

Spanish Mountain Gold Announces Results of Preliminary Economic Assessment for Phase 1 Project

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Vancouver, October 23, 2019 - [Spanish Mountain Gold Ltd.](#) (TSXV: SPA) (the "Company") is pleased to announce the results of the Preliminary Economic Assessment (the "PEA") for the high priority near-surface Phase 1 Project of the 100% owned Spanish Mountain gold project (the "Project") located in central British Columbia, Canada. The PEA, the commencement of which was announced in a news release dated September 10, 2019, has been prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects.

As disclosed in the September 10, 2019 news release, the PEA is based on a 10,000 tonnes per day (tpd) mill rate to process the near-surface Measured and Indicated Resources within an open pit focussed on the central higher-grade resources within the deposit.

As a stand-alone operation spanning more than a decade, the PEA envisages a low-cost, owner-operated open pit mine processing 39 million tonnes of material at an average diluted grade of 1.00 gram/tonne gold (g/t Au). The process involves a three-stage crushing circuit followed by a ball mill to produce a relatively coarse grind of 180 micron which is then concentrated by flotation to produce a concentrate for fine grinding and cyanidation at an overall gold recovery of 91%.

Highlights of the PEA are as follows (all amounts are in Canadian dollars unless otherwise indicated; base case is stated using a gold price of US\$ 1,275 per ounce and an exchange rate of \$C1.00 equal US\$0.75):

- This first phase of operation has a mine life of 11 years with peak production of 130,000 ounces per annum (Year 4) and an average LOM annual production of 104,000 ounces of gold for a total of 1,145,000 ounces
- Initial capital is estimated to be C\$364M (or US\$273M), which includes a contingency of C\$42M. Sustaining capital over the life of the mine is estimated to be C\$58M
- Average metallurgical recovery of gold is 91%
- Selected operational and cost metrics are shown in the table below:

	Units	Years 1 - 5 Avg.	LOM Avg.
Gold grade	g/t	1.13	1.00
Recovery	%	91	91
Annual Gold Production	koz	116	104
Cash Cost/ oz	US\$	481	511
All-in-sustainable Cash Cost/ oz	US\$	519	549
Total Cost/ oz	US\$	776	807

- Economic results at various gold prices are shown in the table below with the base case price assumption in bold:

Project Economics at Select Gold Price (US\$)	\$1,100	\$1,200	\$1,275	\$1,450	\$1,500	\$1,600	\$1,700	\$1,800	
Pre-tax									
NPV@5%	C\$mm	\$232	\$336	\$414	\$596	\$648	\$752	\$856	\$960
Internal Rate of Return (IRR)		16%	20%	23%	29%	31%	34%	37%	40%
Payback of Initial Capex	Years	4.3	3.8	3.5	2.9	2.8	2.6	2.4	2.2

Post-tax

NPV@5%	C\$mm	\$201	\$274	\$325	\$443	\$476	\$543	\$609	\$676
Internal Rate of Return (IRR)		15%	18%	21%	26%	27%	30%	32%	35%
Payback of Initial Capex	Years	4.3	3.8	3.5	3.0	2.9	2.6	2.4	2.3

Larry Yau, CEO, commented: "I believe the PEA has successfully met our objective of defining a Project with a greatly enhanced profile. Our project now has initial capital requirements that are \$143 million less and a planned mill feed grade that is 150% greater than in previous studies while maintaining a robust production profile and achieving improved economic metrics. Furthermore, all portions of the deposit outside the current planned mill feed pit that were identified in previous studies remain available for future evaluation.

The current PEA clearly provides a reasonable basis for the Company to advance the Project in the present gold price environment."

Please refer to the Company's updated website and corporate presentation for additional details on the new PEA and the project: www.spanishmountaingold.com

Summary

The Phase 1 mine plan includes 39 Mt of mill feed and 139 Mt of waste over the 11-year project life. The mill feed is comprised entirely of Measured and Indicated Resources. Approximately 0.7 Mt of Inferred material within the pit has been treated as waste for this study.

PEA Mine Plan Summary	Unit	Amount
Measured and Indicated Mill Feed	Mt	39.1
Gold Grade	g/t	1.00
Silver Grade	g/t	0.74
Measured and Indicated Gold	koz	1,258
Measured and Indicated Silver	koz	927
Mine Plan Waste (includes Inferred)	Mt	138.5
Strip Ratio	t/t	3.5

The above mine plan is based on a sub-set of a Mineral Resource Estimate for the Spanish Mountain gold deposit prepared by independent Qualified Person Sue Bird, P. Geo. of MMTS with an effective date of October 10, 2019.

The Pit-Delineated Mineral Resource Estimate consists of 4.1 million ounces gold and 6.2 million ounces silver Measured and Indicated (29.6 Mt Measured grading 0.60 g/t Au, 0.83 g/t Ag and 243.6 Mt Indicated grading 0.46 g/t Au, 0.69 g/t Ag for combined Measured and Indicated Resources of 273.2 Mt grading 0.47 g/t Au, 0.71 g/t Ag). Inferred Mineral Resources consist of 0.6 million ounces gold and 1.1 million ounces silver (52.5 Mt Inferred grading 0.37 g/t Au, 0.67 g/t Ag).

Notes for the Mineral Resources and PEA Mine Plan:

1. The Mineral Resource Estimates were prepared by Sue Bird, P.Eng. (who is also the independent Qualified Person for these Mineral Resource Estimates), in accordance to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves, with an effective date of October 10, 2019.
2. The Mineral Resource Estimates are reported at a cutoff grade of 0.15 g/t.
3. Cut-off grade assumes US\$1,275/oz. Au at a currency exchange rate of 0.75 C\$ per US\$; 99.8% payable gold; \$4.00/oz. offsite costs (refining and transport), a 1.5% royalty; and uses a 91% metallurgical recovery. The cut off-grade covers processing costs of \$5.00/t and general and administrative (G&A) costs of \$2.25/t.
4. The Mineral Resources are constrained by an open pit shell generated by applying the Lerchs-Grossman algorithm to the Spanish Mountain deposit. The pit shell was generated using the same inputs as the cutoff grade determination, as well as a \$2.20/t mining cost. Overall pit slope angles range from 20 degrees to 43 degrees and are estimated based on geotechnical analysis of various zones in the deposit.

5. The PEA Mine Plan and Mill Feed estimates are a subset of the October 10, 2019 Mineral Resource estimates and are based on open pit mine engineering and technical information developed at a Scoping level for the Spanish Mountain Gold deposit.
6. PEA Phase 1 Mine Plan and Mill Feed estimates are mined tonnes and grade, the reference point is the primary crusher.
7. Mining recovery of 97% and external mining dilution of 10.9% at 0.34 g/t Au grade is applied in addition to the modelled in-block dilution.
8. Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirement. Any other known legal, political, environmental, or other risks that could materially affect the potential development of the Mineral Reserves are detailed below in the section entitled "Forward-Looking Statements".
9. Estimates have been rounded and may result in summation differences.

Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Inferred mineral resources have insufficient confidence to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability suitable for public disclosure.

Processing of the mill feed is by means of a conventional process flowsheet including primary grinding, flotation, gravity concentration of cleaner tails, regrinding of the concentrate, and cyanidation via a CIL circuit to produce doré. The process achieves an average overall LOM gold recovery of 91%. A silver recovery of 27% is assumed for the life of the project. Tailings from the plant are stored in a tailings management facility that has been designed to minimize water above the dam. The balance of the site water is managed through a separate water management pond that includes a water treatment plant for any water to be discharged.

Capital Cost Summary

The following table summarizes the estimated capital costs:

Direct Costs	Initial Capital Cost (C\$ Million)
Overall Site	6.7
Open Pit Mining	70.2
Processing Plant (including Ore Handling)	77.4
Tailing Management Facility & Water Management	46.7
Environmental	12.0
On-Site Infrastructure	24.0
Off-Site Infrastructure	17.1
Sub-Total	254.1
Indirect Costs	
Project Indirects	58.9
Owner's Costs	9.3
Contingencies	41.5
Sub-Total	109.7
Total Initial Capital Cost	363.8

LOM sustaining capital requirements are estimated at C\$ 57.8 million.

Operating Cost Summary

Area	Unit Cost (C\$)
Mining (\$/t mined)	\$2.48
Mining (\$/t milled)	\$10.73
Processing (\$/t milled)	\$6.14
Tailings (\$/t milled)	\$0.16

G&A (\$/t milled)	\$2.06
Total (\$/t milled)	\$19.10

Other Assumptions used for the financial analysis are as follows:

- 99.8% payable gold and 90% payable silver.
- US\$1.00/oz. gold refining charges and US\$0.60/oz. silver refining charges.
- US\$1.00/oz. transport charges on produced gold and silver.
- 0.15% insurance on value of produced gold and silver.
- 1.5% NSR royalty.

Opportunities to Enhance Value

Although Spanish Mountain considers the PEA results for the base case to be excellent, future studies are anticipated to evaluate alternate development scenarios that would be used to enhance the overall value of the project beyond the Phase 1 base case that is the basis for the PEA. Minor changes to the process flowsheet may improve gold recovery. Furthermore, a staged development wherein the Phase 1 project is followed by expansion is one alternate scenario being considered. Moreover, the current pit-constrained resource is focused on only one portion of the overall deposit.

Qualified Persons

The Spanish Mountain PEA was completed by Moose Mountain Technical Services (MMTS) and was prepared under the supervision of the following independent consultants:

Qualified Person	Areas of Responsibility
Eric G. Schulte, P. Eng.	Geology and Exploration
Eric G. Schulte, P. Eng.	Mineral Resource Estimate
Eric G. Schulte, P. Eng.	PEA Consultant, Mine Plan, and Capital
Eric G. Schulte, P. Eng.	Energy and Processing
Eric G. Schulte, P. Eng.	Water Management, Environmental, and Permitting
Eric G. Schulte, P. Eng.	Reclamation

Eric G. Schulte, P. Eng., a Qualified Person (as defined under National Instrument 43-101) who is independent of Spanish Mountain has reviewed and approved this news release.

A NI 43-101 Technical Report is currently being prepared by MMTS and will be filed on SEDAR within 45 days of this news release.

About Spanish Mountain Gold

[Spanish Mountain Gold Ltd.](http://www.spanishmountaingold.com) is focused on advancing its flagship Spanish Mountain gold project in southern central British Columbia. The Company has prioritized the development of the first phase of the Project in which the pit-delineated high-grade core of the deposit is expected to sustain a stand-alone operation of 11 years. The potential viability of the Project's Phase 1 has been demonstrated in a Preliminary Economic Assessment. Additional information about the Company is available on its website: www.spanishmountaingold.com

On Behalf of the Board,
SPANISH MOUNTAIN GOLD LTD.

Larry Yau,
Chief Executive Officer

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Forward-looking statements or information relate to, among other things, the timing and scope of NI 43-101 technical reports in respect of the Spanish Mountain Gold Project, including a pre-feasibility study.

Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to: results from infill and exploration drilling, geotechnical studies, metallurgical studies, planning of tailings facilities, access to power supply, fluctuations in the spot and forward price of gold or certain other commodities; timing of receipt of permits and regulatory approvals; the sufficiency of the Company's capital to finance the Company's operations; geological interpretations and potential mineral recovery processes, changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which the Company may carry on business in the future; the uncertainties involved in interpreting geological data; business opportunities that may be presented to, or pursued by, the Company; operating or technical difficulties in connection with mining activities; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks).

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in the Company's continuous disclosure documents under the heading "Risk Factors". Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information.

The Company's forward-looking statements and information are based on the assumptions, beliefs, expectations and opinions of management as of the date of this press release, and other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking statements and information.

Cautionary Note Regarding Preliminary Economic Assessment

Preliminary Economic Assessment summarized herein is preliminary in nature and is based on measured and indicated mineral resources. A measured or indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. An inferred mineral resource is that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. Mineral resources, that are not mineral reserves, do not have demonstrated economic viability.

There is no certainty that the PEA will be realized.

Cautionary Note Regarding Mineral Resources and Mineral Reserves

Readers should refer to the Company's current technical reports and other continuous disclosure documents filed by the Company, available on SEDAR at www.sedar.com for further information the mineral resource estimates of the Company's projects, which are subject to the qualifications and notes set forth therein, as well as for additional information relating to the Company more generally.

Neither the Company, nor readers, should assume that all or any part of an inferred mineral resource will be upgraded to indicated or measured mineral resources. Most projects at the inferred mineral resource stage do not ever form the basis of feasibility or other economic studies, or achieve successful commercial production. Each stage of a project is contingent on the positive results of the previous stage and that there is a significant risk that the results may not support or justify moving to the next stage.

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