



SEABRIDGE GOLD

Annual Report 2010

Partners in Progress



Seabridge: Committed to Communities

At Seabridge Gold, being welcome in the communities where we operate is essential to our business. Any mining venture requires an extensive review by regulators who measure the project against established standards before permits are granted. But equally important is the “social” licence arising from general agreement by the community to support our enterprise. We believe we must earn our welcome by taking care of our social and environmental responsibilities. Meeting these obligations enables us to deliver the operational and financial results our shareholders expect.

Building Relationships

Strong, transparent relationships with communities must be built on trust and respect which are developed over time through communication and consultation. Seabridge is committed to frequent ongoing outreach within the Aboriginal and non-Aboriginal communities near our projects. Engaged communities bring their interests, expertise, skills and knowledge to any discussion, enabling us to develop responsible projects benefiting everyone.

KSM is a large project that has attracted a lot of interest and input from a diverse group of stakeholders and Aboriginal peoples. Seabridge is building relationships with its community stakeholders in the regional district of Kitimat-Stikine; Federal and Provincial regulators and government representatives; one Treaty Nation, the Nisga'a; and three First Nations – the Gitanyow (including *Wilp* Wii Litsxw), the Gitksan (including *Wilp* Skii Km Lax Ha), and the Tahltan. We are working toward establishing funding arrangements with each of the Treaty and First Nations to ensure that they are able to participate fully in the review of the project.

Seabridge began its community engagement in late February 2008, prior to designing the project, to determine sensitivities and expectations relating to the environmental effects and economic benefits of KSM. We have held community workshops, site tours, public open houses, and many meetings with Aboriginal groups and local governments. The KSM Working Group – which has met 12 times since inception in mid-2008 – addresses environmental issues and includes representation from all our Aboriginal stakeholders. This participation ensures that our project reflects the local knowledge of our Aboriginal partners.

On March 1, 2011, Seabridge opened a community office in the town of Smithers so that those interested in learning more about the KSM project have a place to visit and meet with Seabridge employees in person.

Courageous Lake is at an earlier stage in its development but community engagement began in 2002 and continued until the end of the initial drilling program in 2006. These activities included meetings, site tours and the sharing of environmental reports with Aboriginal and non-Aboriginal groups.

Engagement activities began again in April 2010, in advance of a new drilling program at Courageous Lake. Seabridge requested feedback from Aboriginal groups about the resumption of work programs and to provide input for proposed environmental studies. Seabridge held site visits in August and September 2010 and in April 2011, and community meetings in March 2011 to present the findings of its 2010 Environmental Baseline studies.

But, gaining your social license to operate takes more than meetings.

KSM Engagement

- Four Mining for Non-miners workshops and one school presentation for our Aboriginal partners.
- Nine site tours for our Aboriginal and non-Aboriginal stakeholders.
- Seven public forums in Aboriginal and non-Aboriginal communities.
- Five regional community and municipal meetings.
- 24 community meetings in our Aboriginal partners' communities.

Employment

Seabridge employs people from its Treaty and First Nations partners and local non-Aboriginal communities for environmental fieldwork, jobs in the project camps, and for other contracted work. Since 2006, this has provided more than 4,300 days of work to members of local Aboriginal communities near the KSM project (the full-time equivalent of more than sixteen years of employment); and more than 735 days of work in 2010 to citizens of the Lutsel K'e Dene, Tli Cho, Yellowknives Dene and Métis at Courageous Lake.

Capacity Development

Capacity building within local communities is another important way we do business. On the KSM project, Seabridge has provided funding for Aboriginal peoples' review of the Preliminary Economic Assessment of the project; Mining for Non-miners training for all of its Aboriginal partners; additional training funds and internships; and contributions for stakeholders to attend conferences, including the Mineral Exploration Roundup in Vancouver, as well as regional mining events throughout the province.

“We’ve had an open door communication and working relationship with Seabridge for three years and, at every step of the way, the company has worked diligently to keep us informed and involved on KSM. They’ve listened to what we have to say, addressed many of our concerns, and have been a good example of how industry can work successfully with the Gitxsan First Nation.”

–Cliff Sampere, Director – Sustainable Development, Gitxsan Chiefs Office

Respect for Cultural Values

Seabridge relies on the traditional knowledge of the Treaty and First Nations to avoid culturally sensitive areas and, as a result of this engagement, has made significant project design changes to accommodate Aboriginal peoples’ observations and concerns.

Areas of Cultural Significance: Treaty Creek is culturally significant to both the Nisga’a and the Tahltan Nations, as this creek is where their treaty was signed generations ago. Building a road along Treaty Creek Valley would have shortened the route to the proposed tailings management facility by about 30 kilometres. However, based on discussions with representatives from various Aboriginal groups, Seabridge chose a longer alternative route utilizing access up the Teigen Creek Valley to preserve Treaty Creek Valley.

Archaeological Discoveries: Seabridge has introduced procedures to address chance archaeological discoveries during work programs. Areas of archaeological potential have been screened by a licensed archaeologist. Based on the archaeological baseline work, both KSM and Courageous Lake have been designed to avoid any areas where archaeological finds could exist.

Caribou Migration: Local Aboriginal people in the Courageous Lake region have expressed concern in the past about exploration activity impacting caribou migration. While there is no direct evidence to indicate exploration activities affect caribou during their spring and fall migrations, we have responded to these concerns when planning exploration activities and developed a caribou protection plan. Since Seabridge began exploration in 2003, the caribou have not detoured around the site but have continued to pass through the area as before, demonstrating that our activities have had no impact on their population and migration patterns.

Sponsorship

Support and participation in community events and activities are another way Seabridge is working to become a participating member of its project communities. Over the past couple of years, Seabridge has sponsored a number of arts and sporting events; donated uniforms to local sports teams; retained trainers to deliver programming at the Tahltan’s 2010 Youth Conference; as well as supported and attended milestone celebrations such the centenary of the Tahltan Declaration and the Lutsel K’e Community Christmas.

“For the Tahltan Nation, we will only consider sustainable development projects that protect the eco-systems and natural resources of our territory, at the same time as build capacity and wealth within our Nation. Seabridge has been active in listening and responding to Tahltan feedback on KSM. These actions illustrate Seabridge is focused on making KSM a sustainable project.

–Nalaine Morin, Project Manager, Tahltan Heritage Resources Environmental Assessment Team (THREAT)

Now and Going Forward

We understand the importance of operating our business in cooperation with all relevant stakeholders and communities. This reflects our long-term commitment to maintaining a viable business, increasing value for our shareholders, improving employment and development opportunities for our host communities, and minimizing our environmental impacts. Our goal is to achieve a balance of economic prosperity, environmental stewardship and social responsibility.

Annual General Meeting of Shareholders

Wednesday, June 29, 2011

4:30 p.m. EDT

The Albany Club

91 King Street East

Toronto, Ontario M5C 1G3

Canada

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Corporate Overview

Seabridge Gold's resource base of gold, copper and silver is one of the world's largest. Our principal projects are located in Canada. Our objective is to grow resource and reserve ownership per share. Our risk-reducing strategy: acquire North American deposits; expand them through exploration; move them to reserves through engineering; and sell or joint venture them to established producers for mine construction and operation.

Stock Exchange Trading Symbols

"SEA" on Toronto Stock Exchange

"SA" on NYSE Amex

Forward-Looking Statements

We are making statements and providing information about our expectations for the future which are considered to be forward-looking information or forward-looking statements under Canadian and United States securities laws. These include statements regarding the proposed production scenarios in respect of our principal projects and our view of the gold market. We are presenting this information to help you understand management's current views of our future prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws. This information is based on a number of material assumptions, and is subject to a number of material risks, which are discussed in our annual MD&A contained in this document under the headings "Forward-Looking Statements" and "Risks and Uncertainties". We also refer shareholders to the more comprehensive discussion of forward-looking information in our Annual Information Form filed on SEDAR at www.sedar.com and our Annual Report on Form 40-F filed on EDGAR at www.sec.gov/edgar.shtml.

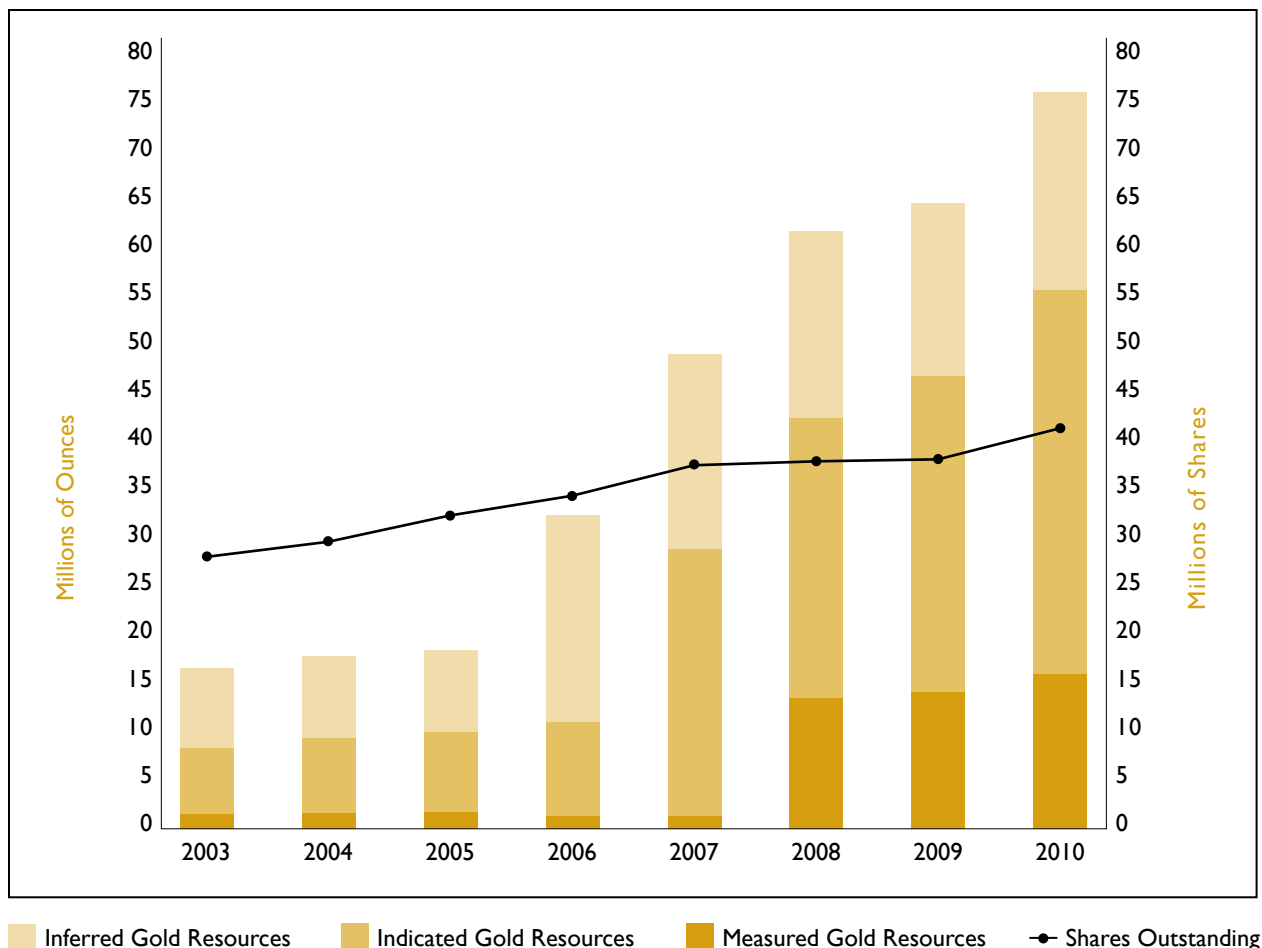
Report to Shareholders for 2010

To borrow from Dickens, 2010 was the best of times for our projects, but for our shareholders, not so much. On the project side, 2010 drilling significantly increased gold resources and reserves at our two core projects (KSM and Courageous). On the market side, our common shares underperformed the gold price and comparable peer group companies.

Exploration drilling at KSM and Courageous Lake continued to upgrade and grow mineral resources. During 2010, we added 8.9 million ounces of measured and indicated gold resources and another 2.6 million ounces of inferred. Our updated KSM Preliminary Feasibility Study ("PFS") substantially increased estimated proven and probable reserves and increased the expected project life from 37 years to over 50 years. At 38.5 million ounces of proven and probable gold reserves, KSM now stands as the largest undeveloped gold project in North America and one of the top five in the world.

During 2010, our shares outstanding increased by less than 3.5 million, resulting in another successful year of growing our gold resources per share.

Gold resources have grown more than ten times faster than shares outstanding



Unfortunately, our project success did not translate into share price success. Although our share price increased by 26.4% in 2010 (in U.S. dollar terms), we underperformed the gold price (+29.7%), the GDX Index (+33.1%) and the HUI Index (+33.4%). Our goal this year is to translate our project successes into better share price performance.

KSM – Bigger and Better!

An updated, independent National Instrument 43-101 compliant Preliminary Feasibility Study (“PFS”) was recently completed for our 100% owned KSM project located in northern British Columbia, Canada. Highlights of the new PFS, compared to the 2010 PFS, include:

- Increased reserves of 27% for gold, 42% for copper, 61% for silver and 22% for molybdenum.
- Extended mine life to 52 years from 37.
- Potential to expand throughput by 50% in the early years after start-up.
- Lowered Base Case cash operating cost of \$105 per ounce during first seven years of mine life.
- Reduced Base Case capital payback to 6.6 years or 13% of mine life.
- Improved Base Case total net cash flow by US\$4.5 billion.

The KSM project represents an extraordinary opportunity in the current economic environment. Estimated operating costs and total costs per ounce of gold produced are well below the current average of the major gold producers. At current metal prices and currency exchange rates, estimated life of mine cash operating costs are minus \$79 per ounce while total costs including all capital and closure costs are just \$220 per ounce. Projected capital costs are in line with those of comparable, large-scale undeveloped gold-copper projects and at current metal prices and currency exchange rates, capital payback takes only to 4.8 years or 9% of mine life. Furthermore, KSM has the advantage of being located in a low-risk jurisdiction.

The PFS envisages an open-pit mining operation at 120,000 metric tonnes per day (tpd) of ore fed to a flotation mill which would produce a combined gold/copper/silver concentrate for transport by truck to the nearby deep-water sea port at Stewart, B.C. and shipment to a Pacific Rim smelter. Extensive metallurgical testing confirms that KSM can produce a clean concentrate with an average copper grade of 25%, making it readily saleable. A separate molybdenum concentrate and gold-silver dore would be produced at the KSM processing facility.

The designed throughput of 120,000 tpd is the industry standard start-up capacity for large tonnage copper and copper-gold projects (even when reserves are large enough to justify greater rates of production) because it is the practical limit for developing the necessary working space for sufficient ore production to feed the plant in the early years of an open pit mine. Planned expansion comes later as mining capacity increases, allowing the project economics to be improved with higher throughput. In the new KSM PFS, the project has been designed to accommodate a 50% expansion in the early years of operation, essentially removing anticipated bottle-necks in advance. Start-up capital costs have been increased accordingly.

Waste to ore cut-offs for KSM were determined using metal prices of US\$990 per ounce for gold, US\$2.91 per pound for copper, US\$15.40 per ounce for silver and US\$15.00 per pound for molybdenum. Mineral reserves are stated as follows:

KSM Proven and Probable Reserves

Zone	Reserve Category	Tonnes (millions)	In Situ Average Grades				Contained Metal			
			Gold (gpt)	Copper (%)	Silver (gpt)	Molybdenum (ppm)	Gold (million ounces)	Copper (million pounds)	Silver (million ounces)	Molybdenum (million pounds)
Mitchell	Proven	617.9	0.64	0.17	3.06	60.2	12.6	2,279	61	82
	Probable	848.6	0.59	0.16	3.02	61.8	16.0	3,040	82	116
	Total	1,466.5	0.61	0.16	3.04	61.2	28.7	5,320	143	198
Iron Cap	Probable	334.1	0.42	0.20	5.46	48.4	4.5	1,490	59	36
Sulphurets	Probable	179.1	0.62	0.26	0.61	59.8	3.6	1,021	4	24
Kerr	Probable	212.7	0.25	0.46	1.28	Nil	1.7	2,155	9	Nil
Totals	Proven	617.9	0.64	0.17	3.06	60.2	12.6	2,279	61	82
	Probable	1,574.5	0.51	0.22	3.03	50.4	25.8	7,706	153	175
	Total	2,192.4	0.55	0.21	3.04	53.2	38.5	9,985	214	257

At 120,000 tonnes per day, annual throughput for the mill is estimated at 43.8 million tonnes. With 2.19 billion tonnes of proven and probable reserves, KSM's mine life is estimated at approximately 52 years. Production is scheduled to commence at the Mitchell deposit (years 1 to 40), to be augmented by Sulphurets (years 6 to 13), Kerr (years 14 to 36) and finally Iron Cap (years 38 to 52). Based on pit availability of ore and operating space, a potentially highly accretive ramp-up in production to 180,000 tonnes per day could be achieved prior to year 10 but this anticipated expansion is not included in cash flows.

At Mitchell, there is a near-surface higher grade gold zone that would allow for gold production in the first seven years substantially above the mine life average. This higher grade gold zone significantly reduces the project's payback period to approximately 6.6 years for the Base Case or within 13% of mine life. A payback period representing less than 20% of mine life is considered highly favorable. Metal production for the first seven years compared to life of mine average production is estimated as follows:

Average Annual Metal Production

	Years 1-7 Average	Life of Mine Average
Average Grades:		
Gold (grams per tonne)	0.83	0.55
Copper (%)	0.21	0.21
Silver (grams per tonne)	3.32	3.04
Molybdenum (parts per million)	42.5	53.2
Annual Production:		
Gold (ounces)	854,000	546,000
Copper (pounds)	166 million	157 million
Silver (ounces)	2.9 million	2.7 million
Molybdenum (pounds)	1.1 million	1.7 million

Start-up capital costs (including contingencies of US\$576 million) are estimated at US\$4.68 billion, approximately US\$1.3 billion above the start-up capital cost estimate from the 2010 PFS. Start-up capital costs are higher due to: (i) the increase in reserves which requires additional mine waste rock placement and storage as well as associated water diversions, storage dams and water treatment facilities; (ii) building into the design the flexibility to be able to increase production by 50% early in the project's life (essentially removing anticipated bottle-necks in advance); (iii) a more conservative estimated productivity rate during construction; (iv) higher labor rates compared to last year; and (v) equipment cost inflation. The design also includes five on-site, small energy recovery plants which would provide green power to the site and to the B.C. power grid.

Average mine, process and G&A operating costs over the project's life (including waste mining and on-site power credits) are estimated at US\$13.29 per tonne milled (before base metal credits). Estimated unit operating costs are up approximately 14% from the 2010 PFS due primarily to increased labor and diesel costs.

A Base Case economic evaluation was undertaken incorporating historical three-year trailing averages for metal prices as of April 15, 2011. This approach is consistent with the guidance of the United States Securities and Exchange Commission, is accepted by the Ontario Securities Commission and is industry standard. An Alternate Case was also constructed using a more conservative copper price approximately 40% below current market (assumes a significant worldwide recession) and gold and silver prices about 20% below current levels. Finally, a Spot Price Case was prepared using April 15, 2011 spot metal prices and currency exchange rates. The pre-tax economic results in U.S. dollars for all three cases are as follows:

Projected Economic Results

	Base Case	Alternate Case	Spot Price Case
Metal Prices:			
Gold (\$/ounce)	1,069	1,200	1,477
Copper (\$/pound)	3.04	2.60	4.27
Silver (\$/ounce)	18.12	36.00	42.57
Molybdenum (\$/pound)	17.35	17.35	17.00
Net Cash Flow	\$ 16.2 billion	\$ 18.8 billion	\$ 35.7 billion
NPV @ 5% Discount Rate	\$ 2.6 billion	\$ 3.3 billion	\$ 7.8 billion
IRR (%)	9.2	10.2	14.9
Payback Period (years)	6.6	5.9	4.8
Operating Costs Per Ounce of Gold Produced During Years 1 to 7	105	134	-110
Operating Costs Per Ounce of Gold Produced (life of mine)	231	272	-79
Total Costs Per Ounce of Gold Produced (includes all capital)	498	539	220
Cdn\$/US\$ Exchange Rate	0.93	0.93	1.04

Operating and total costs per ounce of gold are after base metal credits. Total costs per ounce include all start-up capital, sustaining capital and reclamation/closure costs.

It is important to note that even with the increased capital and operating costs, the base case net cash flow and payback periods have improved when compared to the 2010 PFS.

Courageous Lake – Back to Work on Our Other Core Asset!

From 2004 through 2006 we conducted a series of drill programs at Courageous Lake which were incorporated into a 2007 resource model. In March 2008, Seabridge released the results of a Preliminary Assessment in which the independent consultants concluded that an open-pit mining operation, with on-site processing, would be the most suitable development scenario for the Courageous Lake project. A base case scenario was developed proposing a 25,000 tonne per day operation (9.125 million tonne per year throughput) resulting in a projected 11.6 year operation with average estimated annual production of 500,500 ounces of gold at an estimated average cash operating cost of US\$435 per ounce recovered. The base case scenario utilized measured, indicated and inferred resources in the mine plan. Initial capital costs for the project were estimated at US\$848 million, including a contingency of US\$111 million. The total cost of gold production (including cash operating costs and total capital costs over the life of the mine) was estimated at US\$590 per ounce.

At a gold price of US\$690 per ounce, the base case pre-tax 5% net present value of the project was estimated at only US\$175 million. At that time, Seabridge was having extraordinary drilling success at KSM and decided to concentrate its efforts on moving KSM's resources to reserves. However, by early 2010 it became clear that at the then current gold price, economics at Courageous Lake were much improved over the 2008 base case. The March 2008 study estimated that at a gold price of US\$1,000, the 5% net present value improved to \$1.5 billion. Seabridge notes that a Preliminary Assessment incorporates inferred mineral resources which are considered too geologically speculative to be categorized as mineral reserves. In March 2010, Seabridge elected to complete an equity financing to provide the funds necessary to get back to work at Courageous Lake.

Resources at Courageous Lake are comparable in size to several other prominent Canadian gold projects that are generating multi-billion dollar valuations in the current market. However, gold grades at Courageous Lake are approximately double these comparably-sized assets.

After a four year exploration hiatus at Courageous Lake, in 2010 we completed 22,000 meters of core drilling (49 holes) designed to upgrade inferred resources to measured and indicated. Using the same cut-off grade as the 2007 resource model (to facilitate comparisons), we increased measured and indicated gold resources by 60% (to 6.8 million ounces) while the average grade of these categories improved by 5% (to 2.34 grams per tonne). In addition, the 2010 drilling found

new inferred resources (which now stand at 4.5 million ounces) and increased the average grade of the inferred by 13% (to 2.24 grams per tonne).

Courageous Lake's new resource model, along with additional engineering design work, is now being incorporated into an updated Preliminary Economic Assessment which is expected to be completed shortly. In addition, a \$7.3 million exploration program is planned at Courageous Lake for 2011 which is designed to: (i) upgrade remaining inferred resources within the current FAT deposit pit plan; (ii) complete geotechnical drilling required to move towards a Preliminary Feasibility Study ("PFS") and; (iii) look for new targets along the 53 kilometers of the Matthew's Lake greenstone belt held by Seabridge. The 2011 program will include approximately 20,000 meters of core drilling, divided into a winter program which has just been completed and a summer program commencing in June.

Report Card on 2010 Objectives:

In last year's annual report, seven objectives were set for 2010. The first objective was to conduct additional reserve definition drilling at KSM to convert 2 to 3 million ounces of the then existing mineral resources to proven and probable reserves. This objective was met. **Reserves at Mitchell, Sulphurets and Kerr increased by 3.8 million ounces of gold.**

The second objective for 2010 was to commence resource definition drilling at KSM's Iron Cap zone which we believed had the potential to host an additional 250 to 500 million tonnes of mineralized material. This objective was met. Drilling at Iron Cap defined an indicated resource of 362 million tonnes containing 5.1 million ounces of gold and 297 million tonnes of inferred resources containing an additional 3.4 million ounces of gold. Resource additions at Iron Cap more than offset the 2,875,000 shares of equity dilution from the March 2010 financing.

The third objective was to submit KSM's Environmental Assessment Application ("EAA") for review by the federal and provincial regulatory authorities, Treaty Nations, Aboriginal organizations and the general public. This objective was not met. Due to our success at defining significant new reserves at Iron Cap, the EAA submission was delayed to late 2011 to allow for the inclusion of Iron Cap in the project design.

The fourth objective was to undertake additional independent engineering work at KSM in order to complete an updated PFS in early 2011. As noted above, results of the updated PFS were announced in early May, meeting this objective.

The fifth objective was to re-commence drilling activities at Courageous Lake to upgrade inferred resources to measured and indicated. This objective was met. 2010 drilling at Courageous Lake converted 2.5 million ounces of inferred resources to measured and indicated. In addition, total resources grew by 1.1 million ounces.

The sixth objective was to undertake additional engineering and permitting work at Courageous Lake leading to an updated Preliminary Economic Assessment in the first quarter of 2011. The updated Preliminary Assessment is scheduled for completion in May, 2011, meeting this objective.

Finally, we undertook to continue the sales process of non-core assets. Remaining non-core projects included Grassy Mountain, Quartz Mountain and Red Mountain. Grassy Mountain has been optioned to Calico Resources in a transaction that could result in Seabridge owning a significant equity interest in Calico as well as providing Seabridge with either a 10% net profits interest in the project or a cash payment of \$10 million, at our option.

Objectives for 2011: Subject to Market Conditions, Commence Discussions to Move KSM into the Hands of a Major Mining Company While We Continue to Move Courageous Lake towards Final Feasibility

Seabridge's focus for 2011 is to continue to enhance the value of its two core projects, KSM and Courageous Lake. Our objectives for the next twelve months are as follows:

- With the completion of the updated PFS at KSM, we believe the project is now sufficiently well defined technically to facilitate its joint venture or sale to a major mining company on attractive terms for our shareholders. Accordingly, our discussions with major companies will now move towards specific deal terms once they have completed their review of the updated PFS reports, subject to market conditions.
- Complete KSM's Environmental Assessment Application for submission to the federal and provincial regulatory authorities, Treaty Nations, Aboriginal organizations and the general public. The closer a project is to final permits, the more valuable the project is to a partner or an acquiring company as risks and lead times to production have been reduced.
- Undertake additional engineering initiatives at KSM to continue to enhance the value of the project.

- Continue drilling activities at Courageous Lake to upgrade inferred resources to measured and indicated. Only measured and indicated resources can become proven and probable reserves.
- Look for new targets along the 53 kilometers of the Matthew's Lake greenstone belt. Existing resources at Courageous Lake are situated on only two kilometers of this 53 kilometer long gold-bearing greenstone belt.
- Undertake additional engineering and permitting work at Courageous Lake leading to completion of a Preliminary Feasibility Study in 2012, thereby defining the project's first proven and probable reserves.
- Continue the sales process of non-core assets. Remaining non-core projects include Quartz Mountain, Red Mountain and our early-stage Nevada exploration projects.

The Gold Market: Time to Buckle Up?

Is the gold market now approaching its moment of truth? The mainstream continues to ignore the relentless rise of the gold price, proclaiming each new high to be a "bubble" top, noting again and again that gold has no real use, cannot be eaten and pays no dividend or interest. But in our view, beneath the surface, confidence in the current monetary order is being eaten away by the twin cancers of rising debt and reckless monetary expansion. Are we approaching a major market dislocation which fundamentally changes the perceived value of gold?

The banking and credit crisis of 2008 is morphing into a sovereign debt and fiat currency crisis. Governments and central banks have expanded their balance sheets to mitigate the consequences of the credit collapse. In keeping with our dearly-held maxim that "there is no problem that government can't make worse", we believe that the misplaced attempts to resolve the last crisis are, once again, creating a bigger one. In our view, enormous tensions are building within the global financial system, tensions which are more dangerous than the forces which coalesced to create the panic of 2008. Once again, the markets do not appear to be discounting these possibilities, thereby increasing the risk of a major market dislocation.

To date, gold has performed roughly in parallel with base metals and other commodities. Our sense is that gold is now moving towards a divergence from commodities, reflecting increased fears of serial sovereign defaults, renewed concerns about the health of the banking sector and growing distrust of fiat currencies as stores of value. Although the U.S. remains at the epicenter of these developments, every major economy and currency is contributing to the growing instability as developed countries increase their already unmanageable debt levels and developing countries inflate their currencies to support the dollar and maintain "favorable" trade imbalances.

There are, in our view, three key assumptions that underpin the continuity of the existing monetary system: (1) a self-sustaining economic recovery is in progress; (2) governments will be able to return to fiscal balance via a combination of austerity and growth; and (3) central banks will be able to tighten monetary policy without major mishap and before price inflation spirals out of control. Our assessment is that each of these assumptions is false and each will be disproved over the next 12 months, creating the conditions for a highly dynamic gold market.

No Self-Sustaining Recovery

In the U.S., economic bulls, who appear to form a large majority, point to official data such as the GDP, a lower unemployment rate, miniscule core inflation and various diffusion and leading indices to paint a picture of recovery. By now, even the most resolute bulls must know that government data is suspect...that the GDP is only up in real terms because it is calculated using the lowest possible inflation measure, that the unemployment rate is down because discouraged workers are leaving the workforce, that the infamous birth/death model is “creating” thousands of hypothetical jobs in the housing sector, that core inflation has nothing to do with real consumers and so on.

Of course there is some evidence of growth... how could there not be with the amount of stimulus that has been thrown at the economy! The wonder is that reported growth is not better. Generously assume a 3% real growth rate for the U.S. economy. That's a return of only US\$450 billion a year from \$2 trillion in additional deficit spending to date and the current US\$900 billion annualized increase in the Federal Reserve's balance sheet. For more than a decade, the U.S. Federal Reserve has unsuccessfully attempted to make easy money a substitute for the accumulation of savings and investment. What happens when this level of stimulus is reduced? How does an economy with net negative savings (because of huge government deficit spending) generate real growth? Borrowing to support consumption, which is what federal government stimulus has done, does not create a sustainable recovery but it does add to the debt-drag, a major head-wind for future growth.

U.S. households are now receiving more cash handouts from the federal government than they are paying in taxes for the first time since the Great Depression. Fully 59% of all Americans now receive money from the federal government in one form or another. There are now about 7.5 million fewer jobs in America than there were in 2007 and the average length of unemployment has hit an all-time record of 39 weeks. These are not the indications of an economy in recovery. If you think that the U.S. is not representative of the world economy, think again. “Better off” Canada reports that 30% of households cannot pay their bills and 38% have no savings. As for the super-growth economies like China, how much of their reported expansion is real and how much is cash-induced unproductive activity funded by 17-20% annual increases in M2 money supply and a banking system that does not always expect repayment? Relying on China as the world's economic engine seems risky at best.

Developed Countries Cannot Return to Fiscal Balance

If economic growth does not accelerate, there is no way to avoid serial sovereign debt defaults, in our opinion. The enormous blow-out in spreads for Greek debt speaks for itself and Credit Default Swap markets are telling us that Greece is not alone. But the super-critical fiscal situation is unfolding in Washington, home of the world's reserve currency. The media debate has focused on President Obama's deficit reduction plan versus that of Paul Ryan, Republican Chairman of the House Budget Committee, as well as the theatrics of whether or not the debt ceiling will be raised in time to avoid a default. The real issue, it seems to us, is that even the more radical and aggressive Ryan plan falls well short of solving America's fiscal imbalance even assuming optimistic economic projections, a continuation of current historically-low interest rates and dramatic cuts to Medicare and Medicaid which are likely to prove politically difficult to achieve.

The Ryan plan claims to cut spending by US\$5.8 trillion over 10 years but it does not actually cut spending at all...it cuts the projected spending increases in the Congressional Budget Office's estimates. The CBO estimates that federal spending will grow 4.6% compounded annually for an average of \$205 billion a year. Ryan would reduce this to 2.7% compounded annually or about US\$110 billion a year, racking up another US\$5.1 trillion in red ink over the next 10 years and taking Treasury debt from US\$14.3 trillion today to more than US\$20 trillion by 2021. Last November's election results and the tea party's triumphs have accomplished nothing. At best, the sovereign fiscal situation will remain a destabilizing issue for many years to come. In the U.S., we expect to see continued monetization of debt and further weakening of the dollar, amounting to de facto default. This is no longer a radical position. Bill Gross, manager of the world's largest bond fund, writes in his April Investment Outlook that “if the USA were a corporation, then it would have a negative net worth of \$35-40 trillion...as pointed out by Mary Meeker and endorsed by such luminaries as Paul Volcker and Michael Bloomberg...” Gross expects default “deceptively” via a declining dollar.

Central Banks Cannot (Really) Tighten

Finally, we have the continuing expectation that central banks will be willing and able to tighten policy and take back the excess money they have printed once the economy is stronger and inflation becomes a threat. As noted above, we are not bullish on real economic growth. Central banks will therefore be under pressure to look tough while avoiding any real contraction in their balance sheets. The master here is the People's Bank of China which regularly raises reserve requirements and increases short term interest rates while maintaining a dollar peg which guarantees high ongoing rates of monetary expansion. China's trade objectives trump monetary stability just as they also do in Japan, Brazil, Indonesia and a host of other countries where the demand for physical gold is also rising, not surprisingly.

The critical player is, once again, in Washington, home to the world's central bank, the one that is exporting money-printing to the rest of the globe. Its \$600 billion QE2 monetary easing program ends in June, 2011. Bill Gross estimates that so far this year, the Fed has accounted for 70% of the Treasury market, effectively monetizing the federal budget deficit during this period. He asks who will replace the Fed and buy Treasuries when QE2 comes to an end. Not him. He announced at the end of February that his fund, PIMCO, was no longer a holder of Treasuries. We expect to see QE3 before Christmas. It will be brought on to provide a needed bid for the bond market and to shore up the equity markets which rely far more on excess liquidity than on earnings to levitate at current levels. Governor Bernanke has told us in no uncertain terms that the performance of stocks is now a key factor in Fed policy.

Nor can the Fed simply increase interest rates as the markets expect. There is a great deal of difference between raising rates by contracting the money base (currency in public hands and commercial bank reserves held at the Fed) and raising rates while leaving the money base at its current enormously inflated size. If rates are increased without a huge reduction in the money base, excess money will flow into the economy, money that is currently being held as unproductive cash because interest rates are so low. Raising rates will reduce the preference for holding cash, increasing its "velocity" with major inflationary consequences. Dr. John Hussman has calculated that a .25% increase in the T-Bill rate would require a complete unwinding of QE2 to avoid a severe inflationary outcome (see his April 11, 2011 commentary). Recent statements by Fed Governor Charles Plosser clearly agree with this assessment. What would be the impact on the economy and investor confidence of a US\$600 billion contraction in base money? If the Fed cannot increase rates, what are the implications for the dollar and gold?

A Volatile Year

For those who have owned gold and gold stocks, the last decade has been challenging but rewarding. We expect this trend to continue and accelerate in what is likely to be a volatile 2011. Our aim this year at Seabridge is to provide our shareholders with a larger share of the gains we have made in the value of our assets.

On behalf of our directors, employees and shareholders, I would like to thank Rod Chisholm for his dedicated years of service to the Company as CFO and wish him well in his retirement.

On behalf of the Board of Directors,



Rudi P. Fronk
President and Chief Executive Officer
May 2, 2011

Mineral Reserves and Resources

The following tables provide a breakdown of Seabridge's National Instrument 43-101 compliant mineral reserves and resources by project. Seabridge notes that mineral resources that are not mineral reserves do not have demonstrated economic viability.

KSM Proven and Probable Reserves

Zone	Reserve Category	Tonnes (millions)	In Situ Average Grades				Contained Metal			
			Gold (gpt)	Copper (%)	Silver (gpt)	Molybdenum (ppm)	Gold (million ounces)	Copper (million pounds)	Silver (million ounces)	Molybdenum (million pounds)
Mitchell	Proven	617.9	0.64	0.17	3.06	60.2	12.6	2,279	61	82
	Probable	848.6	0.59	0.16	3.02	61.8	16.0	3,040	82	116
	Total	1,466.5	0.61	0.16	3.04	61.2	28.7	5,320	143	198
Iron Cap	Probable	334.1	0.42	0.20	5.46	48.4	4.5	1,490	59	36
Sulphurets	Probable	179.1	0.62	0.26	0.61	59.8	3.6	1,021	4	24
Kerr	Probable	212.7	0.25	0.46	1.28	Nil	1.7	2,155	9	Nil
Totals	Proven	617.9	0.64	0.17	3.06	60.2	12.6	2,279	61	82
	Probable	1,574.5	0.51	0.22	3.03	50.4	25.8	7,706	153	175
	Total	2,192.4	0.55	0.21	3.04	53.2	38.5	9,985	214	257

Mineral Resources (Includes Mineral Reserves as Stated Above)

Project	Cut-Off Grade (g/T)	Measured Resources								
		Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:	0.5									
	Gold									
Mitchell	Equiv.	677,600	0.64	13,943	0.17	2,539	3.2	69,713	58	86.6
Courageous Lake	0.83	12,584	2.52	1,020	—	—	—	—	—	—
Quartz Mountain	0.34	3,480	0.98	110	—	—	—	—	—	—
Red Mountain	1.00	1,260	8.01	324	—	—	—	—	—	—
Castle/Black Rock	0.25	4,120	0.57	75	—	—	—	—	—	—
Total Measured Resources			15,472		2,539		69,713		86.6	

Indicated Resources										
Project	Cut-Off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:										
Mitchell		1,069,500	0.59	20,287	0.17	4,007	3.2	110,033	60	141.4
Sulphurets	0.5	199,300	0.63	4,037	0.26	1,142	0.7	4,485	59	25.9
Kerr	Gold	241,200	0.25	1,939	0.47	2,499	1.2	9,306	—	—
Iron Cap	Equiv	361,700	0.44	5,117	0.21	1,674	5.4	62,796	47	37.5
KSM Total		1,871,700	0.52	31,380	0.23	9,322	3.1	186,620	57	204.8
Courageous Lake	0.83	77,582	2.31	5,762	—	—	—	—	—	—
Grassy Mountain	0.55	18,657	1.54	924	—	—	—	—	—	—
Quartz Mountain	0.34	54,330	0.91	1,591	—	—	—	—	—	—
Red Mountain	1.00	340	7.04	76	—	—	—	—	—	—
Castle/Black Rock	0.25	8,260	0.53	140	—	—	—	—	—	—
Total Indicated Resources				39,873		9,322		186,620		204.8

Measured plus Indicated Resources										
Project	Cut-Off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:										
Mitchell		1,747,100	0.61	34,230	0.17	6,546	3.2	179,746	59	228.0
Sulphurets	0.5	199,300	0.63	4,037	0.26	1,142	0.7	4,485	59	25.9
Kerr	Gold	241,200	0.25	1,939	0.47	2,499	1.2	9,306	—	—
Iron Cap	Equiv	361,700	0.44	5,117	0.21	1,674	5.4	62,796	47	37.5
KSM Total		2,549,300	0.55	45,323	0.21	11,861	3.1	256,333	57	291.4
Courageous Lake	0.83	90,166	2.34	6,782	—	—	—	—	—	—
Grassy Mountain	0.55	18,657	1.54	924	—	—	—	—	—	—
Quartz Mountain	0.34	57,810	0.92	1,701	—	—	—	—	—	—
Red Mountain	1.00	1,600	7.78	400	—	—	—	—	—	—
Castle/Black Rock	0.25	12,380	0.54	215	—	—	—	—	—	—
Total Indicated Resources				55,345		11,861		256,333		291.4

Inferred Resources										
Project	Cut-Off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:										
Mitchell		551,000	0.43	7,617	0.14	1,700	3.1	54,917	47	57.1
Sulphurets	0.5	160,500	0.53	2,735	0.16	566	1.1	5,676	34	12.0
Kerr	Gold	91,500	0.23	677	0.30	605	0.7	2,059	—	—
Iron Cap	Equiv	297,300	0.36	3,441	0.20	1,310	3.9	37,278	60	39.3
KSM Total		1,100,300	0.41	14,470	0.17	4,181	2.8	99,930	49	108.4
Courageous Lake	0.83	63,053	2.24	4,541	—	—	—	—	—	—
Grassy Mountain	0.55	1,722	1.10	61	—	—	—	—	—	—
Quartz Mountain	0.34	44,800	0.72	1,043	—	—	—	—	—	—
Red Mountain	1.00	2,079	3.71	248	—	—	—	—	—	—
Castle/Black Rock	0.25	7,950	0.37	93	—	—	—	—	—	—
Total Indicated Resources				20,456		4,181		99,930		108.4

Management's Discussion and Analysis

The following is a discussion of the results of operations and financial condition of Seabridge Gold Inc. and its subsidiary companies for the years ended December 31, 2010, 2009 and 2008. This report is dated March 31, 2011 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2010, 2009 and 2008, the Company's Annual Information Form filed on SEDAR at www.sedar.com, and the Annual Report on Form 40-F filed on EDGAR at www.sec.gov/edgar.shtml. Other corporate documents are also available on SEDAR and EDGAR as well as the Company's website www.seabridgegold.net. As the Company has no operating project at this time, its ability to carry out its business plan rests with its ability to sell projects or to secure equity and other financings. All amounts contained in this document are stated in Canadian dollars unless otherwise disclosed.

Company Overview

Seabridge Gold Inc. is a development stage company engaged in the acquisition and exploration of gold properties located in North America. The Company is designed to provide its shareholders with exceptional leverage to a rising gold price. The Company's business plan is to increase its gold ounces in the ground but not to go into production on its own. The Company will either sell projects or participate in joint ventures towards production with major mining companies. During the period 1999 through 2002, when the price of gold was lower than it is today, Seabridge acquired 100% interests in eight advanced-stage gold projects situated in North America. Subsequently, the Company acquired a 100% interest in the Noche Buena project in Mexico. As the price of gold has moved higher over the past several years, Seabridge has commenced exploration activities and engineering studies at several of its projects. The Company sold the Noche Buena project for US\$25 million (\$30,842,000) in December 2008 and residual interests therein for US\$10.1 million in 2010. Seabridge's principal projects include the Courageous Lake property located in the Northwest Territories and the KSM (Kerr-Sulphurets-Mitchell) property located in British Columbia. Seabridge's common shares trade in Canada on the Toronto Stock Exchange under the symbol "SEA" and in the United States on the NYSE Amex stock exchange under the symbol "SA".

Selected Annual Information

Summary operating results (\$)	2010	2009	2008
Interest income	440,000	478,000	621,000
Gain on sale of Noche Buena project	10,180,000	—	19,891,000
Operating costs	5,975,000	5,050,000	5,595,000
Profit (Loss)	3,540,000	(4,679,000)	10,290,000
Basic Profit (Loss) per share	0.09	(0.12)	0.28
Diluted Profit (Loss) per share	0.09	(0.12)	0.27

Summary balance sheets (\$)	2010	2009	2008
Current assets	35,816,000	10,550,000	39,323,000
Mineral interests	128,641,000	91,214,000	69,029,000
Total assets	178,132,000	103,401,000	109,802,000
Total long-term liabilities	1,421,000	2,393,000	1,999,000

Results of Operations

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The net profit for the year ended December 31, 2010 was \$3,540,000 or \$0.09 per share compared to a net loss of \$4,679,000 or \$0.12 per share for 2009. In December 2010, the Company sold its Noche Buena project residual interests for gross proceeds of \$10.2 million before income taxes of \$3.1 million. In 2009, the Company recorded income tax expense of \$171,000 compared to a 2010 income tax expense of \$2,751,000 which is net of an income tax recovery amounting to \$303,000. The 2009 amount was calculated to recognize the difference in unused income tax pools between the federal and Ontario provincial balances as the province moved to a combined federal regime. The 2010 recovery amount relates to the reversal of a valuation allowance to offset income taxes recorded on unrealized gains in other comprehensive income. The Company's interest income from cash investments was down in 2010, at \$440,000 compared with \$478,000 in 2009 when interest rates were significantly higher. Corporate and general expenses were higher in 2010 compared to 2009, due principally to compensation expense as bonuses in 2010 also included amounts which were dependent on the finalization of the preliminary feasibility study on KSM which was released in March 2010. The higher compensation expense was offset by stock option expenses being \$453,000 compared to \$1,481,000 in 2009. In 2010, the Company reported a net gain on foreign

exchange of \$1,160,000 compared to a loss of \$18,000 in 2009. The 2010 gain was principally attributed to a gain when the funds received from the US dollar equity financing were converted into Canadian dollars.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The net loss for the year ended December 31, 2009 was \$4,679,000 or \$0.12 per share compared to a net profit of \$10,290,000 or \$0.28 per share for 2008. In December 2008, the Company sold the Noche Buena project for gross proceeds of US\$25 million (\$30,842,000) and recorded a net gain of \$19,891,000 before income taxes of \$5,593,000. In 2009, the Company recorded income tax expense of \$171,000 compared to a 2008 income tax expense of \$5,593,000 net of an income tax recovery amounting to \$587,000. The 2009 amount was calculated to recognize the difference in unused income tax pools between the federal and Ontario provincial balances as the province moved to a combined federal regime. The 2008 recovery amount relates to the renouncing of Canadian Exploration Expenses to the investors of flow-through financings. The Company's interest income from cash investments was down in 2009, at \$478,000 compared with \$621,000 in 2008 with lower cash balances to invest and lower interest rates. Corporate and general expenses were lower in 2009 compared to 2008, due to stock option expenses being \$371,000 less along with other smaller expense reductions. In 2008, the Company reported a gain on foreign exchange of \$378,000 compared to a loss in 2009 of \$18,000 as the US dollar and Mexican peso moved favourably compared to the Canadian dollar in 2008 when there were significant transactions in those currencies.

Quarterly Information

Selected financial information for each of the last eight quarters ended December 31, 2010 is as follows (unaudited):

	4th Quarter Ended December 31, 2010	3rd Quarter Ended September 30, 2010	2nd Quarter Ended June 30, 2010	1st Quarter Ended March 31, 2010
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (Loss) for period	\$ 5,638,000	\$ (527,000)	\$ (1,644,000)	\$ 73,000
Basic Profit (Loss) per share	\$ 0.14	\$ (0.01)	\$ (0.04)	\$ –
Diluted Profit (Loss) per share	\$ 0.14	\$ (0.01)	\$ (0.04)	\$ –

	4th Quarter Ended December 31, 2009	3rd Quarter Ended September 30, 2009	2nd Quarter Ended June 30, 2009	1st Quarter Ended March 31, 2009
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (Loss) for period	\$ (1,269,000)	\$ (1,135,000)	\$ (1,278,000)	\$ (997,000)
Basic Profit (Loss) per share	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)
Diluted Profit (Loss) per share	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)

The profit for the fourth quarter of 2010 was due to the \$10.2 million profit from the sale of the residual interests in the Noche Buena project in Mexico net of related income taxes of \$3.1 million.

Mineral Interest Activities

During the year ended December 31, 2010, the Company incurred expenditures of \$39,215,000 (on an accrual basis) on mineral interests compared to \$23,178,000 in the year ended December 31, 2009. In 2010, the majority of expenditures were \$28,905,000 on KSM and \$9,624,000 on Courageous Lake. In 2010, the Company released a Preliminary Feasibility Study including the first mineral reserves on the KSM project. The 2010 drilling resulted in new mineral resources being announced in early 2011 and an updated Preliminary Feasibility Study is scheduled for completion in April 2011. At Courageous Lake, 2010 work undertaken included drilling and engineering, environmental and metallurgical studies which resulted in new mineral resources being announced in early 2011 and will culminate with the release of a revised Preliminary Economic Assessment in 2011, followed by a Preliminary Feasibility Study in 2012.

In 2010, the Company had received proceeds of convertible debenture and shares amounting to \$680,000 from the final payments due on the Hog Ranch property sale. The value of the conversion feature of the debenture has subsequently risen. Also in 2010, the Company reported a gain of \$10,180,000 from the sale of its residual interests in the Noche Buena project which it originally sold in 2008.

Liquidity and Capital Resources

Year Ended December 31, 2010

In March 2010, the Company closed a prospectus financing in the United States and Canada and raised gross proceeds of US\$65,837,500 (\$67,944,300) through the issuance of 2,875,000 common shares and in December 2010, sold its residual interests in the Noche Buena project for \$10,180,000 before income taxes of \$3,053,000. During 2011, the Company plans to continue to advance its two major gold projects, KSM and Courageous Lake in order to either sell them or joint venture them towards production with major mining companies. In addition, it is in the process of selling off its other properties.

The Company's working capital position, at December 31, 2010, was \$32,047,000 up from \$9,141,000 at the end of 2009. In 2010, the Company received \$7,126,000 net of income taxes from the sale of its Noche Buena interests and \$5,969,000 (2009 - \$967,000) from the exercise of stock options. Cash and short-term deposits at December 31, 2010 totalled \$30,756,000 up from \$9,287,000 at December 31, 2009. At December 31, 2010, the Company also has an \$11 million two year bank guaranteed investment which is considered a long-term asset. Operating activities used \$8,625,000 in 2010 which includes \$3,103,000 for income taxes, compared to \$8,533,000 in the prior year, while cash expenditures on mineral interests were \$37,763,000 compared to \$21,667,000 of cash expenditures in 2009.

Contractual Obligations (\$,000)

	Total	Payments due by Period			
		2011	2012-14	2015-16	After 2016
Mineral interests	5,760	876	2,377	1,567	940
Reclamation liabilities	1,343	—	312	—	1,031
Business premises operating lease	151	113	38	—	—
	7,254	989	2,727	1,567	1,971

Amounts shown for mineral interests include option payments and mineral lease payments that are required to maintain the Company's interest in the mineral projects.

Outlook

During 2011, the Company plans to continue to advance its two major gold projects, KSM and Courageous Lake in order to either sell them or joint venture them towards production with major mining companies. In addition, it will continue to sell off its other properties while at the same time ensuring that funding is available for its project development plans, holding costs and corporate requirements.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2010, the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

Internal Controls Over Financial Reporting

The Company's management, under the supervision of the CEO and the CFO, are responsible for establishing and maintaining the Company's internal controls over financial reporting. Management conducted an evaluation of internal controls over financial reporting based on the framework established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal controls over financial reporting were effective as at December 31, 2010.

Shares Issued and Outstanding

At March 31, 2011, the issued and outstanding common shares of the Company totalled 41,355,185. In addition, there were 2,071,000 stock options granted and outstanding (of which 1,770,000 were not exercisable). Assuming the exercise of all outstanding options, there would be 43,426,185 common shares issued and outstanding.

Related Party Transactions

During the year ended December 31, 2010, a private company controlled by a director of the Company was paid \$38,100 (2009 – \$39,000) for technical services provided by his company related to mineral properties; a private company controlled by a second director was paid \$440,000 (2009 – \$200,000) for corporate consulting services rendered; and a third director was paid \$16,300 (2009 – \$18,200) for geological consulting. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Changes in Accounting Standards Not Yet Adopted

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Institute of Chartered Accountants (the “CICA”) announced that Canadian Generally Accepted Accounting Principles “GAAP” for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. The CICA announcement also stated that the IFRS to be used for financial statement purposes were those in effect as at December 31, 2011 and therefore the Company’s financial reporting for the first three quarters of 2011 and any public disclosures prior to December 31, 2011 will be based on the Company’s expectations of IFRS as at the subsequent date of December 31, 2011. While it is not expected that IFRS will change significantly prior to December 31, 2011, there is no assurance that IFRS will not change. As at December 31, 2010, the Company continues to undertake its thorough review and detailed project plan to evaluate the potential key impact areas and the options available under IFRS. The changes to IFRS are not expected to have any impact on the cash flows or the controls of the Company.

The Company believes the project to transition to IFRS is well advanced and, based on current and expected future IFRS, the initial key impact areas preliminarily identified by the Company which will impact financial statement presentation and disclosure are: asset retirement obligations; impairment testing of assets; foreign currency translation, exploration costs, stock-based compensation, flow-through shares and income tax provisions. The Company expects to be able to fully comply with the regulatory timeframes established for the transition to IFRS.

IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”) sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to the deficit account unless certain exemptions are applied. Based on current and expected future IFRS, the Company expects to apply the following exemptions to its opening balance sheet at January 1, 2010:

Asset Retirement Obligations and Asset Retirement Costs

Under current IFRS, the amortization of the discount (accretion) is shown as a financing cost, rather than as an operating cost as required under GAAP.

Under GAAP, the Company discounts asset retirement obligations using the historical rate in effect when the asset retirement obligations were established. Under current IFRS, the asset retirement obligations are recalculated using current estimates and a current risk free rate which will be updated every reporting period. The Company expects that on transition to IFRS, a significantly lower discount rate will be used which will result in an increase to the asset retirement obligations and asset retirement costs and an increase in the deficit account.

Exploration and Evaluation

The Company has the option to retain its existing policy or to adopt a new accounting policy. The Company has elected to retain its current policy with some enhancements.

Stock Options

The Company has the option to apply the requirement of IFRS 2 share-based payments to equity instruments that were granted after November 7, 2002 and vested before January 1, 2010 or apply the requirements of IFRS 2 only to share-based payments that were not vested as of January 1, 2010. The Company has elected to apply the requirements of IFRS 2 to share-based payments that were not vested as of January 1, 2010.

Foreign Non Monetary Assets and Liabilities

The Company will be required to recognize a deferred tax liability related to its assets held in foreign jurisdictions due to changes in foreign exchange rates over the term of the Company holding such assets and exploring the properties. The amounts kept on the books of the Company are maintained based on historical exchange rates while the value for income taxes is based on the current exchange rate at January 1, 2010. The Company will set up a deferred tax liability with a corresponding charge to the deficit account.

Flow-through Shares

There has not yet been a pronouncement by the International Accounting Standards board on the treatment of flow-through shares, however it appears likely that treatment of flow-through shares will be handled similarly to that as used under US GAAP. Under US GAAP when flow-through shares are issued, the proceeds are allocated between the issue of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount that the investor pays for the shares. The shareholders' equity is reduced and a liability is recognized for this difference. The liability is reversed when the tax benefits are renounced and a deferred tax liability recognized at that time. The Company has issued flow-through shares in the past and consequently at January 1, 2010, if this treatment is confirmed there would be a reduction of the common shares account and in the deficit account on the balance sheet.

Risks and Uncertainties

The following discussion on risks and uncertainties should be read in conjunction with documentation contained in the Company's Annual Information Form filed on SEDAR at www.sedar.com, and the Annual Report on Form 40-F filed on EDGAR at www.sec.gov/edgar.shtml.

Metal Prices

Factors beyond the control of the Company affect the price and marketability of any gold or other minerals discovered. Metal prices have fluctuated widely, particularly in recent years and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, faith in paper currencies, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted. However, as the Company is highly leveraged to the price of gold, fluctuations in the gold price should have an even greater impact on the price of the Company's shares.

Uncertainty of Mineral Resources

The Company reports mineral resources and mineral reserves in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. securities laws. Mineral resources and mineral reserves have been prepared in accordance with the Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining and Metallurgy and Petroleum Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the requirements of the SEC, including Industry Guide 7 under the US Securities Act of 1933.

The statements of mineral resources and mineral reserves disclosed by the Company are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Such estimates necessarily include presumptions of continuity of mineralization which may not actually be present. Market fluctuations and the prices of metals may render mineral resources and mineral reserves uneconomic. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The Company's mineral projects are in various stages of development, and only the Company's KSM project contains mineral reserves. The Company's ability to put these properties into production will be dependent upon the results of further drilling and evaluation. There is no certainty that expenditure made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. The mineral resources and mineral reserves have been determined and valued based on assumed mineral prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for minerals may render portions of the Company's mineralization as uneconomic and result in reduced reported mineralization. Greater assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic, but such studies remain subject to the same risks and uncertainties.

Exploration and Development Risks

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore. Major expenses may be required to establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current development programs planned by the Company will result in a profitable commercial mining operation. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has limited experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company has relied and may continue to rely upon consultants for development and operating expertise. The economics of developing mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined and fluctuations in the price of minerals produced. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Although precautions to minimize risk will be taken, processing operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

Mineral Deposits and Production Costs

Mineral deposits and production costs are affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of any ore ultimately mined may differ from that indicated by drilling results. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that any gold, copper or other minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale heap leaching.

Currency Exchange Rate Fluctuation

The minerals present in the Company's projects are sold in U.S. dollars and therefore projected revenue of its projects is in U.S. dollars. The Company's material properties are located in Canada and therefore its projected expenses for developing its projects are in Canadian dollars. The prefeasibility report and preliminary assessments on the KSM and Courageous Lake projects use a U.S. dollar value for all projected expenses by converting projected Canadian dollar expenses into U.S. dollars. To the extent the actual Canadian dollar to U.S. dollar exchange rate is less than or more than these estimates, the profitability of the projects will be more than or less than that estimated in the preliminary assessments, respectively (if the other assumptions are realized).

Financing Risks

The Company has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. The exploration of the Company's mineral properties is, therefore, dependent upon the Company's ability to obtain financing through the sale of projects, joint venturing of projects, or equity financing or other means. Such sources of financing may not be available on acceptable terms, if at all. Failure to obtain such financing may result in delay or indefinite postponement of exploration work on the Company's mineral properties, as well as the possible loss of such properties. Any transaction involving the issuance of previously authorized but unissued shares of common or preferred stock, or securities convertible into common stock, could result in dilution, possibly substantial, to present and prospective holders of common stock. These financings may be on terms less favorable to the Company than those obtained previously. The Company has stated that its business plan is to increase gold ounces in the ground but not to go into production on its own.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Competition

The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Environmental and other Regulatory Requirements

The Company's potential mining and processing operations and exploration activities are subject to various laws and regulations governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, the Company is operating in compliance with all applicable environmental regulations.

Political Risk

Properties in which the Company has, or may acquire, an interest are, or may be, located in areas of Canada or the United States which may be of particular interest or sensitivity to one or more interest groups, including aboriginal groups claiming title to land. The Company's material properties are in British Columbia and the Northwest Territories of Canada and are in areas with a First Nations presence. Consequently, mineral exploration and mining activities in those areas may be affected in varying degrees by political uncertainty, expropriations of property and changes in applicable government policies and regulation such as tax laws, business laws, environmental laws, native land claims entitlements or procedures and mining laws, affecting the Company's business in those areas. Any changes in regulations or shifts in political conditions are beyond the control or influence of the Company and may adversely affect its business, or if significant enough, may result in the impairment or loss of mineral concessions or other mineral rights, or may make it impossible to continue its mineral exploration and mining activities. In many cases mine construction and commencement of mining activities is only possible with the consent of the local First Nations group and many companies have secured such consent by committing to take measures to limit the adverse impact to, and ensure some of the economic benefits of the construction and mining activity will be enjoyed by, the local First Nations group.

Foreign Operations

During 2010, the Company had interests in certain properties located in the United States and in Mexico. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including exchange controls, currency fluctuations, changes in taxation laws or policies as well as by laws and policies of the United States, Mexico and Canada affecting foreign trade, investment and taxation.

Limited Operating History: Losses

The Company to date has limited experience in mining or processing of metals. The Company has experienced, on a consolidated basis, losses in most years of its operations. All activities have been of an exploration and development nature. There can be no assurance that the Company will generate profits in the future.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model. However, the future volatility is uncertain and the model has its limitations.

The recoverability of the carrying value of mineral properties and associated deferred exploration expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

Forward-Looking Statements

These consolidated financial statements and management's discussion and analysis contain certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Management's Report

The management of Seabridge Gold Inc. is responsible for the preparation of the consolidated financial statements as well as the financial and other information contained in the Annual Report, Annual Information Form and Annual Report on Form 40-F. Management maintains an internal control system in order to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts determined in accordance with estimates and judgments made by management. KPMG LLP, the external auditors, express their opinion on the consolidated financial statements in the annual report.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The consolidated financial statements of the Company have been approved by the Board of Directors.



Rudi P. Fronk
President & CEO
March 31, 2011



Roderick Chisholm
Chief Financial Officer
March 31, 2011

Independent Auditors' Report To the Shareholders and Board of Directors of Seabridge Gold Inc.

We have audited the accompanying consolidated financial statements of Seabridge Gold Inc., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of operations and deficit, comprehensive income, accumulated other comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of The Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Seabridge Gold Inc. as at December 31, 2010 and December 31, 2009 and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the "K" and ends under the "P", extending across the width of the signature.

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 31, 2011

Consolidated Balance Sheets

December 31, 2010 and 2009

(in Canadian dollars)

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,044,369	\$ 285,280
Short-term deposits (Note 3)	29,711,963	9,002,158
Amounts receivable and prepaid expenses	3,130,442	465,579
Marketable securities	1,929,266	797,368
	35,816,040	10,550,385
Long-term Guaranteed Investment (Note 3)	11,000,000	—
Convertible Debenture (Note 4(d))	1,077,611	—
Mineral Interests (Note 4)	128,640,630	91,214,373
Reclamation Deposits (Note 5)	1,550,552	1,551,915
Property and Equipment	47,621	84,597
	\$ 178,132,454	\$ 103,401,270
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 3,725,301	\$ 1,375,746
Income taxes payable (Note 9 and 4(i))	43,712	34,000
	3,769,013	1,409,746
Long-term income taxes payable (Note 9)	78,218	137,000
Provision for reclamation liabilities (Note 5)	1,343,069	2,256,293
	5,190,300	3,803,039
Shareholders' Equity		
Share Capital (Note 6)	184,984,184	114,027,129
Stock Options (Note 6)	5,027,828	7,012,025
Contributed Surplus	283,455	126,015
Deficit	(18,200,051)	(21,739,778)
Accumulated Other Comprehensive Income	846,738	172,840
	172,942,154	99,598,231
	\$ 178,132,454	\$ 103,401,270

Commitments (Note 10)

Subsequent Events (Notes 4(e) and (f) and 11)

See accompanying notes to consolidated financial statements

On Behalf of the Board of Directors



Rudi P. Fronk
Director



James S. Anthony
Director

Consolidated Statements of Operations and Deficit

For the Years Ended December 31, 2010, 2009 and 2008

(in Canadian dollars)

	2010	2009	2008
Expenditures			
Corporate and general expenses	\$ (5,975,360)	\$ (5,049,583)	\$ (5,594,818)
Gain on sale of Noche Buena project	10,179,708	—	19,891,071
Interest income	439,701	477,813	621,099
Unrealized gain on convertible debenture (Note 4(d))	486,500	—	—
Gain on sale of marketable securities	—	163,625	—
Write-down of securities	—	(81,830)	—
Foreign exchange (gains) losses	1,160,090	(17,594)	378,325
Income (Loss) Before Income Taxes	6,290,639	(4,507,569)	15,295,677
Income tax (expense) recovery (Note 9)	(2,750,912)	(171,000)	(5,005,989)
Net Profit (Loss) for Year	3,539,727	(4,678,569)	10,289,688
Deficit, Beginning of Year	(21,739,778)	(17,061,209)	(27,350,897)
Deficit, End of Year	\$ (18,200,051)	\$ (21,739,778)	\$ (17,061,209)
Profit (Loss) per Share – Basic	\$ 0.09	\$ (0.12)	\$ 0.28
Profit (Loss) per Share – Diluted (Note 2(j))	\$ 0.09	\$ (0.12)	\$ 0.27
Weighted Average Number of Shares Outstanding – Basic	40,130,184	37,485,977	37,327,201
Weighted Average Number of Shares Outstanding – Diluted	41,083,647	37,485,977	37,867,620

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2010, 2009 and 2008

(in Canadian dollars)

	2010	2009	2008
Net Profit (Loss) for Year	\$ 3,539,727	\$ (4,678,569)	\$ 10,289,688
Other Comprehensive Income (Loss)			
Reclassification of losses in net profit for year	—	106,130	—
Unrecognized gains (losses) on financial assets – net of income taxes of \$303,000 (2009 and 2008 – nil)	673,898	172,003	(164,112)
Comprehensive Income (Loss)	\$ 4,213,625	\$ (4,400,436)	\$ 10,125,576

Consolidated Statements of Accumulated Other Comprehensive Income

For the Years Ended December 31, 2010, 2009 and 2008

(in Canadian dollars)

	2010	2009	2008
Balance, Beginning of Year	\$ 172,840	\$ (105,293)	\$ 58,819
Other Comprehensive Income (Loss) – net of income taxes of \$303,000 (2009 and 2008 – nil)	673,898	278,133	(164,112)
Balance, End of Year	\$ 846,738	\$ 172,840	\$ (105,293)

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

For the Years Ended December, 2010, 2009 and 2008

(in Canadian dollars)

	2010	2009	2008
Cash Used for Operations			
Net profit (loss) for year	\$ 3,539,727	\$ (4,678,569)	\$ 10,289,688
Items not involving cash			
Gain on sale of Noche Buena project (Note 4(i))	(10,179,708)	—	(19,891,071)
Gain on sale of marketable securities	—	(163,625)	—
Unrealized gain on convertible debenture (Note 4(d))	(486,500)	—	—
Write-down of marketable securities	—	81,830	—
Stock option compensation	452,829	1,481,466	1,852,004
Unrealized foreign exchange gains	—	—	(266,524)
Accretion of convertible debenture (Note 4 (d))	(66,111)	—	—
Accretion on reclamation liabilities (Note 5)	195,272	172,105	158,713
Amortization	35,989	39,349	40,754
Future income taxes (recoveries)	(303,000)	171,000	(586,562)
Changes in non-cash working capital items			
Amounts receivable and prepaid expenses	(2,738,500)	(127,685)	182,175
Accounts payable and accruals	973,806	(182,549)	76,063
Income taxes payable	(49,070)	(5,326,034)	5,592,558
	(8,625,266)	(8,532,712)	(2,552,202)
Investing Activities			
Mineral interests	(37,763,017)	(21,666,928)	(14,706,219)
Proceeds on sale of Noche Buena project	10,179,708	—	30,842,488
Short-term deposits	(20,709,805)	21,893,464	(19,338,129)
Marketable securities	—	(224,932)	—
Long-term guaranteed investment	(11,000,000)	—	—
Reclamation deposits	—	(249,470)	(19,229)
Property and equipment	—	—	9,000
	(59,293,114)	(247,866)	(3,212,089)
Financing Activities			
Issue of share capital	68,677,469	966,876	383,126
Net Cash Provided (Used for)	759,089	(7,813,702)	(5,381,165)
Cash and Cash Equivalents, Beginning of Year	285,280	8,098,982	13,480,147
Cash and Cash Equivalents, End of Year	\$ 1,044,369	\$ 285,280	\$ 8,098,982
Supplementary Non-cash Investing Activities			
Shares Issued for Mineral Property Acquisition	\$ —	\$ 2,442,749	\$ —
Changes in Liabilities in Mineral Interests	\$ 1,375,749	\$ 1,910,668	\$ 94,251
Unpaid Commissions on Sale of Noche Buena	\$ —	\$ —	\$ 2,505,647

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

At December 31, 2010 and 2009 and For the Years Ended December 31, 2010, 2009 and 2008

(in Canadian dollars, except where noted)

1. Nature of Operations

The Company is engaged in the acquisition, exploration and development of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. The ability of the Company to carry out its business plan rests with its ability to continue to secure equity financings and/or the sale or joint venture of its properties.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

These consolidated financial statements include the accounts of Seabridge Gold Inc. and its wholly-owned subsidiaries, Seabridge Gold Corp., a company incorporated under the laws of the State of Nevada, USA, 5073 N.W.T. Limited, a company incorporated under the laws of the Northwest Territories of Canada; Pacific Intermountain Gold Inc. ("PIGCO"), a company incorporated under the laws of the State of Nevada, USA and Minera Seabridge Gold SA de CV, a company incorporated in Mexico in 2006 to hold the Noche Buena project. The Mexican company and project were sold in December 2008 and certain residual interests were sold in 2010. All significant inter-company transactions and balances have been eliminated.

b) Mineral Interests

Direct property acquisition costs, advance royalties, holding costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties are brought into production, at which time, they will be amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made. The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties. The Company considers that exploration costs have the characteristics of property, plant and equipment, and, accordingly, defers such costs. The Company follows EIC-174 as described below.

The Emerging Issues Committee of the CICA issued EIC-174 – "Mining Exploration Costs" which interprets how Accounting Guideline No. 11 entitled Enterprises in the Development Stage – (AcG-11) affects mining companies with respect to the deferral of exploration costs. EIC-174 refers to CICA Handbook Section 3061 "Property, Plant and Equipment", paragraph 21, which states that for a mining property, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment. EIC-174 then states that a mining enterprise that has not established mineral reserves objectively, and therefore does not have a basis for preparing a projection of the estimated cash flow from the property, is not precluded from considering the exploration costs to have the characteristics of property, plant and equipment. EIC-174 also provides additional guidance for mining exploration enterprises on when an impairment test is required.

The Company reviews its mineral interests for impairment whenever events or changes in circumstances indicate that the carrying amount of the mineral interest may not be recoverable. The net recoverable amount is based on estimates of undiscounted future net cash flows expected to be recovered from specific assets through use or future disposition.

c) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur and/or in which a reasonable estimate of such costs can be made using the total undiscounted cash flows required to settle estimated obligations, estimated expected timing of cash flow payments required to settle the obligations and estimated credit-adjusted risk-free discount rates and inflation rates. When estimates of obligations are revised the present value of the changes in obligations are recorded in the period by a change in the obligation amount and a corresponding adjustment to the mineral interest asset (see Note 5).

d) Stock-based Compensation

The Company applies the fair value method for stock-based compensation and other stock-based payments. Options are valued using the Black Scholes option-pricing model and other models for the two-tiered options as may be appropriate. The resulting value is charged against income over the anticipated vesting period of the option (see Note 6(b)). The Company reviews estimated forfeitures of options on an ongoing basis.

e) Property and Equipment

Property and Equipment are carried at cost less accumulated amortization. Amortization is provided using the straight-line method at an annual rate of 20% from the date of acquisition.

f) Cash and Short-term Deposits

Cash, short-term deposits and long-term guaranteed investment consist of balances with banks and investments in money market instruments. These investments are carried at fair value. Cash and cash equivalents consist of investments with maturities of up to 90 days at the date of purchase. Short-term deposits consist of investments with maturities from 91 days to one year at the date of purchase. The long-term guaranteed investment consists of investments with a term of one to two years.

g) Marketable Securities

Short-term investments in marketable securities accounted for as available for sale securities are recorded at market value, which is also considered fair value. The market values of investments are determined based on the closing prices reported on recognized securities exchanges and over-the-counter markets. Such individual market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations. When there has been a loss in the value of an investment in marketable securities that is determined to be other than a temporary decline, the investment is written down to recognize the loss. Changes in market value of investments are recorded in Other Comprehensive Income net of related income taxes.

h) Translation of Foreign Currencies

The functional currency of the Company and its subsidiaries is considered to be the Canadian dollar. Foreign currency transactions entered into by the Company and financial statements of integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end rates of exchange, non-monetary assets and liabilities are translated at historic rates of exchange and statement of operations items are translated at average exchange rates prevailing during the year. Exchange gains and losses on foreign currency transactions and foreign currency denominated balances are included in the statement of operations.

i) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates enacted is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

j) Profit (Loss) Per Share

Basic profit (loss) per share of common stock is computed based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share which assumes that stock options with an exercise price lower than the average quoted market price were exercised at the later of the beginning of the year, or time of issue. Stock options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted profit per share as the effect is anti-dilutive. In 2010, there were 1,215,000 options (2008 – 305,000) which were not included in the diluted profit per share as they would be anti-dilutive. As the Company incurred a net loss for the year ended December 31, 2009, all outstanding options have been excluded from the calculation of diluted loss per share for that year. The diluted weighted average number of common shares for the years ended December 31, 2010 and 2008 were as follows:

	2010	2008
Basic weighted average number of common shares outstanding	40,130,184	37,327,201
Incremental number of common shares on assumed exercise of stock options	953,463	540,419
Weighted average number of common shares used for diluted profit per share	41,083,647	37,867,620

k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. The most significant estimates relate to the carrying values of mineral interests, accrued liabilities and contingencies, valuation of stock options and calculations of future income tax assets. Actual results could be materially different from those estimates.

l) International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Institute of Chartered Accountants (the “CICA”) announced that Canadian Generally Accepted Accounting Principles “GAAP” for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. The CICA announcement also stated that the IFRS to be used for financial statement purposes were those in effect as at December 31, 2011 and therefore the Company’s financial reporting for the first three quarters of 2011 and any public disclosures prior to December 31, 2011 will be based on the Company’s expectations of IFRS as at the subsequent date of December 31, 2011. While it is not expected that IFRS will change significantly prior to December 31, 2011, there is no assurance that IFRS will not change.

3. Cash and Cash Equivalents, Short-term Deposits and Long-term Guaranteed Investment

	2010	2009
Cash	\$ 1,044,369	\$ 285,280
Canadian bank guaranteed notes	29,711,963	9,002,158
Long-term guaranteed investment	11,000,000	–
	41,756,332	9,287,438
Short-term deposits	(29,711,963)	(9,002,158)
Long-term guaranteed investment	(11,000,000)	–
Cash and cash equivalents	\$ 1,044,369	\$ 285,280

Short-term deposits consist of Canadian Schedule I bank guaranteed notes with terms from 91 days up to one year but are cashable in whole or in part with interest at any time to maturity. All of the cash is held in a Canadian Schedule I bank.

Long-term guaranteed investment consists of a Canadian Schedule I bank guaranteed note with a term of two years to March 2012.

4. Mineral Interests

Expenditures made on account of mineral interests by the Company were as follows:

Property and Expense	Balance,	2010		Balance,
	December 31, 2009	Expenditures	Recoveries	December 31, 2010
Courageous Lake				
Acquisition costs	\$ 8,602,305	\$ 670,188	\$ —	\$ 9,272,493
Deferred exploration	13,801,955	8,953,605	—	22,755,560
	22,404,260	9,623,793	—	32,028,053
Castle Black Rock				
Acquisition costs	—	—	—	—
Deferred exploration	241,641	40,253	—	281,894
	241,641	40,253	—	281,894
Grassy Mountain				
Acquisition costs	2,261,299	—	—	2,261,299
Deferred exploration	1,344,918	129,280	—	1,474,198
	3,606,217	129,280	—	3,735,497
Hog Ranch				
Acquisition costs	—	—	—	—
Deferred exploration	679,797	—	(679,797)	—
	679,797	—	(679,797)	—
KSM				
Acquisition costs	18,749,296	—	—	18,749,296
Deferred exploration	39,102,299	28,904,858	—	68,007,157
	57,851,595	28,904,858	—	86,756,453
Quartz Mountain				
Acquisition costs	335,389	—	—	335,389
Deferred exploration	108,410	36,100	—	144,510
	443,799	36,100	—	479,899
Red Mountain				
Acquisition costs	32,090	—	—	32,090
Deferred exploration	1,510,674	204,958	(1,108,496)	607,136
	1,542,764	204,958	(1,108,496)	639,226
Pacific Intermountain Gold Corp.				
Acquisition costs	—	—	—	—
Deferred exploration	3,959,823	222,420	—	4,182,243
	3,959,823	222,420	—	4,182,243
Other Nevada Projects				
Acquisition costs	20,000	—	—	20,000
Deferred exploration	464,477	52,888	—	517,365
	484,477	52,888	—	537,365
Total				
Acquisition costs	30,000,379	670,188		30,670,567
Deferred exploration	61,213,994	38,544,362	(1,788,293)	97,970,063
Total Mineral Interests	\$ 91,214,373	\$39,214,550	\$ (1,788,293)	\$ 128,640,630

Property and Expense	Balance, December 31, 2008	2009		Balance, December 31, 2009
		Expenditures	Recoveries	
Courageous Lake				
Acquisition costs	\$ 8,502,305	\$ 100,000	\$ —	\$ 8,602,305
Deferred exploration	13,405,841	396,114	—	13,801,955
	21,908,146	496,114	—	22,404,260
Castle Black Rock				
Acquisition costs	140,426	—	(140,426)	—
Deferred exploration	375,669	45,988	(180,016)	241,641
	516,095	45,988	(320,442)	241,641
Grassy Mountain				
Acquisition costs	2,261,299	—	—	2,261,299
Deferred exploration	1,207,500	137,418	—	1,344,918
	3,468,799	137,418	—	3,606,217
Hog Ranch				
Acquisition costs	443,838	—	(443,838)	—
Deferred exploration	833,480	2,479	(156,162)	679,797
	1,277,318	2,479	(600,000)	679,797
KSM				
Acquisition costs	15,306,546	3,442,750	—	18,749,296
Deferred exploration	20,833,703	18,268,596	—	39,102,299
	36,140,249	21,711,346	—	57,851,595
Quartz Mountain				
Acquisition costs	357,139	—	(21,750)	335,389
Deferred exploration	94,258	14,152	—	108,410
	451,397	14,152	(21,750)	443,799
Red Mountain				
Acquisition costs	82,090	—	(50,000)	32,090
Deferred exploration	1,324,690	185,984	—	1,510,674
	1,406,780	185,984	(50,000)	1,542,764
Pacific Intermountain Gold Corp.				
Acquisition costs	—	—	—	—
Deferred exploration	3,448,080	511,743	—	3,959,823
	3,448,080	511,743	—	3,959,823
Other Nevada Projects				
Acquisition costs	20,000	—	—	20,000
Deferred exploration	392,110	72,367	—	464,477
	412,110	72,367	—	484,477
Total				
Acquisition costs	27,113,643	3,542,750	(650,014)	30,000,379
Deferred exploration	41,915,331	19,634,841	(336,178)	61,213,994
Total Mineral Interests	\$ 69,028,974	\$23,177,591	\$ (992,192)	\$91,214,373

Property and Expense	Balance,	2008		Balance,
	December 31, 2007	Expenditures	Recoveries	December 31, 2008
Courageous Lake				
Acquisition costs	\$ 8,402,305	\$ 100,000	\$ —	\$ 8,502,305
Deferred exploration	12,688,309	717,532	—	13,405,841
	21,090,614	817,532	—	21,908,146
Castle Black Rock				
Acquisition costs	140,426	—	—	140,426
Deferred exploration	332,135	43,534	—	375,669
	472,561	43,534	—	516,095
Grassy Mountain				
Acquisition costs	2,261,299	—	—	2,261,299
Deferred exploration	1,100,279	107,221	—	1,207,500
	3,361,578	107,221	—	3,468,799
Hog Ranch				
Acquisition costs	443,838	—	—	443,838
Deferred exploration	762,498	70,982	—	833,480
	1,206,336	70,982	—	1,277,318
KSM				
Acquisition costs	15,306,546	—	—	15,306,546
Deferred exploration	10,008,860	10,824,843	—	20,833,703
	25,315,406	10,824,843	—	36,140,249
Quartz Mountain				
Acquisition costs	357,139	—	—	357,139
Deferred exploration	94,258	—	—	94,258
	451,397	—	—	451,397
Red Mountain				
Acquisition costs	82,090	—	—	82,090
Deferred exploration	1,028,530	296,160	—	1,324,690
	1,110,620	296,160	—	1,406,780
Pacific Intermountain Gold Corp.				
Acquisition costs	—	—	—	—
Deferred exploration	3,000,032	462,223	(14,175)	3,448,080
	3,000,032	462,223	(14,175)	3,448,080
Other Nevada Projects				
Acquisition costs	20,000	—	—	20,000
Deferred exploration	322,925	69,185	—	392,110
	342,925	69,185	—	412,110
Total				
Acquisition costs	31,901,913	1,920,609	(6,708,879)	27,113,643
Deferred exploration	30,765,937	12,868,162	(1,718,768)	41,915,331
Total Mineral Interests	\$ 62,667,850	\$ 14,788,771	\$ (8,427,647)	\$69,028,974

Continued exploration of the Company's mineral properties is subject to certain lease payments, project holding costs, rental fees and filing fees.

a) Courageous Lake

In 2002, the Company purchased a 100% interest in the Courageous Lake gold project from Newmont Canada Limited and Total Resources (Canada) Limited ("the Vendors") for US\$2.5 million. The Courageous Lake gold project consists of mining leases located in Northwest Territories of Canada.

The Vendors were granted a 2% net smelter royalty interest in the project. In addition, the Company agreed to pay the Vendors US\$1.5 million when the spot price of gold closed at or above US\$360 per ounce for 10 consecutive days (paid in March 2003), and pay the Vendors US\$1.5 million when the spot price of gold closed at or above US\$400 per ounce or a production decision was made at Courageous Lake, whichever occurred earlier (paid in February 2004).

In 2004, an additional property was optioned in the area. Under the terms of the agreement, the Company paid \$50,000 on closing and was required to make option payments of \$50,000 on each of the first two anniversary dates and subsequently \$100,000 per year. In addition, the property may be purchased at any time for \$1,250,000 with all option payments being credited against the purchase price.

b) Castle Black Rock

The Company entered into a mining lease agreement dated August 15, 2000, and amended on August 1, 2001, with respect to mineral claims located in Esmeralda County, Nevada, USA. In 2002, the Company paid US\$17,500 and in 2003, US\$25,000 in advance royalties and is required to pay further advance royalties of US\$25,000 each August 15 thereafter and to pay a production royalty, varying with the price of gold, of 3% to 5%, and a 3.5% royalty on gross proceeds from other metals produced. The Company has the right to purchase 50% of the production royalty for US\$1.8 million.

In December 2009, the Company signed a letter of intent to sell the Castle Black Rock, Pacific Intermountain Gold and Other Nevada projects to Constitution Mining Corp. ("Constitution"). The agreement closing was extended twice, until September 30, 2010 at which time Constitution advised the Company that it could not complete the agreement.

c) Grassy Mountain

In 2000, the Company acquired an option on a 100% interest in mineral claims located in Malheur County, Oregon, USA. During 2002, the Company paid US\$50,000 in option payments. On December 23, 2002, the agreement was amended and the Company made a further option payment of US\$300,000 and in March 2003 acquired the property for a payment of US\$600,000.

d) Hog Ranch

In 2000, the Company entered into a mining lease agreement for mineral claims located in Washoe County, Nevada. Advance royalties were established at US\$15,000 payable on November 15, 2006; US\$17,500 on November 15, 2007; and US\$20,000 on November 15, 2008 and, each November 15 thereafter. A production royalty is payable varying with the price of gold, ranging from 3% to 5%, plus a 3.5% royalty on the gross proceeds from other metals. 40% of the production royalty may be purchased by the Company for US\$2 million.

In February 2009, the Company signed a letter for an option of the Hog Ranch property to Icon Industries Ltd. ("ICON"). The terms of the agreement required ICON to issue one million common shares to the Company, pay \$500,000 on closing and to issue a further one million common shares and pay a further \$525,000 within 12 months of the agreement being accepted by the TSX Venture Exchange. In April 2009, the option agreement was closed and acceptance by the TSX Venture Exchange was received. ICON issued the first one million shares and paid the \$500,000. In April 2010, the balance of the one million shares was received and the Company agreed to take back a \$525,000 convertible debenture in place of the cash due. The amounts received are shown as recoveries against the cost of the mineral interest. The debenture is for 18 months with interest at 5% per annum and the principal and accumulated interest is convertible into common shares of ICON at the Company's option at \$0.30 per share. The debenture is secured by ICON's interest in the project.

On initial recognition, the convertible debenture value, in the amount of \$525,000 was allocated between the debenture receivable (\$385,000) and the related conversion option (\$140,000) based on the fair value of the instruments. The fair value of the conversion option was determined using the Black-Scholes option pricing model, using the ICON share price and its historical volatility, the conversion price and the expected life of the instruments. The carrying value of the conversion option will be adjusted to fair value at each reporting period and any gain or loss will be recognized in the statement of operations at that time. Also, the debenture receivable will be accreted to the

face value of the debenture over its life and the related amount will be included on the statement of operations each reporting period.

At December 31, 2010, the fair value of the conversion option was recalculated based on current amounts and was revalued upwards by \$486,500 to \$626,500 and \$66,111 was recorded for accretion of the debenture receivable.

e) KSM (Kerr-Sulphurets-Mitchell)

In 2001, the Company purchased a 100% interest in contiguous claim blocks in the Skeena Mining Division, British Columbia. The vendor maintains a 1% net smelter royalty interest on the project, subject to maximum aggregate royalty payments of \$4.5 million. The Company is obligated to purchase the net smelter royalty interest for the price of \$4.5 million in the event that a positive feasibility study demonstrates a 10% or higher internal rate of return after tax and financing costs.

In 2002, the Company optioned the property to Noranda Inc. (which subsequently became Falconbridge Limited and then Xstrata plc.) which could earn up to a 65% interest by incurring exploration expenditures and funding the cost of a feasibility study.

In April 2006, the Company reacquired the exploration rights to the KSM property in British Columbia, Canada from Falconbridge Limited. On closing of the formal agreement in August 2006, the Company issued Falconbridge 200,000 common shares of the Company with a deemed value of \$3,140,000 excluding share issue costs. The Company also issued 2 million warrants to purchase common shares of the Company with an exercise price of \$13.50 each. The warrants were to become exercisable five years from the date each new ounce of gold resources was declared (up to 2 million ounces of gold) for work undertaken on the property through the year 2010. At closing of the formal agreement in August 2006 the fair value of warrants was estimated at \$11,436,000 using a Black-Scholes option-pricing model, using a volatility of 60%, interest rate of 4% and expected life of 1.5 years. Falconbridge also had a right of first refusal should the Company desire to sell all or any portion of its interest therein. The 2,000,000 warrants were exercised in 2007 and proceeds of \$27,000,000 were received by the Company.

In July 2009, the Company agreed to acquire various mineral claims immediately adjacent to the KSM property for further exploration and possible mine infrastructure use. The terms of the agreement required the Company to pay \$1 million in cash, issue 75,000 shares and pay advance royalties of \$100,000 per year for 10 years commencing on closing of the agreement. The property is subject to a 4.5% net smelter royalty from which the advance royalties are deductible. The purchase agreement closed in September 2009, with the payment of \$1 million in cash, the issuance of 75,000 shares valued at \$2,442,750 and the payment of the first year's \$100,000 advance royalty.

In February 2011, the Company acquired a 100% interest in adjacent mineral claims consisting of 5,634 hectares mainly for mine infrastructure purposes for a cash payment of \$675,000, subject to a 2% net smelter returns royalty.

f) Quartz Mountain

In 2001, the Company purchased a 100% interest in mineral claims in Lake County, Oregon. The vendor retained a 1% net smelter royalty interest on unpatented claims acquired and a 0.5% net smelter royalty interest was granted to an unrelated party as a finder's fee.

In May 2009, the Company completed an option agreement on part of the Quartz Mountain property. To earn a 50% interest in the project, the optionee must complete \$500,000 in exploration expenditures by December 31, 2010 and issue 200,000 shares to the Company over the period of which 50,000 shares have been issued to December 31, 2010 and the remaining 150,000 shares were received subsequent to the end of 2010. The amounts received are shown as recoveries against the cost of the mineral interest. The optionee has the right to increase its percentage holdings to 70% by funding and completing a feasibility study within three years.

g) Red Mountain

In 2001, the Company purchased a 100% interest in an array of assets associated with mineral claims in the Skeena Mining Division, British Columbia, together with related project data and drill core, an owned office building and a leased warehouse, various mining equipment on the project site, and a mineral exploration permit which is associated with a cash reclamation deposit of \$1 million.

The Company assumed all liabilities associated with the assets acquired, including all environmental liabilities, all ongoing licensing obligations and ongoing leasehold obligations including net smelter royalty obligations on certain mineral claims ranging from 2.0% to 6.5% as well as an annual minimum royalty payment of \$50,000.

In 2010, the Company completed an independent update of the reclamation liabilities on the project and as a result the present value of the liabilities has been reduced by \$1,108,496 which amount has been credited against the mineral property asset..

h) Pacific Intermountain Gold Corporation

During 2002, the Company and an unrelated party incorporated Pacific Intermountain Gold Corporation ("PIGCO"). The Company funded PIGCO's share capital of \$755,000 and received a 75% interest. The other party provided the exclusive use of an exploration database and received a 25% interest. In July 2004, the Company acquired the 25% interest in PIGCO which it did not own by forgiving debt of approximately \$65,000 and agreeing to pay 10% of the proceeds of any sale of projects to third parties.

In December 2009, the Company signed a letter of intent to sell the Castle Black Rock, Pacific Intermountain Gold and Other Nevada projects to Constitution Mining Corp. ("Constitution"). The agreement closing was extended twice, until September 30, 2010 at which time Constitution advised the Company that it could not complete the agreement.

i) Noche Buena, Mexico

In April 2006, the Company acquired 100% interest in the Noche Buena gold project in the Sonora district of Mexico for US\$4,350,000 in cash. In February 2008, the Company acquired the surface rights encompassing the Noche Buena property in Mexico for US\$1,780,000.

In December 2008, the Company sold the project for US\$25 million (\$30,842,000) in cash less a commission to the Company's agent of \$2,538,000. A further US\$5 million is payable by the purchaser upon commencement of commercial production from the property and a 1.5% net smelter royalty is payable on all production of gold sold for US\$800 per ounce or greater. In connection with the sale, the Company accrued income taxes amounting to \$5,593,000 (approximately 60 million Mexican pesos) to the government of Mexico as at December 31, 2008, which amounts were paid in January 2009.

In December 2010, the Company sold its residual interests in the Noche Buena project for an amount of US\$10.12 million (\$10,179,708) and paid Mexican withholding taxes of \$3,053,912.

5. Reclamation Deposits and Provisions for Reclamation Liabilities

The reclamation deposits consist of short-term investments or cash deposits held as security for either the governments in Canada or the United States to cover estimated reclamation liabilities on various exploration properties.

The balance in the provision for reclamation liabilities is as follows:

	Amount
Balance at December 31, 2008	\$ 1,998,988
Additional reclamation liability	85,200
Accretion	172,105
Balance at December 31, 2009	2,256,293
Reduction of reclamation liability	195,272
Accretion	(1,108,496)
Balance at December 31, 2010	\$ 1,343,069

The fair value of the asset retirement obligations was calculated using the total undiscounted cash flows required to settle estimated obligations, expected timing of cash flow payments required to settle the obligations between 2011 and 2020, credit-adjusted risk-free discount rates of 7.9% to 8.76% and an inflation rate of 2.0%

In 2010, the Company completed an independent update of the reclamation liabilities on the Red Mountain project and as a result the present value of the liabilities has been reduced by \$1,108,496 which amount has been credited against the mineral property asset.

6. Shareholders' Equity

a) Share Capital

	Shares	Amount
Authorized		
Unlimited number of common shares without par value		
Unlimited number of preference shares (none issued)		
Issued – Common shares		
Balance, December 31, 2007	37,297,885	\$ 109,736,473
Issued during year		
For cash, exercise of stock options	50,800	383,126
Value of warrants and stock options exercised	–	101,173
	50,800	484,299
Balance, December 31, 2008	37,348,685	110,220,772
Issued during year		
For cash, exercise of stock options	175,000	966,876
Purchase of mineral property (Note 4 e))	75,000	2,442,749
Value of stock options exercised	–	396,732
	250,000	3,806,357
Balance, December 31, 2009	37,598,685	114,027,129
Issued during year		
For cash, prospectus financing (see below)	2,875,000	
For cash, exercise of stock options	581,500	62,708,409
Value of stock options exercised	–	5,969,060
	3,456,500	2,279,586
Balance, December 31, 2010	41,055,185	\$ 184,984,184

On March 3, 2010, the Company closed a prospectus financing of 2,875,000 common shares at US\$22.90 per share for gross proceeds of US\$65,837,500 (\$67,944,300). The agents received commission of 6.5% in cash or \$4,416,379 and other expenses of the financing totalled \$819,512.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The two-tier option grants required a certain share price above the grant date price for 10 successive days for the first third to vest, a higher share price for the second third to vest and a further higher share price for the final third to vest. Once the share price has met the first test, the Company's share price performance must have exceeded the S&P/TSX Global Gold Index by more than 20% over the preceding six months or these options would be cancelled.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010.

The Company is not subject to externally imposed capital requirements.

b) Stock Options Outstanding

The Company provides compensation to directors, employees and consultants in the form of stock options. Option grants to directors and senior management prior to 2008 are subject to a two-tiered vesting policy. Option grants to directors and senior management in 2008 and to directors in 2010 only vest when the Company enters into a significant transaction involving either its interest in the Courageous Lake project or the KSM project or the acquisition of a majority interest in the Company. These vesting provisions were designed to better align option compensation with the interests of shareholders. Grants to other employees and consultants do not have these provisions but generally vest immediately or in one year.

The two-tier option grants required a certain share price above the grant date price for 10 successive days for the first third to vest, a higher share price for the second third to vest and a further higher share price for the final third to vest. Once the share price has met the first test, the Company's share price performance must have exceeded the S&P/TSX Global Gold Index by more than 20% over the preceding six months or these options would be cancelled.

The Board has granted the following two-tiered options:

Date of Grant	Number	Exercise Price	Share Price Vesting	Year Vested
January 2005	50,000	\$ 4.00	\$ 6, \$ 9, \$ 12	2005 and 2006
January 2006	875,000	\$ 10.56	\$ 15, \$ 18, \$ 21	2006 and 2007
August 2007	120,000	\$ 29.60	\$ 34, \$ 37, \$ 40	40,000 in 2008

The weighted average grant date fair value of the 405,000 options granted at an exercise price of \$29.75 each during 2010 which were not subject to directors and management vesting provisions described above was \$16.80 (2009 – \$24.78, 2008 – \$15.05). The grant of these 405,000 options resulted in compensation costs totaling \$6,802,785 compared to 55,000 options resulting in compensation of \$579,190 during 2009 and 190,000 options resulting in compensation costs totaling \$1,253,690 during 2008. The 2010 options will vest over the period December 2010 to December 2011 and consequently \$205,015 of the total compensation expense of the 2010 grants was expensed in 2010 and \$6,597,770 will be expensed in 2011. The fair value of the options granted is estimated on the dates of grant using a Black-Scholes option-pricing model with the following assumptions:

	2010	2009	2008
Dividend yield	Nil	Nil	Nil
Expected volatility	66%	76%	64%
Risk free rate of return	2.45%	1.5%	2.2%
Expected life of options	5 years	2.8 years	4.1 years

In addition to the 405,000 options granted in 2010 as stated above, 550,000 five year options were granted to directors in December 2010 at an exercise price of \$29.75. These options are subject to shareholders' approval at the next meeting and would vest with the change of control on one of the Company's two major projects (KSM and Courageous Lake) or the Company's shares closing on the Toronto Stock Exchange at \$40 or higher for ten consecutive days.

The weighted average grant date fair value of the 120,000 two-tiered options granted during 2007 and approved by shareholders in June 2008 was \$7.63. The fair value of the options granted was estimated on the date of grant using a Monte Carlo simulation and a binomial option-pricing model to consider the two-tier vesting probabilities using the following assumptions:

Dividend yield	Nil
Expected volatility	61%
Risk free rate of return	3.4%
Expected life of options	4.1 years

The estimated fair value of the 120,000 two-tiered options granted in 2007 amounted to \$915,160. In 2008, after the options were approved by shareholders and recorded as granted, the \$34 per share vesting requirement had been met. During 2010 \$194,787 (2009 – \$138,076, 2008 – \$418,084) of this amount was expensed and the balance of \$164,213 will be expensed over the remaining vesting period.

A summary of the status of the plans at December 31, 2010 and changes during the years are presented below:

	Shares	Weighted Average Exercise Price	Amount
Outstanding, December 31, 2007	1,178,300	\$ 11.62	\$ 4,282,974
Granted to employees and consultants	190,000	5.05	436,463
Granted to directors and management	635,000	14.14	418,084
Exercised	(50,800)	(7.54)	(101,173)
Value of 2006 options vested	–	–	997,457
Outstanding, December 31, 2008	1,952,500	12.88	6,033,805
Granted to employees and consultants	55,000	24.78	614,143
Exercised	(175,000)	(5.53)	(396,732)
Expired	(20,000)	(25.10)	(106,515)
Value of 2007 options vested	–	–	867,324
Outstanding, December 31, 2009	1,812,500	13.60	7,012,025
Granted to employees and consultants	405,000	29.75	205,015
Granted to directors	550,000	29.75	
Exercised	(581,500)	(10.26)	(2,279,586)
Expired	(15,000)	(28.70)	(157,440)
Value of 2008 and 2009 options vested	–	–	247,814
Outstanding, December 31, 2010	2,171,000	\$21.67	\$ 5,027,828

Shares	Options Vested	Exercise Price Per Share	Expiry Date
250,000	250,000	\$ 10.56	January 4, 2011
30,000	30,000	\$ 13.77	January 17, 2012
260,000	180,000	\$ 29.60	August 8, 2012
30,000	30,000	\$ 26.64	March 3, 2013
621,000	106,000	\$ 10.54	December 4, 2013
25,000	25,000	\$ 21.88	March 4, 2014
955,000	–	\$ 29.75	December 20, 2015
2,171,000	621,000	\$21.67	

7. Related Party Transactions

- a) During the year, a private company controlled by a director of the Company was paid \$38,100 (2009 – \$39,000, 2008 – \$14,800) for technical services provided by his company related to the mineral properties.
- b) During the year, a private company controlled by a second director was paid \$440,000 (2009 – \$200,000, 2008 – \$250,000) for consulting services rendered.
- c) During the year, a third director was paid \$16,300 (2009 – \$18,200, 2008 – \$16,600) for geological consulting services.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Financial Instruments

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to short-term deposits, long-term guaranteed investment, convertible debenture and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Short-term deposits consist of Canadian Schedule I bank guaranteed notes, with terms up to one year but are cashable in whole or in part with interest at any time to maturity, for which management believes the risk of loss to be remote. The Company has a two year \$11,000,000 bank guaranteed note (long-term guaranteed investment) with a Canadian Schedule 1 bank which matures in March 2012, again which management believes the risk of loss to be remote. The convertible debenture may be considered to have significant risk, but is not a major component of the Company's assets and is secured by the Hog Ranch mineral property. Financial instruments included in amounts receivable and prepaid expenses consist of harmonized sales tax due from the Federal Government of Canada. Management believes that the risk of loss with respect to financial instruments included in amounts receivable and prepaid expenses to be remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had cash balances of \$1,044,000 (December 31, 2009 – \$285,000) for settling current liabilities of \$3,769,000 (December 31, 2009 – \$1,410,000). At December 31, 2010, the Company also had bank-guaranteed short-term deposits of \$29,712,000 (2009 – \$9,002,000) with maturities to December 2011, but are cashable in whole or in part with interest at any time to maturity. All of the Company's current financial liabilities have contractual maturities of 30 days and are subject to normal trade terms.

Market Risk

(a) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in Canadian bank guaranteed notes (short-term deposits). The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The short-term deposits can be cashed in at any time and can be reinvested if interest rates rise.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. In December 2008 and 2010, the Company sold the Mexican property Noche Buena at a profit which attracted income taxes payable in Mexican pesos. The income taxes were paid in January 2009 and in December 2010 and there is no further exposure to the Mexican peso currency. Management believes the foreign exchange risk derived from currency conversions is not significant to its operations and therefore does not hedge its foreign exchange risk.

(c) Marketable Securities Risk

The Company has investments in other publicly listed exploration companies which are included in marketable securities. These shares were received as part of option payments on certain exploration properties the Company owns as well as a \$485,000 gold ETF. The risk on these investments is significant due to the nature of the business but the amounts are not significant to the Company.

Sensitivity Analysis

The Company has designated its cash and cash equivalents and short term deposits as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- (i) Short term deposits are re-invested each 30 days to one year. The investments held at December 31, 2010 are one-year notes but are cashable in whole or in part with interest at any time to maturity. Sensitivity to a plus or minus 0.25% change in rates would affect net loss by \$75,000 on an annualized basis.
- (ii) At December 31, 2010, the Company had net current liabilities in US dollars of \$407,000, for which a 10% change in exchange rates, would affect net income by \$41,000.
- (iii) Price risk is remote since the Company is not a producing entity.

Fair Value Estimation

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

The Company's financial assets measured at fair value, as at December 31, 2010, which include cash and cash equivalents, short-term deposits, long-term guaranteed investment and marketable securities are classified as Level 1. The conversion option related to the convertible debenture is considered as Level 2.

9. Income Taxes

Income taxes vary from the amounts that would be computed by applying the basic federal and provincial income tax rates aggregating to 31% (2009 – 33%, 2008 – 33.5%) as follows:

	2010	2009	2008
Statutory rate applied to (profit) loss for year	\$ 1,950,098	\$ (1,487,498)	\$ 5,124,052
Non-deductible items	143,477	492,000	700,000
Tax on harmonization of federal/Ontario tax pools	—	171,000	—
Non-taxable portion of capital gains	(179,814)	—	(3,331,754)
Difference in foreign tax rate	1,330,457	—	2,260,445
Loss not tax benefited	—	—	253,246
Valuation allowance	(493,306)	995,498	—
Reduction in valuation allowance	—	—	—
	\$ 2,750,912	\$ 171,000	\$ 5,005,989

Significant components of the Company's future tax assets and liabilities are as follows:

	2010	2009
Future income tax assets (liabilities)		
Mineral interests	\$ (1,709,000)	\$ (3,785,000)
Accrued gain in other comprehensive income	(303,000)	—
Property and equipment	39,000	47,000
Share issue costs	1,047,000	9,000
Non capital losses	4,553,000	4,209,000
Provision for reclamation liabilities	370,000	171,000
Tax on harmonization of federal/Ontario tax pools	—	—
	3,997,000	1,253,000
Valuation allowance	(3,997,000)	(1,253,000)
Future income tax liabilities, net	\$ —	\$ —

A future tax asset of approximately \$2,371,000 (2009 - \$2,940,000) in one Canadian entity has been offset with a future tax liability in another Canadian entity on the basis that management has undertaken to carry out tax planning measures when required.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately \$18,213,000 which expire in various years to 2030 as follows:

2014	943,000
2015	1,092,000
2026	2,140,000
2027	3,160,000
2028	2,746,000
2029	2,791,000
2030	5,093,000
	\$18,213,000

The tax value of the non-capital losses is included in the future tax assets above.

10. Commitments

The Company is committed to payments for an operating lease for business premises as follows:

2011	\$ 113,000
2012	\$ 38,000

11. Subsequent Events

- (a) Subsequent to December 31, 2010, 300,000 stock options were exercised for proceeds to the Company of \$3,263,900 and 200,000 five year stock options were granted to an officer at a price of \$28.80, with 50,000 of the options vesting March 1, 2012 and the balance on March 1, 2013.

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William M. Calhoun

Thomas C. Dawson

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