

August 27, 2012

Spanish Mountain Gold Provides Project Update

Spanish Mountain Gold Ltd. (“the Company”) (SPA-TSXV) provides the following update on its Spanish Mountain Gold Project (the “Project”) located in central British Columbia, Canada.

The Board of Directors and management of the Company have reviewed conceptual development plans for the Project and have determined that the potential viability of the mineral resources may benefit from certain changes in a possible production scenario and other parameters that include the following:

- The Company has been evaluating a possible production scenario of 25,000 tonnes per day (tpd) of mill feed followed by an expansion after three years of operation to 40,000 tpd. The new production scenario under consideration is to operate from the outset at 40,000 tpd, the same level contemplated in the Preliminary Economic Assessment completed for the Project during 2010.
- A possible extension of the project life from 10 years to 14 years at 40,000 tpd through revision of the proposed mine plan.
- A review of waste storage alternatives to minimize waste storage around the site.
- A review of the location of project infrastructure, including the process plant, to minimize haulage distances from the open pit.
- More detailed consideration of power line alternatives to provide adequate power for the 40,000 tpd operation.

The Company is considering these changes in conjunction with a timely update in the form of a Preliminary Economic Assessment (“PEA”).

It is anticipated that the PEA will be completed in October, 2012.

Morris Beattie, P.Eng, the Company’s Chief Operating Officer and the qualified person as defined under National Instrument 43-101, has reviewed and approved the contents of this news release.

Acquisition of Mineral Claims

The Company has completed the acquisition of certain mineral claims (the “Property”) from Acrex Ventures Ltd. The transaction was previously announced on a news release dated July 31, 2012.

Under the terms of the Mineral Claims Purchase Agreement, the Company paid \$500,000 cash and issued 2,000,000 common shares. The Company also granted a royalty and assumed a third-party royalty with the result that the Property shall be subject to a 4% net smelter return royalty (“NSR”). The Company may reduce the NSR to 2.0% by paying \$2,000,000 at any time after commencement of commercial production.

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, Canada. The Company 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

On Behalf of the Board,
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FORWARD LOOKING STATEMENTS: *Certain of the statements and information in this press release constitute “forward-looking statements” or “forward-looking information” Any statements or information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “anticipates”, “believes”, “plans”, “estimates”, “intends”, “targets”, “goals”, “forecasts”, “objectives”, “potential” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information.*

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 new PEA and subsequent 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 Mineral Resources and Mineral Reserves

Readers are advised that National Instrument 43-101 of the Canadian Securities Administrators requires that each category of mineral reserves and mineral resources be reported separately. 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.

Mineral resources, which are not mineral reserves, have a great amount of uncertainty as to their existence and do not have demonstrated economic or legal 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. 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.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.