockpile inventory write-up	827,819
Concentrate inventory write-down	(364,432)
Variation in inventory	399,762
Stock-based compensation	<u>(48,361)</u>
Cash operating costs	<u>US\$1,416,795</u>
Cash operating costs per tonne	<u>US\$35.78</u>

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 Loss \$	Loss per share \$
March 31, 2009	2,253,896	(385,854)	(0.00)
December 31, 2008	Nil	(85,975,323)	(0.77)
September 30, 2008	Nil	(723,458)	(0.01)
June 30, 2008	Nil	(1,936,895)	(0.02)
March 31, 2008	Nil	(2,063,491)	(0.02)
December 31, 2007	Nil	(259,837)	(0.00)
September 30, 2007	Nil	(880,490)	(0.01)
June 30, 2007	Nil	(5,343,303)	(0.06)

CASH FLOW

Cash flow from operating activities was \$1,320,640 for the first quarter of 2009 compared to a utilization of cash of \$2,543,695 for the first quarter of 2008. 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 \$1,104,508 for the first quarter of 2008 compared to a use of cash of \$38,104 for the first quarter of 2009 as the Company's obligation under capital lease was completely repaid during the period. Stock options and warrants exercised during the first quarter of 2008 generated cash inflow of \$4,450 and \$1,245,020, respectively.

Cash flow used in investing activities was much lower for the first quarter of 2009 at \$1,340,952 compared to \$11,728,014 for the same period of 2008 principally due to the intensive mill construction in progress in 2008 and the greater exploration and development expenditures in 2008 at the Nuestra Señora project. Cash flow in the first quarter of 2009 is mostly related to payment of accounts payable related to development incurred in 2008 as indicated above.

CONTINGENCIES

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at March 31, 2009.

TRANSACTIONS WITH RELATED PARTIES

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

For the three-month period ended March 31, 2009, the Company incurred an aggregate amount of \$21,600 as director's fees as well as \$78,774 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, two directors of the Company. During the first quarter of 2009, the Company also incurred \$9,621 for consulting services with Neil S. Seldon & Associates Ltd., a company controlled by Mr. Neil Seldon, a director of the Company. As at March 31, 2009, an amount of \$37,515 related to those transactions is included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

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

CHANGES IN ACCOUNTING POLICIES

Change in translation method

In prior years the Company translated the results of its foreign subsidiaries and variable interest entities ("VIE") using the temporal method, which assumes that a foreign operation is financially and operationally dependent of the reporting enterprise. Monetary assets and liabilities were translated at the rate in effect at the balance sheet date, non-monetary items at historic exchange rates, and revenue and expense items at average exchange rates of the reporting period. Gains and losses on translation were charged to earnings up to December 31, 2008.

The following circumstances occurred which indicate that the foreign subsidiaries and VIE's are no longer integrated foreign operations:

- The Nuestra Señora mine achieved commercial production in January 2009.
- The US dollar has been determined to be the functional currency of the foreign subsidiaries and VIE's, which is different from the Canadian dollar functional currency of the reporting enterprise.

For these reasons, the Company now translates the results of its foreign operations using the current rate method, which assumes that foreign operations are self-sustaining. Under this method, assets and liabilities are translated into the reporting currency at the rate of exchange in effect at the balance sheet date; revenue and expense items are translated at the average exchange rate for the reporting period. Differences arising from these foreign currency translations are recorded in the shareholder's equity as a cumulative translation adjustment until they are realized by a reduction in the investment.

Goodwill and intangible assets

On October 1st 2008, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Furthermore, Emerging Issues Committee (“EIC”) Abstract 27, Revenues and Expenditures during the Pre-operating Period, is no longer applicable for companies that have adopted Section 3064. This standard did not have a material impact on the Company’s financial condition or operation results.

CRITICAL ACCOUNTING ESTIMATES

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with Canadian GAAP. Our significant accounting policies are contained in Note 2 to the consolidated financial statements for the year ended December 31, 2008.

Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

A discussion of the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements is included in the Company’s Management Discussion and Analysis for the year ended December 31, 2008. We consider these estimates to be an important part of understanding our consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

INDUSTRY, ECONOMIC AND ENVIRONMENTAL RISK FACTORS AFFECTING PERFORMANCE

As a mining 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, 2008 annual MD&A and its Annual Information Form.

OTHER MD&A REQUIREMENTS

Controls and Procedures Certification

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

Management have also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended March 31, 2009, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

Currently, the Company plans to maintain its current monthly mineral processing rate at 12,000 tonnes during a 17 day period each month for the remainder of 2009. This will consist of 9,000 tonnes of underground ore and the remainder being supplied by the stockpiled ore. However, management will continue to closely monitor the economic environment and adjust its production levels and capital investments accordingly with the ultimate objective of optimizing cash flows. In order to ensure that the production can be increased rapidly, underground development is continuing particularly on the 11th Level to access the M-2, M-4 and M-5 areas and later in the year the 12th Level. The Company is now producing high quality concentrates with no significant detrimental elements, and therefore has been able to sell the materials easily on the spot market. However, the Company has recently entered into commitments to sell its zinc and copper concentrates for the next six months to ensure some financial stability.

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

Disclosure of Outstanding Securities as at May 8, 2008

Outstanding common shares	112,123,069
Broker compensation options	1,100,050
Share purchase Warrants	3,928,750
Options	10,047,356
Convertible debentures	<u>12,903,225</u>
Fully diluted	<u><u>140,102,450</u></u>

Forward Looking Statements

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under “Risk Factors” above and in the Company’s Annual Information Form dated March 27, 2009 available at www.sedar.com under the Company’s name.