# Scorpio Gold Arranges Debt Financing to Put Mineral Ridge Project Into Production

08.10.2010 | Marketwired

VANCOUVER, BRITISH COLUMBIA -- (Marketwire - Oct. 8, 2010) - Scorpio Gold Corporation (the "Company") (TSX VENTURE: SGN) announced that it has entered into a non-binding term sheet (the "Term Sheet") with Waterton Global Value, L.P. (the "Holder") for an aggregate US$12,000,000 senior secured note debt financing (the "Financing"). Closing is scheduled for on or before October 15, 2010. Proceeds of the Financing will be used primarily for the Mineral Ridge project, located in Nevada.

As contemplated by the Term Sheet, the Holder will acquire US$8,000,000 principal amount of senior secured notes (the "Notes") issued by the Company upon closing of the initial tranche of the Financing along with an aggregate of 5,000,000 common share purchase warrants. Half the warrants will have an exercise price equal to 120% of the market price of the Company's shares on the date of closing but in any event not more than CDN$0.65, while the remaining warrants will have an exercise price equal to 150% of the market price of the Company's shares on the Closing Date, but in any event not more than CDN$0.80.

Upon the planned completion of a bankable feasibility study in respect of the Mineral Ridge project and the Mineral Ridge project achieving a gold recovery rate of at least 60% (the "Recovery Rate Threshhold"), the Holder will, if so requested by the Company and subject to certain conditions, acquire a further US$4,000,000 principal amount of senior secured notes issued by the Company (the "Second Tranche"). In connection with the Second Tranche, the Company will also issue to the Holder an aggregate of 3,000,000 common share purchase warrants (the "Second Tranche Warrants"). Half of the Second Tranche Warrants will have an exercise price equal to 120% of the market price of the Company's shares on the date of closing of the Second Tranche (the "Second Tranche Closing Date"), while the remaining Second Tranche Warrants will have an exercise price equal to 150% of the market price of the Company's shares on the Second Tranche Closing Date.

All funds advanced to the Company pursuant to the Financing will bear interest at a rate of 11% per annum, payable monthly, and will mature on the date that is 18 months following the First Tranche Closing Date. In addition, a structuring fee of 2% of all funds advanced will be payable to the Holder on closing. All warrants issued will have an expiry date that is three years from the date of the initial closing of the Financing. The Financing will be secured against all of the assets of the Company and its subsidiaries, including the assets comprising the Mineral Ridge project.

In accordance with the Term Sheet, until the Company meets the Recovery Rate Threshold, it will place all revenues from gold sales at the Mineral Ridge project into a segregated bank account, and such funds will be released once the Recovery Rate Threshold is met. In addition, commencing 12 months following the Closing Date, the Company will create a sinking fund account for the benefit of the Holder (the "Sinking Fund"), into which it will deposit US$8,000,000 if production from the Mineral Ridge project is then less than 2,800 ounces of gold per month, US$6,000,000 if production from the Mineral Ridge project is between 2,800 and 3,000 ounces of gold per month, and US$4,000,000 if production from the Mineral Ridge project is between 3,000 and 3,200 ounces of gold per month. If at any time after the establishment of the sinking fund, the monthly gold production from the Mineral Ridge project is greater than 3,200 ounces per month, the Sinking Fund will be unwound.

The Financing remains subject to definitive documentation, final regulatory approval of the TSX Venture Exchange and customary closing conditions.

In connection with the Financing, the Holder has advanced the Company a US$1,000,000 bridge loan (the "Bridge Loan"). The Bridge Loan accrues interest at a rate of 11% per annum, and is payable on the closing of the Financing. The Bridge Loan is secured against the Company's indirect 70% interest in Mineral Ridge Gold, LLC, the joint venture company which holds the assets comprising the Mineral Ridge project.

"Peter Hawley, CEO, comments, "The $12 million debt financing will provide all remaining funds required to bring Mineral Ridge into production. Issuing debt is less dilutive than equity and this financing, in conjunction with our March 2010 equity financing of $12.5 million, will see us into production at Mineral Ridge. Given the recent increase in gold prices we are actively working on a revised mine plan as well as aggressive exploration plans for 2011 and will update shareholders upon their completion."

Mr. Hawley, PGeo, is the Company's Qualified Person for the various Company projects. He is responsible for the current exploration and development programs and has reviewed the content of this release.

For additional information please see the Company's website at www.scorpiogold.com.

ON BEHALF OF THE BOARD SCORPIO GOLD CORPORATION

Peter J. Hawley
Chief Executive Officer and Director

*The Company relies on litigation protection for "forward-looking" statements. This news release contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur, and include, without limitation, statements regarding the Company's plans with respect to the exploration and development of its projects and planned completion of the financing and use of the proceeds. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements, including risks of completing debt financing. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.*

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**For more information, please contact**

JNS Capital Corp.
Jag Sandhu
(604) 306-1950
jagsandhu@telus.net
www.scorpiogold.com