

**August 31, 2011**

## **Spanish Mountain Announces Commencement of Pre-Feasibility Study**

**Spanish Mountain Gold Ltd.** (the “Company”) (SPA-TSXV) is pleased to announce the commencement of a Pre-Feasibility Study (“PFS”) for the Spanish Mountain Gold Project (the “Project”). The PFS will refine the estimates of capital and operating costs that were the basis for the Preliminary Economic Assessment (PEA) completed by the Company in December 2010. The Company currently has ongoing resource definition, geotechnical, metallurgical and power supply studies underway, the results of which will form part of the PFS. The PFS will also examine the optimal mill throughput at the beginning of potential commercial production from the Project. The Company is now considering a smaller milling capacity of 25,000 tonnes per day to reduce capital expenditures and to exploit higher-grade, near surface resources for the first 3 years of production with an expansion to 40,000 tonnes per day for the remaining mine life. The PEA was based on a 40,000 tonnes per day capacity for the entire mine life.

The Company has retained Wardrop, A Tetra Tech Company (“Tetra Tech”), as Project Manager, to develop a National Instrument 43-101 compliant PFS. Tetra Tech will work with the following consultants for the PFS:

Knight Piésold Consulting	– Tailings design, waste water management, infrastructure geotechnical studies and environmental baseline studies
BGC Engineering Inc	– Geotechnical data review for the design of the open pit
Moose Mountain Technical Services	– Open pit optimization
Giroux Consultants Ltd.	– Resource estimates
SRK Consulting	– Acid Rock Drainage studies
Stantec	– Power Supply

Subsequent to the PEA, the Company has completed in excess of 18,000 metres of infill drilling in both the Main and North Zones. The results from this drilling will be incorporated in an updated resource model.

Extensive metallurgical testwork has already been completed by G&T Metallurgical and SGS Lakefield and a flowsheet for the recovery of gold from the deposit has been developed for the PFS.

The PFS is expected to be completed over a period of approximately six months. The Company may elect to initiate a feasibility study ("FS") during this six month period without prior completion of the PFS. The FS is expected to take approximately one year from the date on which the FS begins.

The Company recently announced that the Project has now entered the 'Pre-Application' phase of the Environmental Assessment and Permitting process with acceptance by both the British Columbia Environmental Assessment Office and the Canadian Environmental Assessment Agency of the Project Description for the Project. The Company signed a Protocol Agreement with the Williams Lake Indian Band in March, 2011 and continues to work collaboratively with other First Nations and communities.

## **About Spanish Mountain Gold**

Spanish Mountain Gold Ltd is focused on the responsible development of its flagship Spanish Mountain gold project in southern central British Columbia. The Company has more than \$20 million in working capital, has no debt and owns 100% of four gold properties located in British Columbia. Additional information about the Company is available on its website: [www.spanishmountaingold.com](http://www.spanishmountaingold.com)

On behalf of the Board,

## **SPANISH MOUNTAIN GOLD LTD**

Brian Groves

President and CEO

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*While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggests herein. Except as required by applicable law the Company does not intend to update any forward-looking statements to conform these statements to actual results.*

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