

Scorpio Gold getting its glitter back

My morning ritual starts with a cup of tea, served the British way, booting up my PC and making my first cyber stop of the morning to my favoured news sites to see what the Trumps and the King Jong-uns of this world have been up to overnight.

As a commodity analyst, I observe politics and global trends closely and consider the medium-term impacts these trends would have on commodity markets. In general, uncertainty around border control, beefing up defence and changes to leadership of key economies is exactly the type of environment that favours gold investors. Last year gold had a great run, this year would be no different.

Scorpio Gold Corporation (TSXV: SGN) (“Scorpio”) is a company which is regaining its shine with investors, which is currently focused on optimizing production at its 70%-held Mineral Ridge gold mine in Esmeralda County, Nevada.

The company’s legal settlement with National EWP, Inc. (“National”) in mid-February meant that Scorpio could remove the possible spectre of drawn out legal action that was hanging over its Mineral Ridge mine, and focus on the business of mining gold.

I became even more positive about Scorpio’s prospects when it announced the signing of the milling agreement with Lode-Star Mining Inc. (“Lode-Star”) shortly after the settlement. The Letter of Intent has certainly been a plus for the company, a positive sign that management had kept their heads in the game of mining and had refrained from becoming distracted.

This deal will restart the 400-ton-per-day Goldwedge mill, which has been on care and maintenance. Scorpio’s greatest challenge is growth. At the moment, the Mineral Ridge mine is

its only producing mine at present. It started production in 2012 and produced 36,879 oz last year, above its high-end guidance of 35,000 oz, but unless the company's exploration proves successful, its growth will be constrained by its current resource volumes.

Restarting the Goldwedge mill will provide some much-needed liquidity to the firm, while Scorpio continues its exploration of the 100%-owned Goldwedge property, which is now at an advanced stage and delivering some promising results.

Scorpio is also in the process of obtaining permits for the possibility of open pit mining at its Custer and Oromont deposits. Exploration is continuing at Mineral Ridge and Goldwedge. These are positive attempts by management to seek expansion of mining production.

As I see it, I generally like the fact that Scorpio is choosing to grow organically through exploration, using some of its cash from its producing asset rather than going on an acquisition spree. The latter strategy may bulk up the asset base faster, but slow and steady, bedding down its current properties, should win out in the long run. This strategy also tends to sit well with long term, deep value-type investors and could pay very well for the company's investors over time. Overall, approach to business has a certain kind of sensibility to it.

Of the existing operations, I also like that Mineral Ridge is a low-cost operation. Even without expanding the resource base, it should have another three years or so of mining.

It is a great comfort that the company remains cash positive, which will assist it in continuing its exploration initiatives and finding suitable targets to expand its operations. For this reason, I have confidence in the management team's experience and decisions.

However, the test is in the taste of the pudding, as the

saying goes. Scorpio will have to maintain its focus in order to capitalize on the increasing gold price that I'm expecting for the immediate future, and to ensure longevity for the company.