



Independent Analysis of the Precious Metals Markets

*Flash Update*  
Tuesday, July 7, 2020

Dear Subscriber,

We will initiate half purchases in each of the following gold mining funds today:

- **GDXJ – VanEck Vectors Junior Gold Miners**  
Current price: 51.95
- **GOEX – Global X Gold Explorers**  
Current price: 33.40

As discussed in Monday's Weekly Update video, both of these mining funds are now breaking out of major 7-year Stage 1 bases. On a dual weekly close above 51.0 for the GDXJ, the intermediate target officially becomes 85.0:



On a dual weekly close for the GOEX above 32.0, the intermediate target becomes 54.0:



Gold itself is now within significant overhead resistance in the \$1,790 - \$1,823 spot zone.

However, we must evaluate each component of the metals complex on its own. Above we can see that the gold mining complex is breaking out. Thus, it is possible that any correction in gold may start from higher levels, and/or that the mining complex does not significantly correct as gold itself is retracing. In other words, the miners may finally be “sniffing out” that gold is set to break its all-time high in US dollars at \$1,923, either late this year or with higher probability in 2021.

We will initiate half positions only at this time, and attempt to buy the second half for each holding on any retracement. If the market does not give us that opportunity, we will buy the second half for each holding at slightly higher prices. Another Flash Update will be sent at that point.

We anticipate these purchases being long-term holdings for the leveraged portion of our portfolio. As a reminder, we encourage all investors to own a core holding of unleveraged physical gold and silver. Finally, we intend to continue searching for undervalued individual miners to invest in over the weeks and months ahead.

Thank you,  
Christopher Aaron, Editor  
[www.iGoldAdvisor.com](http://www.iGoldAdvisor.com)

## Company Research – Spanish Mountain Gold Ltd.



### Key Financials

US Symbol/Exchange	SPAZF / OTC	Insiders / Inst. Own	45%
Can Symbol/Exchange	SPA / Tor. Venture	Cash	\$1M (CAD)
Company Headquarters	Canada	Debt	0
Primary Operations	Canada	Revenue 2020 (est.)	0
Market Cap	\$24M (CAD)	EPS	0
Shares Outstanding	238M	P/E	N/A
Fully Diluted	270M	Dividend	0

### Key Mining Data

Gold Reserves (oz)	0	Operating Mines	0
Gold Resources (oz)	4.1M	Development Mines	1
Silver Reserves (oz)	0	Exploration Sites	1
Silver Resources (oz)	0	Cash Costs (per oz)	\$511
Production 2020 Est. (oz)	0	AISC (per oz)	\$549

Note: all figures USD unless otherwise indicated.

### Fundamental Analysis

Spanish Mountain Gold owns a large undervalued gold deposit in British Columbia, Canada. The wholly-owned mountain of the same name contains 4.1M oz of total gold resources. **The private placement in which we are participating is expected to raise \$2M CAD, with proceeds to be used exclusively for the completion of a pre-feasibility study (PFS).** The PFS will establish the basis for moving previously unclassified gold resources into the economic reserve category; it is a key milestone for a company moving toward a production decision.

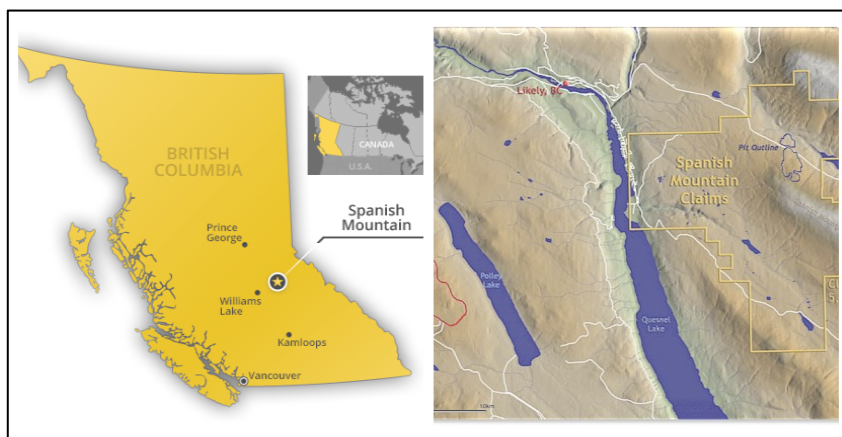
While Spanish Mountain has continued to advance its deposit over the last four years through drilling programs and mining studies, shares presently trade at less than half their 2016 levels; meanwhile, gold is some 24% above its respective 2016 peak.

An immense catch-up opportunity lies ahead when the market begins to properly recognize the value in Spanish Mountain's deposit.

Spanish Mountain's PFS is expected to be launched as soon as the current financing closes, with a completion date targeted for 12 months. We expect that when the company proves that most of the gold resource outlined in 2019's preliminary economic assessment (PEA) is indeed economic to mine, the market will re-rate the company accordingly.

Company research reports are fully updated once per six months on a rolling basis, for as long as we hold the position.

**Long-term subscribers:** So that you may quickly find new information which has been added since the last full report, **analysis that is new to this update appears in bold.** Key Financials and Key Mining Data are always updated for each report.



The jurisdiction of British Columbia is mining friendly, and has permitted six large metals mines since 2007. Spanish Mountain's management owns 20% of the outstanding share float; institutions own another 25%. The company has zero debt.

Spanish Mountain has the backing of two commodity-industry heavyweights: Donald Coxe, former CIO of BMO Capital Markets, sits on the Board of Directors and Jim Rogers, legendary commodities investor and founder of the Quantum hedge fund, is a special advisor to the company. With a combined 80+ years in the commodity world, these individuals have chosen to lend their backing to this company, and the support is telling: Spanish Mountain will likely serve as a personal leveraged option to rising gold prices over the years ahead for these two investors.

SPA's total 4.1M oz resource is measured relatively low-grade at 0.39 grams per tonne (g/t) gold. Yet the company is pursuing a dual-zone strategy: a higher grade (1.00 g/t) Main Zone would be mined first, followed by the remainder of the deposit approximately 10 years later. The second portion would be mined with cash flow generated from the Main Zone, at a future date when gold prices are expectantly higher.

An updated preliminary economic assessment (PEA) was completed in 2019, which outlines the strategy for the dual-phase mine. Spanish Mountain envisions a 10,000 tonne per day (tpd) processing plant, grading 1.00 grams per tonne (g/t), for total production of over 1.1M oz throughout an 11-year lifespan. Average annual production is seen at 104K oz.

When including the second zone, Spanish Mountain estimates the total mine will have a life of 30 years.

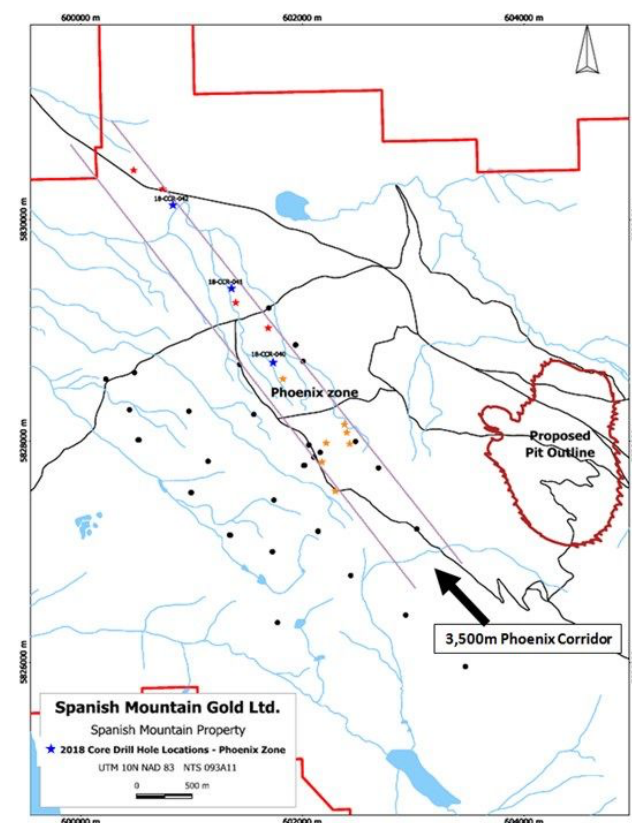
Under the PEA, all-in-sustaining costs (AISC) drops to a low \$549 per ounce, one of the lowest figures in the industry. For reference, mining industry averages are presently in the \$900 - \$1,00 range per ounce AISC. Total gold recovery is estimated at 91% through a combination of flotation, gravity scavenging, and cyanidation.

Initial capex is seen at \$273M, which is nearly \$100M lower than the previous 2017 estimate. At \$1,275 gold, the base case assumed for the study, the project has a post-tax payback period of 3.5 years, a net present value (NPV) of \$414M, and an internal rate of return (IRR) of 23%. However, at present gold prices above \$1,700, NPV doubles to \$856M, IRR improves to 37%, and the capex is paid back in just 2.4 years.

The company owns a separate deposit near its main site, dubbed Phoenix. Located 2km away, Phoenix shows minerology similar in grade: for example, 0.58 g/t gold over 92 meters, and 0.82 g/t over 55 meters. Due to the close proximity to the main zone, further drilling may result in an expansion of the mountain's total mineable resource. The map at right illustrates the location of these results in relation to the proposed Main Zone open pit. Phoenix is not yet included in Spanish Mountain's resource estimates.

An Archaeological Impact Assessment was completed in 2019: a collaboration with independent archaeologists and representatives from the three First Nations whose traditional territories lie within the project area. All three nations have accepted the study without raising any

		Gold Price						
Pre-tax:	Unit	\$1100	\$1200	\$1275*	\$1500	\$1600	\$1700	\$1800
NPV@5%	C\$mm	\$232	\$336	\$414	\$648	\$752	\$856	\$960
IRR	%	16	20	23	31	34	37	40
Payback of Initial Capex	Years	4.3	3.8	3.5	2.8	2.6	2.4	2.2
* PEA base case assumption								
Project economics based on 2019 PEA								





concerns, and no further work is needed to progress with the development activities outlined in the 2019 PEA. This is an important permitting step in the development of the proposed mine.

Technical Analysis

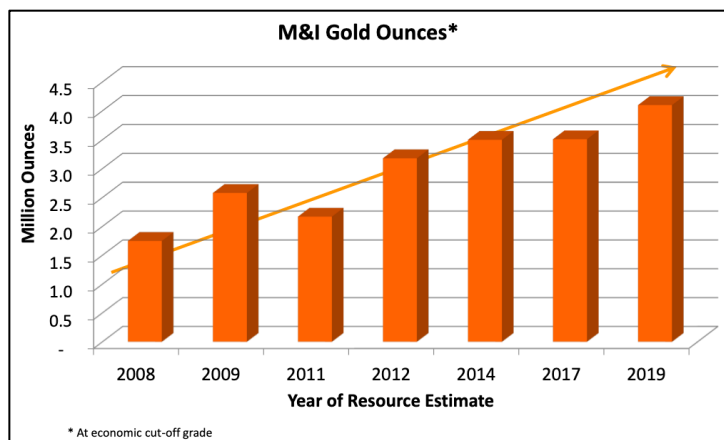


Turning to the zoomed-in chart: initial resistance for SPA stock exists in the \$0.13 - \$0.14 (CAD) cent range (black dashed lines). Initial support exists near \$0.08, with stronger support between \$0.04 - \$0.05. Rising trend support presently exists in the \$0.09 range (blue).

On the long-term chart, we see that Stage 1 base resistance is strong and distinct between \$0.16 - \$0.22 (CAD) per share (black). **Spanish Mountain is now within its 8th year of overall-sideways basing price action underneath this key resistance zone. There is little resistance visible above \$0.22 cents on the chart, and Spanish Mountain should begin a more aggressive advance once this level is broken.**

At \$1,375 gold in 2016, Spanish Mountain had a market cap of \$48M (CAD). Presently, with gold above \$1,700, the market is assigning a value of only half that (\$24M) to the entire company. This is an irrational valuation, as the deposit is now larger than it was in 2016, with two additional PEA's completed, along with gold itself being 24% higher than its 2016 peak.

For further comparison, in 2011, with gold approaching \$1,900, Spanish Mountain had a market cap of \$150M CAD. Still back then, the deposit had a resource estimate of only 2.1M oz. Today Spanish Mountain has demonstrated nearly twice as much gold, yet the market is assigning a value to the company of only 1/6<sup>th</sup> its 2011 level.



While risk always exists that the market will remain irrational longer than we expect, from a reward/risk perspective Spanish Mountain shares represent better value today than most large-cap gold miners, which are already more fairly valued. Downside risk in a declining gold price environment for both Spanish Mountain and large-cap gold miners is roughly on par at this juncture.

Thus, in Spanish Mountain we see greater reward potential with similar risk as compared to larger gold mining companies.

### Takeaway

Spanish Mountain is now raising \$2M CAD to complete a pre-feasibility study, a key milestone in the development-to-production lifecycle. The study should be completed within 12 months of commencement, and we expect a re-rating of Spanish Mountain's gold ounces upon a successful result.

While we believe that company shares represent an attractive valuation at this point, even greater upside will be captured by those investors participating via private placement. Private placement investors will receive a free full warrant good for two years, effectively doubling the upside potential once SPA's share price exceeds the \$0.15 CAD strike level.

In British Columbia and with well-connected directors, this is one of the safest long-term development-stage gold deposits. The project has been significantly de-risked over the past three years, with two PEA studies and an archaeological impact assessment already completed.

With a rise in gold back to 2011 levels and as the market begins to realize the undervalued nature of the deposit, we expect that Spanish Mountain will be re-rated back toward its respective 2011 peak. **Such would represent an 800% gain from present levels for Spanish Mountain.**

Risk is on par with other development-stage companies: if gold prices soften, the company's economics will degrade. If SPA cannot secure outside financing at regular intervals, it will not be able to continue developing the mine. Yet the support of Don Coxe and Jim Rogers lead us to believe the company will receive adequate funding at key junctures into the next decade.

**Spanish Mountain is a better company than it was in either 2016 or 2011, yet it is trading at a fraction of the those former values.**

**Rating:** BUY.

Recent Price	\$0.10 (CAD)	12 Month Tgt.	\$0.20 (CAD)	36 Month Tgt.	\$0.45 (CAD)
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