

Bay St. and Scorpio prepare for three-year gold rally

The eyes of many investors are settled firmly on gold this fall as it continues its two-week wrestling match with the \$1,300 pressure point. Rising political tensions surrounding the US administration's fickle foreign policy are very likely to push the gold bulls into action, and once the price achieves lift-off it is thought that it will begin a three-year rally from which Scorpio Gold Corporation (TSXV: SGN) ("Scorpio") are in a good position to reap significant gains.

Scorpio are presently undertaking development works on their assets that could settle the company's remaining debt by next year and bring significant additional gold reserves online just in time for a precious metals heyday. Should the planned works be successfully approved and completed, the experienced management team are hopeful that Scorpio can continue to produce our favourite yellow metal from their chosen jurisdiction of Nevada.

Scorpio holds interest in two gold projects in Nevada, one of which, Mineral Ridge, has been producing for almost seven years under current management, but the company is now proceeding with a drilling project in order to extend the mine-life of the area beyond 2017, as well as initiating a NI 43-101 Compliant Bankable Feasibility Study Report for the construction of a milling circuit to recover up to 125,000oz of additional gold from the site's remaining heap leach material. The continuation of Mineral Ridge is a critical factor in the future success of the business as an uninterrupted cash flow will be necessary to bring the company's secondary asset online.

Scorpio's second project, Goldwedge, has recently provided

some promising high-grade drill results, with three cores returning significant values of up to 11.14 g/t Au. These new results corroborate historic drill programs at the site which returned similar values of up to 16 g/t Au. The late exploration stage property in Manhattan, Nevada, has a fully permitted underground mine and 400 tonne per day mill facility which has previously been employed to process material from Mineral Ridge, and should it be brought online in the near future, the company would be able to comfortably ride the current expansion phase of the precious metals market.

The company is in good health in terms of cash flow and costs as of Q1 of 2017, with revenue of \$9.9 million, compared to \$9.4 million during Q1 of 2016, and total cash cost per ounce of gold sold holding steady at \$876 compared to \$801 during Q1 of 2016. Mine operating earnings increased to \$2.4 million compared to \$1.9 million during Q1 of 2016. Should the price of gold make the bullish advance that the market anticipates, 2018 could provide some truly meaty bonuses for Scorpio by driving up the cash flow that the company is already working hard to boost.

Given the potential future value of Scorpio's post-work assets, shares in the company are likely significantly undervalued at present at only C\$0.06. A mining company that brushes the edge of feasibility does indeed face challenges, but I have a hunch that the team at Scorpio will pull this off and continue with their producer status well into the future, since the current market situation is precisely the motivation any operator needs to pull out all the stops during crunch time; showing some faith and investing in Scorpio now could mean explosive portfolio growth over the next twelve months