SCORPIO MINING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2015
DATED MAY 13, 2015

Scorpio Mining Corporation
Management's Discussion and Analysis
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Unless otherwise indicated, in this Management Discussion and Analysis all reference to "dollar" or the use of the symbol "$" are to the United States of America dollar and all references to "C$" are to the Canadian dollar. Additionally, percentage changes in this Management Discussion and Analysis are based on dollar amounts before rounding.

Forward-Looking Statements

Statements contained or incorporated by reference in this Management's Discussion and Analysis ("MD&A") that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including without limitation, statements regarding any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements, estimates of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, production guidance, costs of production, capital expenditures, costs and timing of development, success of exploration activities, permitting timelines, government regulation of mining operations, environmental risks, and timing and possible outcomes of pending litigation, negotiations or regulatory investigations, including, the final determination of the boundaries of the concessions encompassing the El Cajón deposit are or involve forward-looking statements. Although forward-looking statements contained in this MD&A are based on what management considers to be reasonable assumptions based on information currently available to it, there can be no assurances that actual events, performance or results will be consistent with these forward looking statements, and management's assumptions may prove to be incorrect. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "assumes", "believes", "budget", "could", "estimates", "expects", "forecasts", "guidance", "indicates", "intends", "likely", "may", "objective", "outlook", "plans", "potential", "predicts", "scheduled", "should", "target", "trends", "will", or "would" or the negative or other variations of these words or other comparable words or phrases. This MD&A, including those set out under "Risk Factors" in this MD&A and any documents incorporated herein by reference, contain forward-looking statements including, but not limited to those relating to the Company. All such forward-looking statements are subject to important risks, uncertainties and assumptions. These statements are forward-looking because they are based on current expectations, estimates and assumptions. It is important to know that: (i) unless otherwise indicated, forward-looking statements in this MD&A including any documents incorporated herein by reference describe expectations as at the date hereof; (ii) actual results and events could differ materially from those expressed or implied in the forward-looking statements in this MD&A, including the documents incorporated herein by reference, if known or unknown risks affect the respective businesses of the Company, or if their estimates or assumptions turn out to be inaccurate. As a result, the Company cannot guarantee that the results or events expressed or implied in any forward-looking statement will materialize, and accordingly, you are cautioned not to place undue reliance on these forward-looking statements; and (iii) the Company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, except in accordance with applicable Canadian securities laws. The Company has made a number of assumptions in making forward-looking statements in this MD&A including any documents incorporated herein by reference.

Management's Discussion and Analysis

This MD&A of the results of operations, liquidity and capital resources of Scorpio Mining Corporation ("Scorpio Mining" or the "Company") constitutes management's review of the Company's financial and operating performance for the three months ended March 31, 2015, including the Company's financial condition and future prospects. Except as otherwise noted, this discussion is dated May 13, 2015 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the notes thereto for the three months ended March 31, 2015 and 2014, and with the Company's annual audited consolidated financial statements and the notes thereto for the years ended December 31, 2014 and 2013. The condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014 are prepared in accordance with International Accounting Standards ("IAS") 34 under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company prepared its latest financial statements in U.S. dollars and all amounts in this MD&A are expressed in U.S. dollars, unless otherwise stated. These documents along with additional information relating to the Company are available on SEDAR at www.sedar.com and on the Company's website at www.scorpiomining.com.

In this report, the management of the Company presents operating highlights for the three months ended March 31, 2015 ("Q1-2015") compared to the three months ended March 31, 2014 ("Q1-2014") as well as comments on plans for the future.

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This discussion contains statements about the Company's future financial condition, results of operations and business. See the cover page of this report for more information on forward-looking statements.

The Company was incorporated under the Canada Business Corporations Act on May 12, 1998 and conducts mining exploration, development and production in the Americas. The merger of the Company and U.S. Silver & Gold Inc. ("U.S. Silver") was completed on December 23, 2014 pursuant to a plan of arrangement under the Business Corporations Act (Ontario). The merger was accounted for as a business combination in accordance with IFRS 3, Business Combinations. Scorpio Mining was considered the acquirer of U.S. Silver for accounting purposes. As a result, the consolidated financial statements include U.S. Silver's results subsequent to December 23, 2014 only. All comparative information in this MD&A and the consolidated financial statements omit any U.S. Silver results pre-December 23, 2014 or prior period comparatives, unless otherwise stated.

Overview

The Company has operations in two of the world's leading silver camps: the Cosalá Operations in Sinaloa, Mexico and the Galena Complex, located in Idaho, USA.

In Sinaloa, Mexico, the Company operates the 100%-owned producing Nuestra Señora silver-zinc-copper-lead mine located in the Cosalá District. The Company declared commercial production in January 2009 following development of the Nuestra Señora Mine and commissioning of the Los Braceros processing facility. The Cosalá area land holdings also host several other known deposits and prospects including the San Rafael zinc-lead-silver project and the past-producing La Verde silver-copper mine.

On April 1, 2010, the Company completed the acquisition of all of the outstanding shares of Platte River Gold Inc. ("Platte River"), through which the Company acquired several advanced silver-zinc-lead-copper-gold deposits, including the San Rafael deposit ("San Rafael Project"), the La Verde Mine and the El Cajón deposit ("El Cajón Project"), which was put on care and maintenance in January 2015. These properties are located close to the Los Braceros processing plant. The Company is a significant concession holder in the Cosalá District, with holdings of approximately 24,657 hectares ("ha"), containing numerous mineral concessions including previously producing mines.

In Idaho, USA, the Company operates the 100%-owned producing Galena Complex acquired through the business combination with U.S. Silver. The Galena Complex's primary assets are the operating Galena Mine, the Coeur Mine, and the contiguous Caladay development project in the Coeur d'Alene Mining District of northern Idaho. The Galena Complex has recorded production of over 250 million ounces of silver along with associated by-product metals of copper and lead over a modern production history of more than sixty years. The Coeur Mine and Caladay development project have been put on care and maintenance pending an improvement in the silver price.

The Company's mission is to profitably expand its silver production through the development of its own projects and consolidation of complimentary projects. The Company's current strategy is focused on developing the San Rafael Project while continuing to operate the Galena Complex and the Cosalá Operations. Exploration will continue on prospective targets with an emphasis directed at the Cosalá District.

The Company's management and Board of Directors (the "Board") are comprised of senior mining executives who have extensive experience identifying, acquiring, developing, financing, and operating precious metals deposits globally. The head office of the Company is located at 145 King Street West, Suite 2870, Toronto, Ontario, Canada, M5H 1J8. The Company is a reporting issuer in the jurisdictions of Ontario, British Columbia, Alberta, and Quebec, and is listed on the TSX trading under the symbol "SPM" and "SMNPF" on the OTCQX.

Recent Developments

On December 23, 2014, the Company announced the closing of the combination of Scorpio Mining and U.S. Silver by way of a plan of arrangement. The resulting consolidated company is a growth-oriented silver producer with Scorpio Mining's producing Cosalá Operations in State of Sinaloa, Mexico and U.S. Silver's producing Galena Complex in Idaho, United States. The merger created a leading, junior silver producer in the Americas while removing redundant costs in a lower silver price environment.

The merger was completed by the Company acquiring all of the outstanding common shares of U.S. Silver and exchanging each outstanding U.S. Silver common share for 1.68 common shares of the Company. Outstanding U.S. Silver options were exchanged for options of the Company and outstanding U.S. Silver warrants became exercisable for warrants of the Company under the same exchange ratio.

As of December 23, 2014, the former shareholders of Scorpio Mining held approximately 60% of the outstanding common shares of the Company and the former shareholders of U.S. Silver held approximately 40% of the outstanding common shares of the Company. Additional information can be obtained from the Management Information Circular available on the Company's website and on SEDAR at www.sedar.com.

Cosalá Operations

Subsequent to the merger, the new Board and management team took decisive action from its assessment of current operations and brownfield expansion opportunities at the Cosalá District:

- The El Cajón Project was put on care and maintenance pending an improvement in silver prices;
- The workforce at the Cosalá Operations was reduced by almost 25%;
- The San Rafael Project was brought forward in the development pipeline; and
- An evaluation of highest potential exploration targets was completed.

During the three months ended March 31, 2015, the Cosalá Operations began transitioning into a near-term, cash flow generator through further productivity improvements, implementation of systematic cost controls, and a reduction in the workforce. This transition is expected to last through the first half of the year. The first quarter of 2015 was slightly better than expected though it was expected it would be the lowest silver production and highest cost per ounce quarter of the year as a result of the transition. In Q1-2015, the Cosalá Operations produced 316,616 ounces of silver with a by-product cash cost of $9.83/oz. silver, resulting in a 9% and 28% decrease in cash costs when compared with the previous quarter and year-over-year. Silver and copper production increased by 9% and 55%, respectively, while zinc and lead production decreased by 2% and 24%, respectively, when compared to Q1-2014. Management continues to expect the third and fourth quarters will be the highest silver production and lowest cost per ounce quarters of the year. The long-term benefit of the transition should allow for multi-year, low cost production in the future.

Management advanced the San Rafael Project in the development pipeline in the Q1-2015. Approximately 1,000 meters of geotechnical drilling was completed to assess and better define the characteristics of the host rocks and mineralization. The deposit hosts a large polymetallic resource and current efforts are focused on updating geological models, confirming metallurgy and establishing preliminary mine design. The Company expects the prefeasibility study will be completed in the second half of 2015.

The Company identified discrepancies between registered data and mapped information relative to the boundaries of the concessions encompassing the Company's El Cajón resource online. A significant change to the boundaries of concessions from what the Company had historically believed them to be may result pending final resolution from Dirección General de Regulación Minera ("DGRM"), the Mexican government bureau responsible for administering mining concessions. The Company's review of available information indicates a potential reduction of total resources at El Cajón of 40% to 50%.

Consequently, the El Cajón Project was placed on care and maintenance in January 2015 due to the boundary issue and prevailing metal prices. The halt in development resulted in a gradual staffing reduction of approximately 100 positions representing almost 25% of the workforce at the Cosalá Operations over the first quarter of 2015. Prior to suspension, metallurgical performance was confirmed through a milling campaign which processed approximately 7,700 tonnes of development muck. With considerable underground infrastructure already in place, the Project can be reactivated on short notice pending an improvement in economic conditions.

Galena Complex

Current Scorpio Mining management significantly transformed operations at the Galena Complex in response to the decline in precious metals prices since early 2013. The focus of the transformation was to maintain cash flow positive operations in the current and rapidly-changing silver price environment. The foundation for this transformation was accomplished by mining higher silver equivalent grade ore at lower tonnage with the appropriately-sized workforce. Mine management has been focused on the identification, development and production of sustainable, multi-year, lower cost production by mining the highest value per tonne of ore, regardless of silver content, for the lowest possible operating cost.

By the end of 2014, U.S. Silver completed the transition of its production from one based predominantly on silver-copper ore to silver-lead ore. The Galena Mine's silver-lead ore resources offer overall higher silver equivalent grades and lower mining costs as these mining areas are typically wider and may allow for a greater contribution from mechanized mining in the future. This focus led to lower near-term production in 2014 in order to develop the infrastructure for accessing silver-lead resources in 2015 and beyond.

Despite processing both lower tonnage and lower silver grades, cash costs in Q1-2015 have declined as U.S. Silver continued cost cutting and identifying areas for improvement. In Q1-2015, the Galena Complex produced 391,625 ounces of silver with a by-product cash cost of $14.59/oz. silver, resulting in a 15% and 22% decrease in cash costs when compared with the previous calendar quarter and calendar year-over-year. Lead production increased by 238% while silver and copper production increased by 2% and decreased by 27%, respectively, when compared to calendar year Q1-2014.

Guidance

The Company's guidance for 2015 remains unchanged at production of 2.6 – 3.0 million silver ounces and 4.6 – 5.2 million silver equivalent ounces at cash costs of $11.50 – $12.50 per ounce and all-in sustaining costs of $16.50 – $17.50 per ounce.

Discussion of Consolidated Operations

		Q1-2015 [1]		Q1-2014
Revenues ($ M)	$	13.9	$	8.2
Silver Ounces Produced (oz)		708,241		293,949
Zinc Pounds Produced (lbs)		3,253,739		2,986,626
Lead Pounds Produced (lbs)		4,646,945		1,197,664
Copper Pounds Produced (lbs)		644,923		327,664
Total Silver Equivalent Ounces Produced (oz)[2]		1,246,099		534,386
Cash Cost/Ag Oz Produced ($/oz)[3]		$12.46		$13.71
Net Loss ($ M)	$	(5.9)	$	(1.1)
Comprehensive Loss ($ M)	$	(6.1)	$	(1.5)

1 Production from Galena Complex operations included since December 23, 2014.
2 Silver equivalent ounces produced is based on prices of $17 per ounce silver, $0.95 per pound zinc, $0.90 per pound lead, and $2.90 per pound copper for fiscal 2015, and $20 per ounce silver, $0.90 per pound zinc, $0.95 per pound lead, and $3.00 per pound copper for fiscal 2014.
3 Refer to "Non-IFRS Measures: Cash Cost per Ounce" section in this MD&A.

During Q1-2015, the Company produced 1,246,099 silver equivalent ounces, including 708,241 ounces of silver, at by-product cash cost of $12.46/oz. silver. These results compare to 534,386 silver equivalent ounces, including 293,949 ounces of silver, at a by-product cash cost of $13.71/oz. silver during Q1-2014, a 133% and 141% increase in production of silver equivalent ounces and silver ounces, respectively, and a 9% decrease in by-product cash cost. These results exclude the one-time costs related to the El Cajon Project cessation and the related workforce reduction.

The consolidated operations above include U.S. Silver results from December 23, 2014. If U.S. Silver had been consolidated from January 1, 2014, the Company would have produced 994,876 silver equivalent ounces, including 679,452 ounces of silver, at by-product cash cost of $16.51/oz. silver during Q1-2014. These results compared to Q1-2015 results in a 25% and 4% increase in production of silver equivalent ounces and silver ounces, respectively, and a 25% decrease in by-product cash cost.

As of March 31, 2015, the Company's cash totalled $5.9 million, compared to $15.2 million at December 31, 2014. The cash decrease during the three months ended March 31, 2015 is primarily attributable to cash used in mining operations ($1.6 million), capital expenditures towards drilling and underground development costs ($2.6 million), care and maintenance costs on the cessation of the El Cajón Project ($1.2 million), and a decrease in transaction-related payables ($3.7 million) related to U.S. Silver merger.

The Company recorded a net loss of $5.9 million for the three months ended March 31, 2015 compared to net loss of $1.1 million for the three months ended March 31, 2014. The increase in net loss was primarily attributable to lower realized metal prices, higher care and maintenance costs, higher corporate general and administrative expenses, higher exploration costs, higher interest and financing expenses, higher unrealized loss on derivative liability, higher loss on mining concession sales, and lower income tax recovery. These variances are further discussed in the following sections.

For the purposes of this "Discussion of Consolidated Operations" section of the MD&A, the calculation of silver equivalent ounces produced was based on prices of $17 per ounce silver, $0.95 per pound zinc, $0.90 per pound lead, and $2.90 per pound copper for fiscal 2015, and, for fiscal 2014, $20 per ounce silver, $0.90 per pound zinc, $0.95 per pound lead, and $3.00 per pound copper.

Cosalá Operations Production and Operating Costs

	Q1-2015	Q1-2014
Tonnes Milled	126,425	137,317
Silver Head Grade (g/t)	92	81
Zinc Head Grade (%)	1.70	1.38
Lead Head Grade (%)	0.69	0.63
Copper Head Grade (%)	0.30	0.21
Silver Recoveries (%)	84.5	82.6
Zinc Recoveries (%)	81.0	71.5
Lead Recoveries (%)	73.9	62.8
Copper Recoveries (%)	61.7	51.5
Silver Ounces Produced (oz)	316,616	293,949
Zinc Pounds Produced (lbs)	3,253,739	2,986,626
Lead Pounds Produced (lbs)	1,200,286	1,197,664
Copper Pounds Produced (lbs)	515,994	327,664
Total Silver Equivalent Ounces Produced (oz)[1]	650,010	534,386
Silver Ounces Sold (oz)	318,349	307,273
Zinc Pounds Sold (lbs)	3,213,597	2,857,884
Lead Pounds Sold (lbs)	1,416,546	1,261,458
Copper Pounds Sold (lbs)	475,837	333,928
Realized Silver Price ($/oz)	$16.53	$20.45
Realized Zinc Price ($/lb)	$0.94	$0.93
Realized Lead Price ($/lb)	$0.82	$0.95
Realized Copper Price ($/lb)	$2.63	$3.08
Cash Cost/Ag Oz Produced ($/oz)[2]	$9.83	$13.71

[1] Silver equivalent ounces produced is based on prices of $17 per ounce silver, $0.95 per pound zinc, $0.90 per pound lead, and $2.90 per pound copper for fiscal 2015, and $20 per ounce silver, $0.90 per pound zinc, $0.95 per pound lead, and $3.00 per pound copper for fiscal 2014.

[2] Refer to "Non-IFRS Measures: Cash Cost per Ounce" section in this MD&A.

The Cosalá Operations mined 126,425 tonnes of ore at an average grade of 92 g/t of silver to produce 316,616 ounces of silver at a cash cost of $9.83/oz. during Q1-2015, compared to 137,317 tonnes of ore at an average grade of 81 g/t of silver to produce 293,949 ounces of silver at a cash cost of $13.71/oz. during Q1-2014, a 8% decrease in tons of ore mined but an 8% increase in ounces of silver produced and a 28% decrease in cash cost per ounce. Silver recovery to concentrate was 84.5% in Q1-2015 (Q1-2014 – 82.6%).

Cash costs of $9.83/oz. for Q1-2015 were lower than cash costs of $13.71/oz. for Q1-2014 primarily due to processing ore with higher average silver head grades, resulting in increased production of silver during the quarter. Zinc, lead, and copper production have increased by 9%, 1%, and 57%, respectively, in Q1-2015 when compared to Q1-2014 due to higher average head grades.

Realized silver prices at $16.53/oz. for Q1-2015 (Q1-2014 – $20.45/oz.) is comparable to the London silver spot price average of $16.72/oz. for Q1-2015 (Q1-2014 – $20.49/oz.). The realized silver price declined by 19% from $20.45/oz. during Q1-2014 to $16.53/oz. during Q1-2015 due to the drop in silver prices.

Galena Complex Production and Operating Costs

	Fiscal Year Q1-2015 [1]	Calendar Year Q1-2014 [1]
Tonnes Milled	37,517	35,059
Silver Head Grade (g/t)	340	358
Lead Head Grade (%) [4]	6.42	4.34
Copper Head Grade (%) [4]	0.56	0.36
Silver Recoveries (%)	95.6	95.5
Lead Recoveries (%)	90.7	93.6
Copper Recoveries (%)	98.0	94.7
Silver Ounces Produced (oz)	391,625	385,503
Lead Pounds Produced (lbs)	3,446,659	1,020,285
Copper Pounds Produced (lbs)	128,929	176,825
Total Silver Equivalent Ounces Produced (oz) [2]	596,089	460,490
Silver Ounces Sold (oz)	363,963	345,874
Lead Pounds Sold (lbs)	3,380,121	915,027
Copper Pounds Sold (lbs)	102,455	182,464
Realized Silver Price ($/oz)	$16.78	$20.98
Realized Lead Price ($/lb)	$0.82	$0.95
Realized Copper Price ($/lb)	$2.63	$3.18
Cash Cost/Ag Oz Produced ($/oz) [3]	$14.59	$18.64

1 Production from Galena Complex operations are included since December 23, 2014. Values for calendar year 2014 are presented for information purposes only.
2 Silver equivalent ounces produced is based on prices of $17 per ounce silver, $0.95 per pound zinc, $0.90 per pound lead, and $2.90 per pound copper for fiscal 2015, and $20 per ounce silver, $0.90 per pound zinc, $0.95 per pound lead, and $3.00 per pound copper for fiscal 2014.
3 Refer to "Non-IFRS Measures: Cash Cost per Ounce" section in this MD&A.
4 Lead and silver grades only refer to grades in silver-lead and silver-copper ores, respectively.

The Galena Complex mined 37,517 tonnes of ore at an average grade of 340 g/t of silver to produce 391,625 ounces of silver at a cash cost of $14.59/oz. In Q1-2015, compared to 35,059 tonnes of ore at an average grade of 358 g/t of silver to produce 385,503 ounces of silver at a cash cost of $18.64/oz. during calendar year Q1-2014, a 7% and 2% increase in tons of ore mined and ounces of silver produced, respectively, and a 22% decrease in cash cost per ounce. Approximately 28% of the tons were processed through the Coeur mill (calendar year Q1-2014 – 32%). Combined silver recoveries from the Galena and Coeur mills were 95.6% for Q1-2015 (calendar year Q1-2014 – 95.5%). Production of lead during Q1-2015 increased 238% as compared to calendar year Q1-2014. The Galena Complex swapped the milling of silver-lead ore from Coeur mill to the Galena mill in July 2014 in order to handle the greater silver-lead tonnage.

Cash costs of $14.59/oz. for Q1-2015 were lower than cash costs of $18.64/oz. for calendar year Q1-2014 primarily due to the reduction of direct mining costs (i.e. labour, supplies, utilities, etc.) on a silver produced per ounce basis and increase by-product credits from the increased production of lead, resulting in the lower cash costs experienced.

Realized silver prices at $16.78/oz. for Q1-2015 (calendar year Q1-2014 – $20.98/oz.) is comparable to the London silver spot price average of $16.72/oz. for Q1-2015 (Q1-2014 – $20.49/oz.). The realized silver price declined by 19% from $20.98 /oz. during calendar year Q1-2014 to $16.78/oz. during Q1-2015 due to the drop in silver prices.

Exploration Update

Cosalá Operations Exploration Update

Nuestra Señora

A small program of diamond drilling (80 meters) was completed at Nuestra Señora during the first quarter of 2015 in support of short term mining activities. The main area for this work was done to define material suitable for mining and processing.

Geological mapping was carried out on surface near the Nuestra Señora mine in the Candelaria area. An area of mineralized breccia was discovered and some hand trenching was completed to expose the mineralization and allow samples to be taken with sampling underway.

San Rafael

Surface mapping and data compilation is on-going at San Rafael. An area of suspected massive sulphide mineralization has been discovered south of the known San Rafael ore body. Hand trenching and sampling is underway and a plan is being developed to attempt mechanical trenching. Management is focused on advancing the San Rafael deposit to a production decision. A program of drilling to obtain additional samples for metallurgical sampling is being designed. The drilling is expected to be completed during the second quarter of 2015. The Company expects the metallurgical testing will be completed in the second half of 2015.

El Cajón

No exploration work was carried out at El Cajón as the project was put on care and maintenance in January of 2015. A brief geological review of the exposed areas was completed by an external consultant along with the Company's geologists to understand the various alteration and mineralization types at El Cajón.

La Verde

The geological information gathered during the recently completed underground mapping, sampling and drilling is being compiled into a geological model to allow further exploration to be undertaken if warranted.

A second program of 2,000 meters was completed to pursue definition of these zones. The Company expects this program will be completed in the second quarter of 2015.

Humaya/La Estrella

A program of mapping and sampling was completed in an area north of San Rafael in order to assess the potential in this area. In conjunction with this program, dumps and other unprocessed material were sampled and quantified. Based on this program, a reclamation program is ongoing whereby profitable material is reclaimed for processing at the Los Braceros plant. No mineral resource has been reported for the remaining material.

In conjunction with this work, mapping is leading to a working model for the area which suggests there may be significant in-situ mineralized material available in a NW trending block of material. Further drilling may be necessary after additional mapping to explore this potential.

Regional Mapping

Surface mapping has been concentrated in the areas of Nuestra Señora and San Rafael to assist in the interpretation of these mineral deposits and help define new and/or expanded resources.

Galena Complex Exploration Update

Drilling during the first quarter of 2015 at the Galena Complex continued to focus on near-term resources and to provide information to the mining operations to assist with defining the highest value per tonne of ore for mining.

The Company drilled 2,668 meters (8,753 feet) underground at the Galena Complex in the first quarter of 2015. A portion of this drilling was completed to advance block modeling of the newly, re-evaluated series of veins in the upper part of the mine. Geologists now have an improved picture of potentially high-grade, minable silver/lead veins in the 2800 to 3700 level area. Five of these veins have been delineated by the recent drilling and are now being block modeled. These silver-lead veins underwent limited historical development prior to the mine's decades-long focus on silver-copper ore. As a result, only a small amount of production mining took place and the resource was left readily available via established development and infrastructure. Initial work has commenced in preparation for renewed mining in these new areas. Meaningful production from this area is expected to begin in 2015.

The Company's exploration staff completed work to confirm and upgrade the existing resources through block modeling and drilling.

New reserve and resource updates has been completed by mine staff based on results to the end of 2014 and can be found in the Company's Annual Information Form dated March 30, 2015 from the Company's website at www.scorpiomining.com and on SEDAR at www.sedar.com.

Mr. Jim Atkinson, Vice President, Exploration and a 'qualified person' under NI 43-101 guidelines ("Qualified Person"), has approved the applicable contents of this section.

Results of Operations

Analysis of the three months ended March 31, 2015 vs. the three months ended March 31, 2014

The Company recorded a net loss of $5.9 million for the three months ended March 31, 2015 compared to net loss of $1.1 million for the three months ended March 31, 2014. The increase in net loss was primarily attributable to lower realized metal prices ($0.6 million), higher care and maintenance costs ($1.2 million), higher corporate general and administrative expenses ($1.1 million), higher exploration costs ($0.3 million), higher interest and financing expenses ($0.6 million), higher loss on mining concession sales ($0.3 million), and lower income tax recovery ($0.6 million), each of which are described in more detail below:

Revenues increased by $5.7 million from $8.2 million for the three months ended March 31, 2014 to $13.9 million for the three months ended March 31, 2015. The increase is primarily due to $7.1 million in revenues generated from the Galena Complex during the period offset by $1.3 million decrease in revenues from the Cosalá Operations due to lower average realized metal prices for the periods involved.

Cost of Sales increased by $6.3 million from $6.7 million for the three months ended March 31, 2014 to $13.0 million for the three months ended March 31, 2015. The increase is primarily due to $7.0 million in cost of sales incurred from the Galena Complex during the period offset by $0.7 million decrease in cost of sales from the Cosalá Operations due to decrease in direct mining costs on a per silver ounce basis during the period.

Care and maintenance costs of $1.2 million was incurred during the three months ended March 31, 2015 primarily due to ongoing care and maintenance costs and severance expenses resulting from the cessation of the El Cajón Project.

Corporate general and administrative expenses increased by $1.1 million from $0.6 million for the three months ended March 31, 2014 to $1.7 million for the three months ended March 31, 2015. The increase is primarily due to salaries, professional fees, and office and general expenses incurred by both Scorpio Mining and U.S. Silver during the period subsequent to the merger as the two companies are being integrated. These expenses are expected to decrease subsequent to the quarter.

Exploration costs of $0.3 million incurred during the three months ended March 31, 2015 primarily due to exploration projects at the Cosalá Operations and Galena Complex conducted during the period.

Interest and financing expenses of $0.6 million was incurred during the three months ended March 31, 2015 primarily due to interest expense and financing costs from the Company's outstanding credit facility.

Loss on mining concession sales of $0.3 million was incurred during the three months ended March 31, 2015 primarily due to sale of mining concessions from the Cosalá Operations for $0.2 million consideration (announced prior to the merger), offset with by carrying values of $0.5 million.

Income tax recovery decreased by $0.6 million from $0.8 million for the three months ended March 31, 2014 to $0.3 million for the three months ended March 31, 2015. The decrease is primarily due to the non-recognition of Mexican non-capital losses carried forward from previous periods which may be used to reduce future taxable income during the period. Management will reassess this non-recognition of Mexican deferred tax assets on an annual basis.

Summary of Quarterly Results

The following table presents a summary of the consolidated operating results for each of the most recent eight quarters ending with March 31, 2015.

	Q1 2015	**Q4 2014** [1]	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**
Revenues ($ M)	$ 13.9	$ 6.8	$ 7.7	$ 8.8	$ 8.2	$ 7.2	$ 8.3	$ 5.6
Net Income (Loss) ($ M)	(5.9)	(73.5)	(2.3)	(1.8)	(1.1)	(1.8)	(5.2)	(3.1)
Comprehensive Income (Loss) ($ M)	(6.1)	(72.9)	(3.5)	(1.2)	(1.5)	(1.3)	(0.1)	(7.1)
Silver Ounces Produced (oz)	708,241	318,137	277,796	316,722	293,948	262,380	240,499	214,926
Zinc Pounds Produced (lbs)	3,253,739	3,329,584	2,830,816	3,478,500	2,986,626	3,406,341	4,737,785	3,198,082
Lead Pounds Produced (lbs)	4,646,945	1,771,927	2,130,746	1,388,750	1,197,664	1,443,955	2,036,142	1,474,544
Copper Pounds Produced (lbs)	644,923	339,144	274,213	256,913	327,664	333,023	200,633	338,862
Cash Cost/Ag Oz Produced ($/oz) [2]	$12.46	$11.60	$9.25	$10.62	$13.71	$15.18	$11.01	$15.91
Current Assets (qtr. end) ($ M)	$ 26.9	$ 36.9	$ 29.7	$ 33.6	$ 35.7	$ 36.3	$ 37.9	$ 39.4
Current Liabilities (qtr. end) ($ M)	12.6	15.8	4.4	4.1	3.4	2.6	2.9	3.5
Working Capital (qtr. end) ($ M)	14.3	21.1	25.3	29.5	32.3	33.7	35.0	35.9
Total Assets (qtr. end) ($ M)	$ 108.2	$ 118.6	$ 135.7	$ 138.7	$ 139.3	$ 139.8	$ 141.3	$ 141.7
Total Liabilities (qtr. end) ($ M)	28.7	33.2	6.3	5.9	5.2	4.4	4.6	5.1
Total Equity (qtr. end) ($ M)	79.5	85.4	129.4	132.8	134.1	135.4	136.7	136.6

1 Production from Galena Complex operations included since December 23, 2014.
2 Refer to "Non-IFRS Measures: Cash Cost per Ounce" section in this MD&A.

Liquidity

As of March 31, 2015, the Company's cash totalled $5.9 million, compared to $15.2 million at December 31, 2014. Working capital decreased to $14.3 million at March 31, 2015 from $21.1 million at December 31, 2014, a decrease of $6.8 million. Current liabilities as at March 31, 2015 were $12.6 million which is $3.2 million lower than at December 31, 2014.

The change in cash since December 31, 2014 can be summarized as follows (in millions of U.S. dollars):

Opening cash as at December 31, 2014	$ 15.2
Cash used in operations	(1.2)
Capital expenditures	(2.9)
Care and maintenance costs	(1.2)
Closure of foreign exchange contracts	(0.4)
Decrease in receivables due to timing of shipments	0.3
Change in inventories during the period	(0.2)
Decrease in payables during the period	(3.7)
Closing cash as at March 31, 2015	$ 5.9

Working capital was impacted during the quarter mainly due to cash used in: the ongoing operations; capital expenditures; the closure of foreign exchange contracts; transaction-related expenses and other payables; and care and maintenance costs. Care and maintenance costs in the quarter were due to the cessation of the El Cajón Project and are not expected to be significant in future periods.

The Company's cash flow is dependent upon its ability to achieve profitable operations, obtain adequate equity or debt financing, or, alternatively, dispose its non-core properties on an advantageous basis to fund its near term operations, development and exploration plans while meeting production targets at current commodity price levels. Management is continuously evaluating viable financing alternatives to ensure sufficient liquidity including private equity financing, debt instruments, concentrate offtake agreements, sales of non-core assets, and the issuance of equity. Should commodity prices remain at current levels, the Company may require external funding to advance its development projects (such as San Rafael) and to support ongoing operations. Further reductions in staff may be necessary and capital expenditures may also be further reduced in order to address near-term cash flow demands. In the longer term, as the Cosalá Operations and Galena Complex are optimized and if the outlook for the silver price is positive, the Company believes that cash flows will be sufficient to fund ongoing operations.

The Company's financial instruments consist of cash, trade receivables, restricted cash, long-term investments, trade and other payables, credit facility, and other long-term liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company is not exposed to significant interest or credit risk arising from financial instruments. The majority of the funds of the Company are held in accounts at major banks in Canada, Mexico and the United States.

The Company's liquidity has been, and will continue to be, impacted by pension funding commitments as required by the terms of the defined benefit pension plans offered to both its hourly and salaried workers (See note 14 in the audited consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2014). Although both pension plans are under-funded due to actuarial losses incurred from market conditions, the Company intends to fund to the minimum levels required by applicable law. The Company currently estimates total annual funding requirements for both Galena Complex pension plans to be approximately $0.8 million per year for each of the next 5 years, with approximately $0.6 million to spend for the remainder of 2015 (as of May 13, 2015).

Capital Resources

The Company's cash flow is dependent on delivery of its concentrates to its smelters and concentrate traders. The Company's contracts with these parties provide for provisional payments based on timing of concentrate deliveries. The Company has not had any problems collecting payments from smelters in a reliable and timely manner and expects no such difficulties in the foreseeable future. However, this cash flow is dependent on continued mine production which can be subject to interruption for various reasons including fluctuations in metal prices and concentrate shipment difficulties. Additionally, unforeseen cessation in the counterparty's capabilities could severely impact the Company's capital resources.

The Company made capital expenditures of $2.9 million during the three months ended March 31, 2015 and $2.3 million for the same period of 2014, of which $2.6 million was spent towards drilling and underground development costs while $0.3 million was spent on purchase of property, plant and equipment. All of these projects are dependent upon the Company maintaining a strong capital position. The Company plans to continue underground exploration utilizing diamond core drilling.

The following table sets out the Company's contractual obligations as of March 31, 2015:

	Total	Less than 3 months	3 months to 1 year	2-5 years	Over 5 years
Trade and other payables	$ 9,426	$ 9,426	$ -	$ -	$ -
Credit facility	7,502	-	3,158	4,344	-
Interest on credit facility	830	204	500	126	-
Leases	63	7	21	35	-
Other long-term liabilities	566	-	-	-	566
Decommissioning provision	4,966	66	56	836	4,008
Total	$ 23,353	$ 9,703	$ 3,735	$ 5,341	$ 4,574

1 - All leases can be cancelled upon proper notice periods by the Company.

2 - Certain of these estimates are dependent on market conditions and assumed rates of return on assets. Therefore, the estimated obligation of the Company may vary over time.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties

There were no related party transactions for the three months ended March 31, 2015.

Risk Factors

The Company manages a number of risks to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures in place to identify and manage significant operational and financial risks. A discussion of risk factors relating to the Company is found under the heading "Risk Factors" in the Company's Annual Information Form dated March 30, 2015 and its MD&A for the year ended December 31, 2014. Each of the discussions referred to above is incorporated by reference herein. The documents referred to above are available on SEDAR at www.sedar.com.

Accounting Standards and Pronouncements

Accounting standards issued but not yet applied

There have been no new accounting pronouncements issued in the first three months of 2015 that are expected to impact the Company. For a summary of recent pronouncements, see note 3 in the Company's condensed interim consolidated financial statements for the three months ended March 31, 2015.

Financial Instruments

At December 31, 2014, the Company had foreign exchange derivatives put in place by the Company's previous management to buy 60 million Mexican pesos extendable month to month at an average exchange rate of 13.13 MXP/USD valued at approximately $4.6 million. At March 31, 2015, the Company had settled all outstanding foreign exchange derivatives resulting in a net realized loss of approximately $0.6 million on these contracts.

Capital Structure

The Company is authorized to issue an unlimited number of common shares, where each common share provides the holder with one vote. As at March 31, 2015, there were 336,057,650 common shares issued and outstanding.

As at May 13, 2015, there were 336,057,650 common shares of the Company issued and outstanding and 26,175,722 options outstanding which are exchangeable in common shares of the Company. The number of common shares issuable on the exercise of warrants is 38,757,377.

Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

The Company's DC&P are designed to ensure that all important information about the Company, including operating and financial activities, is communicated fully, accurately and in a timely way and that they provide the Company with assurance that the financial reporting is accurate.

ICFR means a process by or under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at March 31, 2015, the Company's CEO and CFO have certified that the DC&P are effective and that during the quarter ended March 31, 2015 the Company did not make any material changes in the ICFR that materially affected or are reasonably likely to materially affect the Company's ICFR.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

Non-IFRS Measures: Cash Cost per Ounce

The Company reports the cash cost per ounce of silver produced, a non-IFRS measure, in accordance with measures widely reported in the silver mining industry as a benchmark for performance measurement. Management uses these measures internally to better assess performance trends and understands that a number of investors, and others who follow the Company's performance, also assess performance in this manner.

These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning and may differ from methods used by other companies with similar descriptions. The method does not include depletion, depreciation, exploration or corporate administrative costs and is therefore not directly reconcilable to costs as reported under International Financial Reporting Standards.

Reconciliation of Consolidated Cash Cost per Ounce

		Q1-2015		**Q1-2014**
Direct mining costs ('000)	$	12,730	$	6,651
Smelting, refining and royalty expenses ('000)		3,776		1,743
		16,506		8,394
Less by-product credits ('000)		(7,680)		(4,365)
Total cash costs ('000)	$	8,826	$	4,029
Divided by silver produced (oz)		708,241		293,948
Silver cash costs ($/oz)	$	12.46	$	13.71

Reconciliation of Cosalá Cash Cost per Ounce

		Q1-2015		**Q1-2014**
Direct mining costs ('000)	$	5,410	$	6,651
Smelting, refining and royalty expenses ('000)		2,329		1,743
		7,739		8,394
Less by-product credits ('000)		(4,627)		(4,365)
Total cash costs ('000)	$	3,112	$	4,029
Divided by silver produced (oz)		316,616		293,948
Silver cash costs ($/oz)	$	9.83	$	13.71

Reconciliation of Galena Complex Cash Cost per Ounce

		Fiscal Q1-2015 [1]		**Calendar Q1-2014** [1]
Direct mining costs ('000)	$	7,320	$	7,791
Smelting, refining and royalty expenses ('000)		1,447		905
		8,767		8,696
Less by-product credits ('000)		(3,053)		(1,509)
Total cash costs ('000)	$	5,714	$	7,187
Divided by silver produced (oz)		391,625		385,503
Silver cash costs ($/oz)	$	14.59	$	18.64

[1] Production from Galena Complex operations are included since December 23, 2014. Values for calendar year 2014 are presented for information purposes only.

Reconciliation of Consolidated All-In Sustaining Cost per Ounce

		Q1-2015		Q1-2014
Total cash costs ('000)	$	8,826	$	4,029
Capital expenditures ('000)		3,001		2,126
Exploration costs ('000)		320		-
Total all-in sustaining costs ('000)	$	12,147	$	6,155
Divided by silver produced (oz)		708,241		293,948
Silver cash costs ($/oz)	$	17.15	$	20.94

Reconciliation of Cosalá All-In Sustaining Cost per Ounce

		Q1-2015		Q1-2014
Total cash costs ('000)	$	3,112	$	4,029
Capital expenditures ('000)		1,126		2,126
Exploration costs ('000)		244		-
Total all-in sustaining costs ('000)	$	4,482	$	6,155
Divided by silver produced (oz)		316,616		293,948
Silver cash costs ($/oz)	$	14.16	$	20.94

Reconciliation of Galena Complex All-In Sustaining Cost per Ounce

		Fiscal Q1-2015 [1]		Calendar Q1-2014 [1]
Total cash costs ('000)	$	5,714	$	7,187
Capital expenditures ('000)		1,875		1,840
Exploration costs ('000)		76		205
Total all-in sustaining costs ('000)	$	7,665	$	9,232
Divided by silver produced (oz)		391,625		385,503
Silver cash costs ($/oz)	$	19.57	$	23.95

[1] Production from Galena Complex operations are included since December 23, 2014. Values for calendar year 2014 are presented for information purposes only.