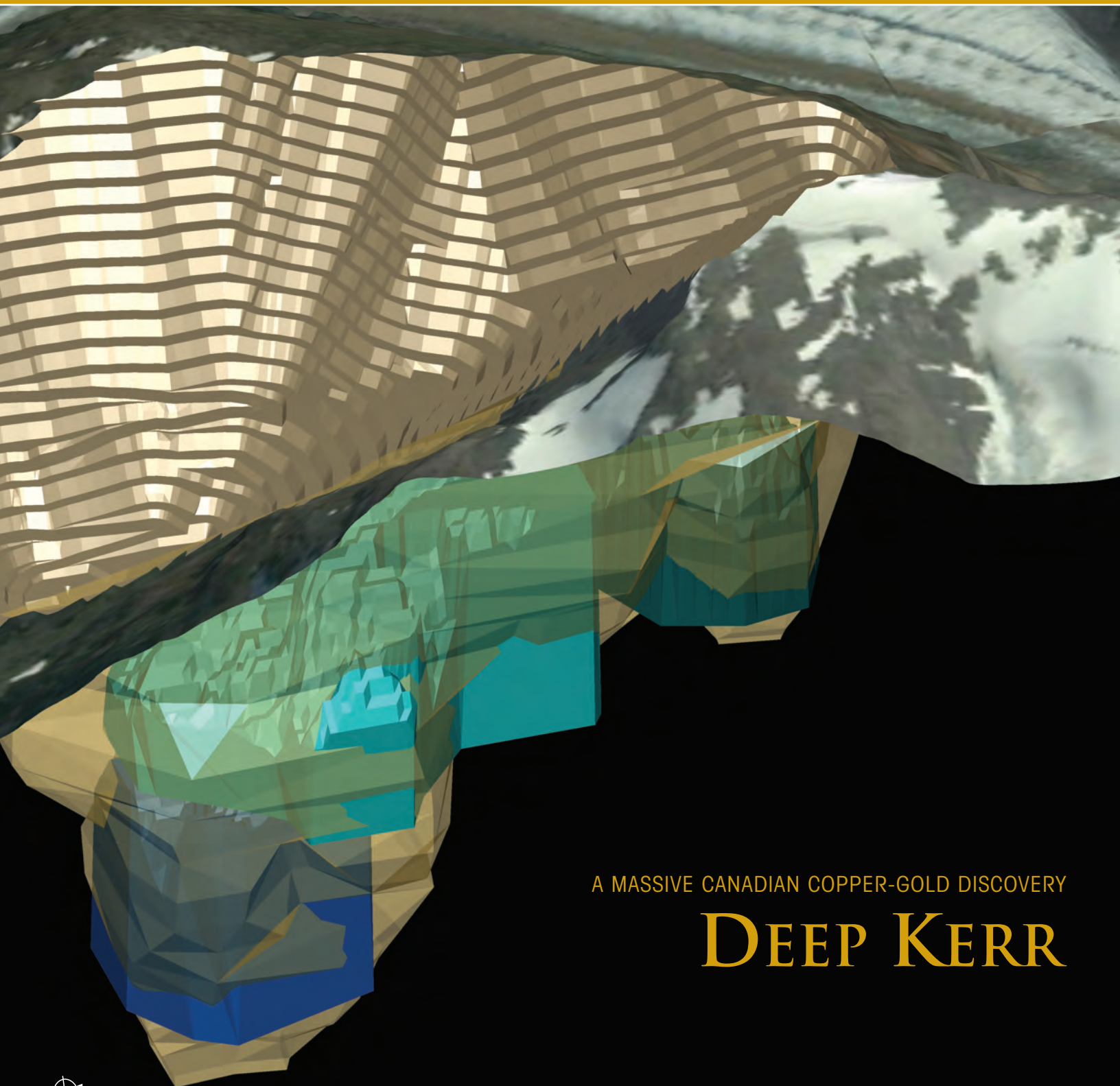


ANNUAL REPORT 2013

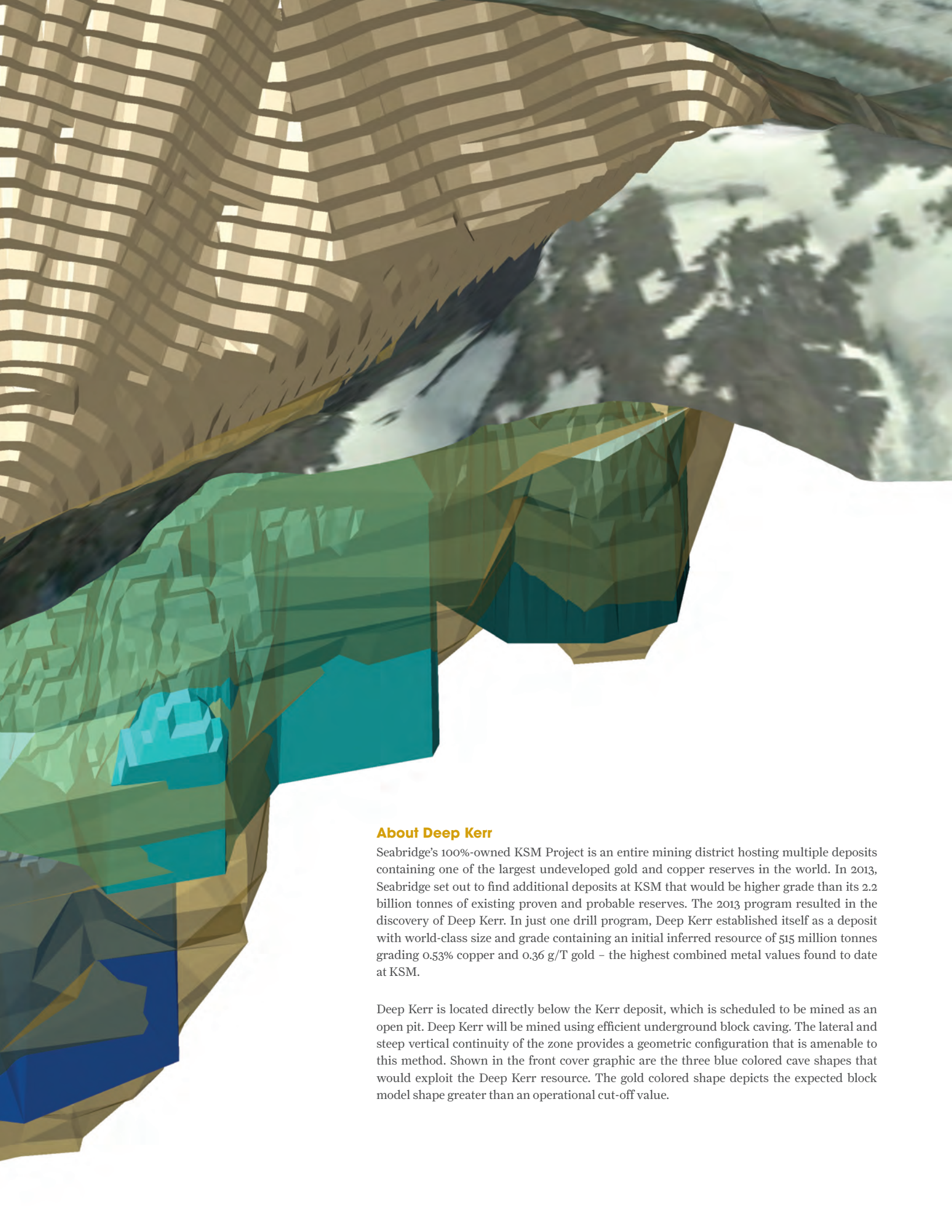
SEABRIDGE GOLD



A MASSIVE CANADIAN COPPER-GOLD DISCOVERY

DEEP KERR





About Deep Kerr

Seabridge's 100%-owned KSM Project is an entire mining district hosting multiple deposits containing one of the largest undeveloped gold and copper reserves in the world. In 2013, Seabridge set out to find additional deposits at KSM that would be higher grade than its 2.2 billion tonnes of existing proven and probable reserves. The 2013 program resulted in the discovery of Deep Kerr. In just one drill program, Deep Kerr established itself as a deposit with world-class size and grade containing an initial inferred resource of 515 million tonnes grading 0.53% copper and 0.36 g/T gold – the highest combined metal values found to date at KSM.

Deep Kerr is located directly below the Kerr deposit, which is scheduled to be mined as an open pit. Deep Kerr will be mined using efficient underground block caving. The lateral and steep vertical continuity of the zone provides a geometric configuration that is amenable to this method. Shown in the front cover graphic are the three blue colored cave shapes that would exploit the Deep Kerr resource. The gold colored shape depicts the expected block model shape greater than an operational cut-off value.

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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 New York Stock Exchange

Annual General Meeting of Shareholders

Tuesday, June 24, 2014, 4:30 p.m. EDT

The Albany Club, 91 King Street East, Toronto, Ontario M5C 1G3, Canada

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.

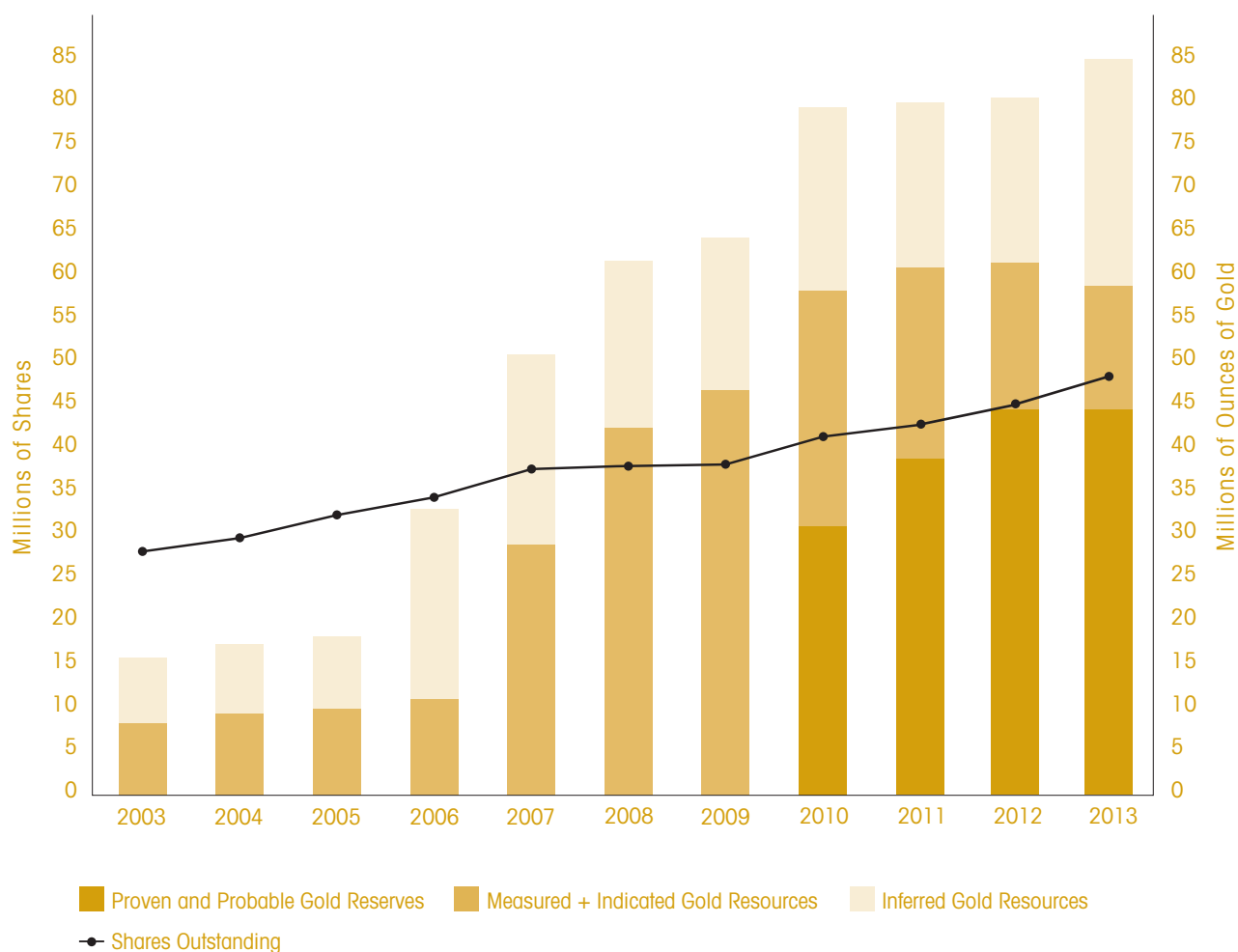
CHIEF EXECUTIVE OFFICER'S REPORT TO SHAREHOLDERS

11th Straight Year of Growing Ounces of Gold per Share

Last year marked another successful year of improving our shareholders' exposure to gold. As detailed below, drill programs at KSM and Courageous Lake found two new deposits, significantly increasing gold resources. At KSM, the initial drill program at Deep Kerr added 5.9 million ounces of gold and 6.1 billion pounds of copper to inferred resources. At Courageous Lake, the 2013 drill program at Walsh Lake yielded an initial inferred resource of 482,000 ounces of gold. Furthermore, the grades at Deep Kerr and Walsh Lake are substantially above the reserve grades at their respective projects, thereby satisfying our 2012 Annual Report theme of "upping the grade".

As you may recall, to fund 2013 exploration activities Seabridge completed two equity financings in late 2012 totaling \$42.0 million, consisting of 2.1 million shares sold at a significant premium to the market price at the time. Deployment of the funds from this issuance added 6.4 million ounces of inferred gold resources (plus 6.1 billion pounds of copper) ... or more than 3 ounces of gold for each share issued! We expect to deliver similar resource growth in 2014 from the 1.5 million shares we issued in late 2013 to fund this year's exploration efforts.

Gold Reserves and Resources Continue to Grow Faster than Shares Outstanding



Exploration Activities

KSM – THE ADDITION OF DEEP KERR CHANGES THE LANDSCAPE OF POTENTIAL JOINT VENTURE PARTNERS

In 2013, Seabridge completed a 24,000 meter drill program at the Deep Kerr core zone at its 100%-owned KSM Project in north western British Columbia, Canada. A core zone discovery at Deep Kerr was the primary objective of last year's exploration program and results far exceeded expectations. Of the 25 holes completed at Deep Kerr, 23 encountered significant gold and copper grades over extensive widths. Following completion of the program, an initial National Instrument 43-101 compliant resource was prepared for Deep Kerr resulting in an inferred resource estimate of 515 million tonnes grading 0.53% copper (6.1 billion pounds) and 0.36 g/T gold (5.9 million ounces).

Seabridge believes that the Deep Kerr discovery dramatically changes the economic profile of KSM. A year ago, KSM was an attractive large-scale gold project with a robust copper credit. With the addition of Deep Kerr, we believe KSM is now equally a top-tier copper project with grades that potentially invite comparison with the world's largest and most profitable operating copper-gold mines such as Grasberg (Freeport McMoran), Batu Hijau (Newmont) and Bingham Canyon (Rio Tinto).

A key strategic objective for the 2013 program was to expand the universe of prospective operating partners for KSM by increasing its potential as a copper producer. There are not many gold companies able to build a project as large as KSM. There are many more base metal producers with the capacity and experience needed for the task. We believe that Deep Kerr now puts KSM's copper potential above the threshold required for the involvement of a major base metal company.

In its resource modeling, Deep Kerr was treated as a block cave (bulk underground) mining target. The lateral and steep vertical continuity of the zone provides an excellent geometric configuration for this mining method. This conclusion is highly significant because growing efficiencies in the evolution of block cave technology have made it a preferred method among the major mining companies. Seabridge has retained Golder Associates and AMEC, both leading industry experts in underground mining, to undertake bulk underground mining studies for Deep Kerr. The resource estimate was tested against possible underground mining shapes provided by Golder Associates, culminating in mineral resources that were constrained within three dimensional wireframe shapes representing potential underground mining limits. Resources were tabulated using various Net Smelter Return ("NSR") cut-off grades, which is a common industry practice for this type of a deposit. Evaluation of the economic potential of Deep Kerr was based on metal prices of US\$3.30 per pound of copper, US\$1,250 per ounce of gold, US\$23 per ounce of silver, US\$14.40 per pound of molybdenum and estimated metal recoveries from metallurgical test work. The resource estimate was further constrained by cost parameters derived from comparable operating block cave mines around the globe, totaling US\$16 per tonne and consisting of US\$6 per tonne for mining and US\$10 per tonne for processing and G&A. To be conservative, the initial Deep Kerr inferred resource is being reported at an NSR cut-off grade of US\$20 per tonne.

At this time, the Deep Kerr deposit is being evaluated as a stand-alone occurrence. To insure that the Deep Kerr resource does not overlap with the Kerr deposit which lies above it, the previously reported Kerr open pit resource was isolated by a 50 meter buffer separating it from the new Deep Kerr resource. Additional drilling and advanced engineering analysis will be required before it is possible to evaluate whether or not Kerr and Deep Kerr can be combined into a single underground operation.

The best Deep Kerr results came at the end of the 2013 program. As drilling moved to the north, there was a definite trend towards a broader zone with richer gold and copper grades (640 meters of 0.85% copper and 0.42 g/T gold in hole K-13-34) indicating that the most productive portion of Deep Kerr could be found in future drilling. Planned drilling in 2014 will focus on this area, which is open along strike and at depth and where higher grade tonnage could be added quickly.

Last year's program also found more evidence of a possible second higher grade core zone beneath the Iron Cap deposit. Iron Cap is especially well located for a second core zone discovery; it is the closest deposit to proposed infrastructure and mine plans already assume that it will be exploited from underground using block cave methods. We may right now be, at Iron Cap, where we were last year at this time with Deep Kerr. The last holes drilled at Iron Cap in 2013 generated well-mineralized intercepts up to 850 meters long as well as some exceptional grades directly below existing reserves, including 51 meters containing 1.38 g/T gold and more than half a percent of copper. We appear to be closing in on a significant discovery that may be more gold-rich than Deep Kerr.

The KSM Project contains one of the largest undeveloped gold and copper reserves in the world. Its composite intrusive complex hosts four large gold-copper porphyry deposits (Kerr, Sulphurets, Mitchell and Iron Cap) and has a surface expression approaching 20 km². The scale of the exposed parts of the KSM deposits are equivalent in size to some of the largest porphyry deposits in the world, including Grasberg, Oyu Tolgoi, Resolution and Pebble. Intrusive and hydrothermal processes recognized in the KSM deposits are exceptionally intense and are of a style intimately associated with the development of the richest porphyry systems in the world.

COURAGEOUS LAKE – WALSH LAKE, A HIGHER GRADE SATELLITE DEPOSIT TO FAT

During 2013, Seabridge completed a 29 hole, 8,278 meter core winter drill program at the Walsh Lake zone located at its 100%-owned Courageous Lake Project in Canada's Northwest Territories. Walsh Lake was discovered in 2012 and is situated about 10 kilometers south of the FAT deposit where Seabridge has developed a 6.5 million ounce proven and probable gold reserve. The north part of Walsh Lake is connected by a road network between the FAT deposit and the historical, high-grade Tundra Gold Mine. Walsh Lake is believed to be a series of structural zones, parts of which are on strike with the deposits exploited in the Tundra Gold Mine.

Based on the 2012 and 2013 exploration programs, an independent National Instrument 43-101 compliant initial inferred resource estimate of 4.62 million tonnes grading 3.24 g/T (482,000 ounces of gold) was estimated for Walsh Lake.

The Walsh Lake resource meets Seabridge's objectives for satellite deposits at Courageous Lake, namely the potential to add mine life and contribute higher grade material during the early years of the project. The Walsh Lake resource grade is about 50% higher than the project's reserve grade, is near surface and close to the proposed processing site. Metallurgical tests on Walsh Lake also exhibit high gold recoveries (approximately 90%) using simple, conventional technologies.

The Walsh Lake resource model is based on 53 diamond core holes (totaling 17,450 meters) spaced at approximately 50 meters. The resource estimate is constrained within a conceptual pit limit based on a gold price of \$1,300 per ounce, gold recovery of 90% and a pit slope of 50 degrees. The pit constrained resource was tabulated using a 0.60 g/T gold cut-off grade. The cut-off grade was calculated using mining and processing costs of \$2 and \$20 per tonne respectively.

Permitting Activities

KSM – ENVIRONMENTAL ASSESSMENT AND ENVIRONMENTAL IMPACT STATEMENT REVIEW NEARING COMPLETION

The joint harmonized environmental assessment review of the KSM Project as outlined by the British Columbia Environmental Assessment Act and the Canadian Environmental Assessment Act, moved towards completion in 2013. Seabridge submitted the Environmental Assessment Application/Environmental Impact Statement (“EA/EIS”) for its KSM Project to the regulatory authorities in February 2013 and completed the initial screening stage of the process in June 2013. The environmental assessment review for the EA/EIS, which is the second stage of a three stage regulatory process, was initiated in August 2013. The third and final stage, the Ministers’ decision review, is anticipated to be completed in the next several months.

During the environmental review process, the Seabridge team had numerous interactions with the provincial and federal regulatory authorities and other members of the KSM Working Group, including representatives from the Nisga’a Nation, four First Nations, members of the public and U.S. based regulatory authorities. Following the submission of the EA/EIS, the Seabridge team has responded to several hundred comments and questions on the technical design of the project, the potential environmental impacts and the anticipated economic benefits associated with the KSM Project during participation in the following:

- 9 working group meetings
- 26 meetings with the Nisga’a Nation and First Nations
- 5 open houses in local communities
- 5 public presentations

Seabridge was pleased the KSM Working Group remained actively involved in the review of the EA/EIS and their input has further strengthened the Project design.

The KSM Project received local support during the environmental review process. Letters of support were submitted by the local governments of the Town of Smithers and the City of Terrace, B.C., the Gitksan First Nation and the general public. Local support was further highlighted when Seabridge and the Nisga’a Nation reached agreement in principle on the key elements of a Benefits Agreement in August 2013.

Seabridge remains fully confident that the provincial and federal authorities will approve our project, confirming our assertion that the KSM Project is a well-designed, environmentally responsible and technically feasible project that offers significant economic benefits for both British Columbia and Canada. Based on the updated timeline provided by the regulators, Seabridge expects provincial approval of the project in July 2014, followed by federal approval within a further 60 days.

It is important for our shareholders to understand how thorough and exhaustive the approval process in Canada has become for large projects like KSM. Six years of work and community feedback have been incorporated into our project design, reflecting the importance of the project to British Columbia’s northwest. We believe the approval process has not only enhanced KSM as a project, it has helped to make Seabridge part of the fabric of the region in which we operate. In the deepest sense, KSM is no longer just a Seabridge project. That’s why we have made it a priority to get out and talk to people living in the region, including our neighbors in Alaska. Over the past three years, we have conducted more than 220 community workshops and meetings, 16 site tours, 28 public forums, and met frequently with aboriginal and non-aboriginal groups. We have taken the time to listen. We have learned an enormous amount from this engagement which is reflected not only in the final design but also in the commitments we have made to local communities based on our growing understanding of their needs and aspirations.

Responsible mineral exploration and development means being conscientious about the environmental and the social impacts of our business. It means operating within a framework that protects the life, health, culture and well-being of the environment and of local communities. Seabridge is committed to upholding the highest environmental standards through project construction, operation and closure. We are also committed to making a major contribution to the social and economic evolution of British Columbia's northwest.

Report Card on 2013 Objectives

Consistent with past policy, Seabridge starts every year with a set of clear, published objectives to enhance shareholder value. At year end, our Board evaluates senior managers against these objectives. In last year's annual report, five objectives were set for 2013. Here is how we did:

- *Support the EA/EIS application to further de-risk the KSM Project.*
The EA/EIS was submitted to the regulators in February 2013 and accepted for formal review in August 2013. Throughout the year, our engineering and environmental teams and consultants interacted with the regulators and Treaty and First Nations on questions and issues raised. Support of the EA/EIS continues.
- *Complete a drill program at Deep Kerr which enables the calculation of an initial resource estimate.*
In August 2013, Seabridge announced that it had confirmed a higher-grade copper-gold core zone at Deep Kerr. Five diamond core drill rigs were deployed on the Deep Kerr target during most of the field season, generating 24,000 meters of core. Drill results yielded an initial National Instrument 43-101 compliant inferred resource of 515 million tonnes grading 0.53% copper (6.1 billion pounds) and 0.36 g/T gold (5.9 million ounces). Drilling will continue in 2014 as Deep Kerr remains open along strike to the north and at depth.
- *Drill test additional core zone targets at KSM.*
In addition to Deep Kerr, two other potential core zone targets (Iron Cap and McQuillan) were drilled during 2013. Both targets remain viable for a core zone discovery and additional drilling is planned for 2014.
- *Enhance the value of our Courageous Lake asset by completing a drill program in 2013 which enables the calculation of an initial resource estimate for the Walsh Lake target.*
The 2013 drilling program at Walsh Lake consisted of 29 diamond drill holes totalling 8,278 meters. Of the 29 holes completed, 28 returned significant gold values. An initial independent National Instrument 43-101 inferred resource estimate for the Walsh Lake deposit yielded 4.62 million tonnes at a grade of 3.24 g/T gold ... approximately 50% above the reserve grade at Courageous Lake.
- *Increase gold ownership per common share with new resource estimates for both KSM and Courageous Lake.*
In December 2012, we issued 2.1 million shares (1.1 million in a flow-through financing and 1.0 million to Royal Gold). To offset this dilution we would have needed to add approximately 3.7 million ounces of gold resources in our 2013 exploration programs. Resource estimates based on the results from these programs were completed for both Deep Kerr and Walsh Lake in early 2014, adding nearly 6.4 million ounces to gold resources and handily exceeding this objective.

And for 2014 ...

For this year, our prime objective is to complete a joint venture agreement on the KSM project with a suitable partner on terms advantageous to Seabridge. The addition of Deep Kerr has significantly changed the landscape of potential joint venture partners. Up until recently, KSM was considered a gold dominant project with the most likely partner being a major gold producer. With the much higher copper grades associated with Deep Kerr, and the potential to add more higher grade core zones, Seabridge is now, for the first time, dialoging with major base metal companies as well. We continue to believe that securing a joint venture partner for KSM is the single most effective way to enhance shareholder value. However, market conditions and other external factors may make an acceptable joint venture agreement impracticable at any given moment in time.

Other objectives for 2014 include:

1. Enter into Impact Benefit Agreements with Treaty and First Nations. Working with and obtaining support from Treaty and First Nations significantly de-risks the project;
2. Obtain approval from both the Canadian and British Columbia governments on the EA/EIS applications now before them. A project that has received environmental approvals is more attractive to a major producer;
3. Complete a follow-up drill program at Deep Kerr with the expectation of extending the deposit to the north and at depth;
4. Drill test additional core zone targets at KSM including Iron Cap. Adding new higher grade core zones should only make KSM more attractive to prospective joint venture partners;
5. Continue reconnaissance activities at Courageous Lake, looking for additional higher grade deposits along the 52 kilometer greenstone belt; and
6. Increase gold ownership per common share with expanded resource estimates for KSM.

The Gold Market

Please note that this information expresses the views and opinions of Seabridge Gold management and is not intended as investment advice. Seabridge Gold is not licensed as an investment advisor.

The gold market has probably never had as many moving parts as it does today. There are many factors arguing for a much higher gold price in the current year and we believe that gold has commenced a new bull market since the New Year. We will note some of these bullish factors below. But the over-riding issue remains one of investor confidence in financial markets and the financial system. For this reason, gold and financial markets generally move in opposite directions over the long term, with one turning bearish as the other turns bullish.

As we have consistently stated, if western investors think that risks to equities and bonds are low, if they think that central bank policies successfully back stop the upward trajectory of financial markets, they will have very little interest in buying or holding gold, and if that is so, the much celebrated migration of physical gold to patient hands in Asia, while important in the long term, is not likely to drive the near term gold price. In the short term, the hot money flows managed by the leveraged speculating community are large enough to set the terms for any market including gold. To understand the gold market in the short term, we believe we must understand the mindset of American and European money managers who have sold gold hard in the past two years.

THE RISKS ARE RISING

In our view, the risks in financial markets are high and rising. Yes, the most important equity indices remain very close to all-time highs and the pricing of debt is certainly extraordinarily elevated by historic standards. But the hedge fund community is coming off a poor first quarter in performance terms, reflecting their extreme over-commitment to an equity juggernaut that appears, in our opinion, to be topping out. Is there much more room to run in financial assets? We think that financial markets are very close to a change in sentiment which, at current valuations, could well be catastrophic in its consequences and a powerful driver of gold.

Consider the evidence of risk. Junk debt is trading at the tightest spreads ever to top-rated sovereigns. Junk bond yields have fallen below 5.5% as both institutional and individual investors try to offset the effects of central bank zero interest rate policies. Reaching for yield has generated a huge increase in leverage. So-called “covenant-lite” financing is back; these are leveraged loans to already highly indebted borrowers which lack the normal protections that mitigate losses in the event of default.

The deleveraging that was widely predicted after the 2008 meltdown was all too brief. Now, the \$70 trillion global economy has debt of more than \$100 trillion, up \$30 trillion (more than 40%) from the mid-2007 peak. The rate of increase in debt is running at multiples of the GDP growth rate in every major economy including China. Corporate borrowings have soared but capital spending has been stagnant; the new money is largely dedicated to financial engineering – stock buy-backs (often at new highs), acquisitions and other devices that boost earnings per share rather than build new productive assets generating cash flows.

Meanwhile, the equity markets have begun to struggle. In a process reminiscent of previous market tops, the weakness has started among the high flyers on NASDAQ and the small caps, sectors where the valuations have moved the most and become the most over-extended. Market capitalization as a percentage of GDP has more than doubled to 145% since 2008, the highest reading since the all-time peak in 2000. As in the debt markets, leverage is the order of the day. Margin debt now stands at \$466 billion according to the New York Stock Exchange, setting new records every month. But margin debt is only part of the story. The available cash in brokerage accounts is probably a more important figure. According to Jason Goepfert of SentimenTrader.com, investors’ brokerage accounts currently have a ratio of margin debt to cash exceeding 100% for only the third time in history; margin debt now exceeds cash by \$177 billion, more than the previous high of \$129 billion in February 2000. At the same time, insider sales of stock are at record levels (except for gold stocks where insiders are net buyers). Are these facts not evidence of a bubble, the third asset bubble created by monetary policy in the past 15 years?

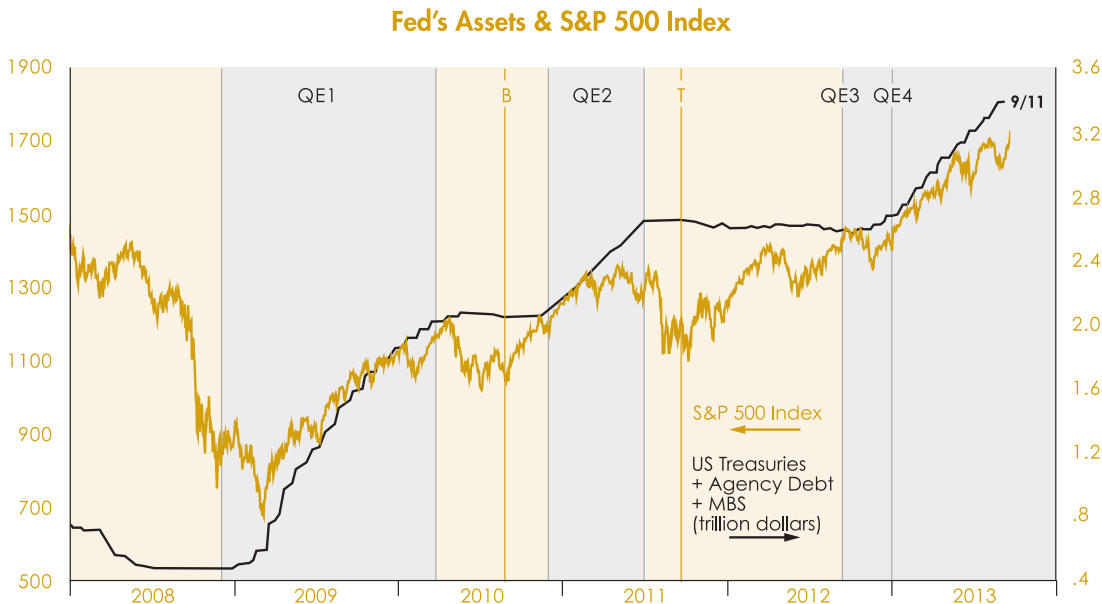
Perhaps the most alarming development in the equity markets is the recent resurgence of IPOs. In the April edition of The High Tech Strategist, Fred Hickey reports that the number of new filings for IPOs in Q1 was only exceeded during the Internet bubble of 2000 (source: Renaissance Capital), that 74% of the companies going public have no earnings, the highest level since March 2000 (source: Jason Goepfert) and that IPO investors are paying a median average 14.5 times annual sales this year for new offerings compared to a multiple of six times sales at the 2007 peak (source: University of Florida professor Jay Ritter). This feels eerily like 2000 all over again, when gold bottomed and equities peaked.

Our point is that markets are risky and increasingly fragile. Central banks have generated excess liquidity and low interest rates that have fuelled speculation rather than investment while at the same time using forward guidance to continually reassure investors that there is no risk of tightening any time soon. These policies have created an immense moral hazard.

IT'S THE QE, REALLY

Why is the equity market up so much? In our view, there is a consensus fairy tale that says that stocks are signaling an accelerated economic recovery in our immediate future. The fact that the Federal Reserve is now tapering their program of Quantitative Easing (buying assets with newly created cash) is seen as proof because they surely would not be removing stimulus if the economy were not in a strong and sustainable uptrend. In essence, this tale requires you to believe that (1) stocks deserve to be up on the merits of earnings and dividends alone and that (2) QE has strengthened the economy to the point where it is no longer needed.

David Rosenberg of Gluskin Sheff has calculated that the correlation between the growth in Fed assets from QE and the surge in the S&P 500 since early 2009 is 90%. Is this coincidence? To illustrate this correlation, Ed Yardeni of Yardeni Research, Inc. has constructed the following chart which tells us what happens when the QE drug is injected and when it is removed.



B = Ben Bernanke set the stage for QE2 and QE3 during his Jackson Hole speeches on August 27, 2010 and August 31, 2012.

T = Operation Twist was started on September 21, 2011 and terminated on December 31, 2012.

Source: Standard & Poor's Corporation

Chart reproduced with permission from yardeni.com.

Note that the S&P 500 rose 36.4% during QE1 which spanned from November 25, 2008, through the end of March 2010. The S&P 500 rose 10.2% during QE2 from November 3, 2010, through the end of June 2011. It rose much more, by 24.1%, if we start the clock on August 27, 2010, when Fed Chairman Ben Bernanke first hinted that a second round of quantitative easing was on the way. Operation Twist was announced on September 21, 2011, and the S&P 500 went up 15.9%.

But look at the QE gaps. Between the end of QE1 and Bernanke's speech on August 27, 2010, the S&P 500 fell 9.0%. Between the end of QE2 and the beginning of Operation Twist, it fell 11.7%. This explains why the Fed has now adopted a policy of gradually tapering QE while at the same time making much happy talk about keeping short term rates low long after a return to stronger economic performance; the cold turkey approach taken at the end of QE1 and QE2 was too much of a shock.



PREPARE FOR A TAPER OF THE TAPER

The main proposition of the bear case for gold is that QE tapering will bring down the price. Our view is that tapering is increasing systemic risk and the proof is in the gold price, which is now rising as the taper proceeds. Tapering increases systemic risk because QE is now the primary source of money supply growth. Normally, bank lending creates the new money needed for system liquidity but bank lending has been moribund since the 2008 credit crisis. For highly leveraged markets to remain intact, the money supply must continue to grow at a rapid pace but, in fact, the rate of increase is slowing down to levels that have signaled past market dislocations including 2008. By tapering at this time, the Fed is playing with fire.

The bear case is that gold is an inflation hedge and there is no inflation (by which they mean price inflation). Our view is that where there is price inflation, such as China and India, there is a strong demand for gold, so, yes, gold is an inflation hedge in this sense and there is mounting evidence of price inflation in western countries as well. More importantly, the western central banks have made it very clear that higher inflation is needed to deal with debt burdens and they are determined to create it, under the guise of defeating the forces of deflation. The excessive liquidity central banks have created has gone into financial assets, not goods and services, but in falling markets it will seek other homes, including gold and other tangibles. In any case, gold is much more than an inflation hedge; it is also the ultimate protection against default and a loss of confidence.

The bear case says that rising real interest rates will drive gold lower (real interest rates being the rates after deducting estimated price inflation). Our view is that gold is money and the interest rates that matter for gold are therefore the short term rates that govern the flows of funds between currencies. These are the rates that central banks are vowing to keep at zero far into the future. Short term rates are very negative in real terms and therefore intensely positive for gold.

The markets currently expect the Fed to continue tapering QE at the current rate which would bring QE to an end by November of this year. We think otherwise. We expect that increased volatility in equity and debt markets over the next several months will lead to a correction of sufficient magnitude as to force a pause in the Fed's QE taper program. This pause could generate a short term rally in asset prices but we think real damage will have been done to the Fed's credibility. Markets will understand that although QE does not produce economic recoveries, it is nonetheless needed to keep all the balls in the air. We think investors will see that the Fed is trapped, the consensus fairy tale that has dominated financial markets will come to an end and gold will exceed its old highs, perhaps this year, driven by a change of speculative sentiment in the west.

On behalf of the Board of Directors,



Rudi P. Fronk
Chairman and Chief Executive Officer
April 10, 2014

MINERAL RESERVES AND RESOURCES

The following tables provide a breakdown of Seabridge's most recent National Instrument 43-101 compliant estimates of mineral reserves and resources by project. Seabridge notes that mineral resources that are not mineral reserves do not have demonstrated economic viability. Details of the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves in the following tables and the known legal, political, environmental, or other risks that could materially affect the potential development of the mineral resources or mineral reserves in the following tables can be found on the Company's website at www.seabridgegold.net under the "Projects" tab, including detailed technical reports in respect of mineral reserves and mineral resources.

Proven and Probable Mineral Reserves

Project	Zone	Reserve Category	Tonnes (millions)	AVERAGE GRADES				CONTAINED METAL			
				Gold (gpt)	Copper (%)	Silver (gpt)	Moly (ppm)	Gold (million ounces)	Copper (million pounds)	Silver (million ounces)	Moly (million pounds)
KSM	Mitchell	Proven	476	0.67	0.17	3.05	60.9	10.3	1,798	47	64
		Probable	935	0.57	0.16	3.11	50.7	17.2	3,296	93	104
	Iron Cap	Probable	193	0.45	0.20	5.32	21.5	2.8	834	33	9
	Sulphurets	Probable	318	0.59	0.22	0.79	50.6	6.0	1,535	8	35
	Kerr	Probable	242	0.24	0.45	1.2	0.0	1.9	2,425	9	0
KSM Totals		Proven	476	0.67	0.17	3.05	60.9	10.3	1,798	47	64
		Probable	1,688	0.51	0.22	2.65	40.1	27.9	8,090	144	149
		Total	2,164	0.55	0.21	2.74	44.7	38.2	9,888	191	213
Courageous Lake		Proven	12	2.41	n/a	n/a	n/a	1.0	n/a	n/a	n/a
		Probable	79	2.17				5.5			
		Total	91	2.20				6.5			
Seabridge Totals								44.7	9,888	191	213

Mineral Resources (Includes Mineral Reserves as Stated Above)

		MEASURED 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:	0.5									
	Gold									
Mitchell	Equiv.	724,000	0.65	15,130	0.18	2,872	3.2	74,487	56	89.4
Courageous Lake	0.83	13,401	2.53	1,090	n/a	n/a	n/a	n/a	n/a	n/a
Quartz Mountain*	0.34	3,480	0.98	110	n/a	n/a	n/a	n/a	n/a	n/a
Red Mountain*	1.00	1,260	8.01	324	n/a	n/a	n/a	n/a	n/a	n/a
Castle/Black Rock*	0.25	4,120	0.57	75	n/a	n/a	n/a	n/a	n/a	n/a
Total Measured Resources			16.729		2.872		74.487		89.4	

- As of December 31, 2013 each of the Red Mountain, Quartz Mountain and Castle Black Rock projects were subject to options agreements under which a 100% interest in each such project may be acquired from Seabridge by the optionee.

Notes:

- These reserve and resource estimates have been prepared in accordance with NI 43-101. United States investors are cautioned that the requirements and terminology of NI 43-101 differ significantly from the requirements of the SEC, including Industry Guide 7 under the US Securities Act of 1933. Accordingly, the Issuer's disclosures regarding mineralization may not be comparable to similar information disclosed by companies subject to the SEC's Industry Guide 7. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources have a high degree of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resource will ever be upgraded to a higher category.
- The resource cut-off grade for the KSM Project is stated in amount of gold equivalent which takes into consideration the presence of copper, which contributes to project economics. The cut-off grade for Deep Kerr is stated as a dollar value in net smelter return (NSR).
- The effective date of each of the above reserve and resource estimates are January 9, 2012, for the KSM Project, February 14, 2014, for the Deep Kerr deposit, September 5, 2012, for the Fat Deposit (Courageous Lake Project), March 11, 2014, for the Wash Lake deposit (Courageous Lake Project), April 27, 2007, for the Grassy Mountain Project, April 12, 2002, for the Quartz Mountain Project, January, 2005, for the Red Mountain Project and October 5, 2000, for the Castle Black Rock Project.

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		1,052,900	0.58	19,634	0.16	3,713	3.1	104,940	59	136.9
Sulphurets	0.5	370,900	0.59	7,036	0.21	1,717	0.8	9,540	49	40.1
Kerr	Gold	270,400	0.24	2,086	0.46	2,741	1.1	9,563	n/a	n/a
Iron Cap	Equiv	361,700	0.44	5,117	0.21	1,674	5.4	62,796	47	37.5
KSM Total		2,055,900	0.51	33,873	0.22	9,845	2.8	186,838	54	214.5
Courageous Lake	0.83	93,914	2.28	6,884	n/a	n/a	n/a	n/a	n/a	n/a
Quartz Mountain*	0.34	54,330	0.91	1,591	n/a	n/a	n/a	n/a	n/a	n/a
Red Mountain*	1.00	340	7.04	76	n/a	n/a	n/a	n/a	n/a	n/a
Castle/Black Rock*	0.25	8,260	0.53	140	n/a	n/a	n/a	n/a	n/a	n/a
Total Indicated Resources				42,564		9,845		186,838		214.5

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		1,776,900	0.61	34,764	0.17	6,585	3.1	179,426	58	226.3
Sulphurets	0.5	370,900	0.59	7,036	0.21	1,717	0.8	9,540	49	40.1
Kerr	Gold	270,400	0.24	2,086	0.46	2,741	1.1	9,563	n/a	n/a
Iron Cap	Equiv	361,700	0.44	5,117	0.21	1,674	5.4	62,796	47	37.5
KSM Total		2,779,900	0.55	49,003	0.21	12,717	2.9	261,325	55	303.8
Courageous Lake	0.83	107,315	2.31	7,974	n/a	n/a	n/a	n/a	n/a	n/a
Quartz Mountain*	0.34	57,810	0.92	1,701	n/a	n/a	n/a	n/a	n/a	n/a
Red Mountain*	1.00	1,600	7.78	400	n/a	n/a	n/a	n/a	n/a	n/a
Castle/Black Rock*	0.25	12,380	0.54	215	n/a	n/a	n/a	n/a	n/a	n/a
Total Measured Plus Indicated Resources				59,295		12,717		261,325		303.8

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		567,800	0.44	8,032	0.14	1,752	3.4	62,068	51	63.8
Sulphurets	0.5	177,100	0.50	2,847	0.15	585	1.2	6,833	30	11.7
Kerr	Gold	85,000	0.24	656	0.28	525	0.9	2,460	n/a	n/a
Iron Cap	Equiv	297,300	0.36	3,441	0.20	1,310	3.9	37,278	60	39.3
KSM Total		1,127,200	0.41	14,976	0.17	4,172	3.0	108,638	50	114.8
Deep Kerr	\$20 NSR	514,700	0.36	5,914	0.53	6,052	1.8	30,319	28	32.1
Courageous Lake:										
FAT Deposit	0.83	48,963	2.18	3,432	n/a	n/a	n/a	n/a	n/a	n/a
Walsh Lake	0.60	4,624	3.24	482	n/a	n/a	n/a	n/a	n/a	n/a
Quartz Mountain*	0.34	44,800	0.72	1,043	n/a	n/a	n/a	n/a	n/a	n/a
Red Mountain*	1.00	2,079	3.71	248	n/a	n/a	n/a	n/a	n/a	n/a
Castle/Black Rock*	0.25	7,950	0.37	93	n/a	n/a	n/a	n/a	n/a	n/a
Total Inferred Resources				26,188		10,224		138,957		146.9

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, 2013, and 2012. This report is dated March 24, 2014, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2013, and 2012, 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.

The accompanying consolidated financial statements for the year ended December 31, 2013, and the comparative year ended December 31, 2012, have been prepared by the Company in accordance with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board.

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. Seabridge's principal projects include the KSM (Kerr-Sulphurets-Mitchell) property located in British Columbia and the Courageous Lake property located in the Northwest Territories. Seabridge's common shares trade in Canada on the Toronto Stock Exchange under the symbol "SEA" and in the United States on the New York Stock Exchange under the symbol "SA".

Selected Annual Information

Summary operating results (\$000's except per share amounts)	2013	2012	2011
Corporate and administrative costs	(11,831)	(15,832)	(19,840)
Impairment of marketable securities	(4,579)	(1,216)	—
Gain on disposition of mineral properties	2,006	1,076	154
Other income – flow-through shares	6,256	5,739	195
Income taxes	(5,960)	(2,624)	(498)
Other	459	348	(109)
Net loss	(13,649)	(12,509)	(20,098)
Basic loss per share	(0.30)	(0.29)	(0.48)
Diluted loss per share	(0.30)	(0.29)	(0.48)
Summary balance sheets (\$000's)	2013	2012	2011
Current assets	33,390	53,952	59,908
Non-current assets	236,987	209,651	168,811
Total assets	270,377	263,603	228,719
Current liabilities	8,481	10,563	8,272
Non-current liabilities	8,141	4,510	3,085
Equity	253,755	248,530	217,362
Total liabilities and equity	270,377	263,603	228,719

Results of Operations

The net loss for the year ended December 31, 2013, was \$13.6 million or \$0.30 per share and compares to a similar net loss of \$12.5 million or \$0.29 per share for 2012.

The main expenses contributing to the losses in both 2013 and 2012 were corporate and administrative costs, and in particular, stock based compensation, impairment of marketable securities and income taxes. Offsetting some of these losses was the recognition, in both the current and comparative year, of other income relating to the flow-through financing completed in 2012 and late 2013 and the recognition of a gain on the disposition of mineral properties in 2013. These items are discussed further below.

In 2013, corporate and administrative expenses decreased by \$4.0 million, resulting from the reduced stock-based compensation expense. In 2013, amortization of the fair value of options granted in 2010 to 2013 and the amortization of restricted share units (“RSU”) granted in 2013 represented \$7.0 million or 59% of total corporate and administrative costs. In 2012, amortization of the fair value of options previously granted represented 68% or \$10.7 million of the total of \$15.8 million recognized in that year. \$3.4 million of stock-based compensation related to stock option grants will be amortized and charged to the statement of operation in 2014 and 2015. A summary of grants, fair values and charges to the statement of operations is as follows:

Options granted (\$'000's except number of options and exercise prices)

	Number of options	Exercise price	Fair value	Expensed prior to 2012	Expensed in 2012	Expensed in 2013	Remaining balance to be expensed
August 8, 2007	120,000	29.60	792	792	—	—	—
December 8, 2008	515,000	10.54	3,043	3,043	—	—	—
December 20, 2010	950,000	29.75	12,363	8,859	2,568	655	281
March 1, 2011	200,000	28.80	3,274	1,705	1,364	205	—
March 29, 2011	150,000	30.42	2,552	1,134	1,134	284	—
June 29, 2011	50,000	27.39	583	93	183	183	124
December 12, 2011	550,000	21.98	6,454	245	4,490	1,719	—
March 7, 2012	25,000	21.54	305	—	251	54	—
June 27, 2012	100,000	14.70	839	—	288	415	136
September 11, 2012	180,000	17.32	1,749	—	358	987	404
December 12, 2012	165,000	17.52	1,581	—	55	964	562
March 3, 2013	705,000	12.60	2,485	—	—	1,226	1,259
June 5, 2013	100,000	12.91	724	—	—	257	467
December 19, 2013	50,000	8.00	186	—	—	9	177
					10,691	6,958	3,410

The Company implemented an RSU plan in late 2013 and granted 235,000 RSUs to certain non-director, key management personnel. Pursuant to the RSU Plan, the Board of Directors has the authority to grant RSUs, and to establish terms of the RSUs including the vesting criteria and the life of the RSU which is not to exceed two years. The RSU Plan along with the 2013 grants are subject to shareholder and regulatory approval. The RSUs will be exchanged for shares of the Company upon the later of vesting criteria being met and shareholder approval of the RSU Plan. The fair value of the grants, of \$1.9 million, was estimated as at the grant date and \$0.1 million has been recognized in stock-based compensation in 2013 and the remaining \$1.8 million will be expensed in 2014 and 2015. The expected service periods vary from six to eighteen months depending on the corporate objectives that are to be met.

Non-stock based employee compensation of \$3.1 million expensed in 2013 is down slightly from the \$3.3 million incurred in 2012 due to reduced bonus remuneration. It is expected that employee compensation will remain at current levels into 2014 as staff levels are not expected to fluctuate significantly.

Other corporate and administrative costs incurred in 2013 of \$1.7 million compare similarly to those incurred in 2012 of \$1.8 million and the Company expects similar costs in 2014.

The Company holds common shares of several mining companies that were received as consideration for optioned mineral properties, as well as other short-term investments. The majority of these financial assets are recorded at fair value on the statements of financial position. One of these investments, that being the shares held in Wolfpack Gold Corp. ("Wolfpack"), is classified as an associate, due to the percentage representation of the Company's personnel on Wolfpack's Board of Directors. As such, the investment in Wolfpack is accounted for using the equity method. The gold equity markets continued to experience significant volatility in the current year and as the Company determined that the recoverability of several of these investments was impaired, it recorded a \$4.6 million impairment charge to the statement of operations. The comparable charge to the statement of operations in 2012 was \$1.2 million. The Company may incur further losses on these holdings in the future depending on market conditions and management will continue to monitor the holdings and strive to maximize the recoverable value. Also in 2013 a \$0.1 million gain was recognized on the disposition of one investment that had been previously impaired.

Pursuant to an agreement made in 2011, between the Company and Orsa Ventures Corp. ("Orsa"), the Company granted Orsa the exclusive option to earn a 100% interest in the Quartz Mountain gold property by making staged payments based on time and development objectives. In 2013, Alamos Gold Inc. ("Alamos") acquired Orsa and its option to acquire Quartz Mountain and the Company received the next scheduled payment of \$2.0 million from Alamos. The cash received was recorded first as a recovery against the carrying value of the mineral properties, of \$0.1 million, and the excess, of \$1.9 million has been recorded as a gain.

An additional gain on disposition of mineral properties was recorded on the receipt, in 2013, of 250,000 shares of Banks Island Gold for an agreed upon deferral of a \$1.5 million payment that was due on an option agreement for the Company's Red Mountain project. The Company had recognized a gain of \$1.1 million in 2012 for the cash and fair value of shares received, from Banks Island Gold, in that year as the full book value of the Red Mountain project had been fully recovered with the 2012 payments. It was announced subsequent to December 31, 2013, that Banks Island Gold was not pursuing the option to purchase the Red Mountain project and the ownership of the project and the consideration received, in the form of cash and shares, of Banks Island Gold is retained by the Company.

The Company recorded \$6.3 million of other income, in 2013, related to two private placements of flow-through shares it finalized in November 2012. A combined premium of \$6.7 million was recognized as a liability on the statement of financial position when the financing closed and \$0.4 million was recognized as other income in 2012 for expenditures made in the period from closing of the financing to December 31, 2012. The premium reflects the value the investors paid for the renounced expenditures purchased and deductible to them for tax purposes. In 2013, as qualifying expenditures were made, the remaining premium of \$6.3 million was fully recognized on the statement of operations as other income. The Company recognized income of \$5.7 million in 2012 fully amortizing a similar flow-through premium set up in 2011.

In December 2013, the Company completed a private placement of flow-through shares and recorded a similar premium of \$5.3 million on the statement of financial position, at that time and the premium will be recorded as income on the statement of operations in 2014 as qualifying expenditures on the projects are made.

Interest income decreased slightly in 2013 over the comparable year and reflects the reduced cash balances in the current year. Interest rates have remained steady over the past two fiscal years and current economic indicators do not point to significantly enhanced returns in the near term. The Company's objective is to preserve the principal of its short-term investments and will seek to maximize the return it can attract.

In 2013, the Company recognized income tax expense of \$6.0 million (2012 – \$2.6 million) related to the potential unwinding of taxable temporary differences between the tax basis and book values of mineral properties, tax liabilities related to the 2012 flow-through financing and the tax treatment on the proceeds from the disposition, or optioning, of the Company's non-core assets.

Quarterly Information

Selected financial information for the last eight quarters ending December 31, 2013, is as follows (unaudited):

Quarterly operating results (\$000's)	4th Quarter ended December 31, 2013	3rd Quarter ended September 30, 2013	2nd Quarter ended June 30, 2013	1st Quarter ended March 31, 2013
Revenue	—	—	—	—
Loss for period	(2,447)	(2,045)	(5,679)	(3,478)
Basic loss per share	(0.05)	(0.04)	(0.13)	(0.08)
Diluted loss per share	(0.05)	(0.04)	(0.13)	(0.08)
Quarterly operating results (\$000's)	4th Quarter ended December 31, 2012	3rd Quarter ended September 30, 2012	2nd Quarter ended June 30, 2012	1st Quarter ended March 31, 2012
Revenue	—	—	—	—
Loss for period	(2,651)	(5,311)	(2,283)	(2,264)
Basic loss per share	(0.08)	(0.12)	(0.05)	(0.04)
Diluted loss per share	(0.08)	(0.12)	(0.05)	(0.04)

Loss for the period for the second quarter of 2013 has been adjusted to reflect the correction of an overstatement of the deferred tax expense and deferred tax liability of \$3.9 million. The correction of this overstatement will be reflected prospectively in future filings containing second quarter 2013 financial information.

Major activities in 2013 included: (i) an exploration and drilling program at KSM; (ii) responding to preliminary review comments on the environmental assessment application/environmental impact statement for KSM, filed at the beginning of 2013; and (iii) assessing the results of the winter/spring exploration and drilling program at Courageous Lake. Costs associated with the KSM exploration and drilling program are expected to continue into 2014 while the Company completes its exploration and drilling programs. Costs associated with progressing the review and approval of the environmental assessment application/environmental impact statement are expected to continue into the first half of 2014. Minimal exploration activity is planned for Courageous Lake in 2014, as the Company focuses on assessing the extent of an extensive core zone at KSM and searches for additional core deposits on the project.

Mineral Interests Activities

During the year ended December 31, 2013, the Company incurred \$34.6 million of expenditures related to its mineral interests compared to \$48.8 million in 2012.

In 2013, the Company incurred \$28.8 million of expenditures related to the KSM project. Approximately \$22.3 million of those expenditures related to drilling and other exploration costs and the balance of \$6.5 million was incurred to progress the review and approval of the environmental assessment. The Company commenced its 2013 drilling program in late May and continued through to October. The program followed up on the high grade copper-gold zone below the Kerr deposit discovered in 2012, and named Deep Kerr, and completed follow-up drilling of other high priority targets established in previous exploration programs. The 2013 exploration program resulted in the announcement, subsequent to December 31, 2013, of an additional 515 million tonne inferred resource at Deep Kerr at an average grade of 0.53% copper and 0.36 g/T gold. Drilling on the Deep Kerr deposit has returned the best metal values found to date at KSM, and is favorably located for cost-effective exploitation. This deposit could significantly improve KSM's projected economics.

Costs were also incurred to respond to initial screening comments, from regulators, on the completeness of the environmental assessment application/environmental impact statement that was filed in the first quarter. The Company submitted supplementary information to the reviewing parties in August and in the same month confirmation was received from regulators that the application entered the 180 day review period. As at the date of this discussion, although the review has surpassed the 180 day period, the Company has been asked to agree to an extension of the period in order for further analysis to be prepared by and for the regulators. The Company anticipates receiving an approval of the assessment by the provincial and federal regulators in mid-2014.

Also in 2013, the Company applied for \$4.4 million of refundable provincial tax credits related to exploration expenditures incurred in 2010 at KSM. The expected recovery has been credited to mineral properties and a corresponding receivable has been recognized on the December 31, 2013, statement of financial position.

At Courageous Lake, the Company incurred \$5.8 million in exploration costs in 2013 to complete the winter and spring exploration and drilling programs at the Walsh Lake deposit and to assess the results of those programs. The exploration program resulted in the announcement, subsequent to December 31, 2013, of an additional 4.62 million tonne inferred resource at the Walsh Lake deposit at an average grade of 3.24 g/T gold. The Walsh Lake deposit was discovered in 2012. The deposit appears to be the southern extension of the historical Tundra Gold Mine, a high grade gold mine which was abandoned in 1999. The Walsh Lake resource grade is approximately 50% higher than the project's reserve grade at the FAT deposit, is near surface and close to the proposed processing site. The Company continues to evaluate and refine parameters to aid in drill testing the greenstone belt for more satellite deposits.

In 2013, the Company continued its endeavours to divest of its non-core projects through dispositions or the optioning-off of its interests to third parties who will focus their attention on the properties. The Company's strategy is, and if warranted, to maintain ownership interests in the companies that will advance the projects through development and participate in the future success of the projects. The Company also maintains, in many cases, a net profit or net smelter return interest in the projects or option therein.

As mentioned above, pursuant to agreements between the Company and Orsa Ventures Corp. and now its acquirer, Alamos, the Company received a cash payment of \$2.0 million from Alamos in the current year. In addition, upon the delivery of a feasibility study, Alamos must pay the Company \$3.0 million and either an additional \$15.0 million or provide a 2% net smelter return royalty on production at Quartz Mountain, at the option of the Company.

Liquidity and Capital Resources

The Company's working capital position, at December 31, 2013, was \$24.9 million, down from \$43.4 million at December 31, 2012. Excluding the flow-through share premium, working capital amounted to \$30.2 million at December 31, 2013, and \$49.6 million at December 31, 2012. Cash and short-term deposits at December 31, 2013, totaled \$21.2 million versus \$43.4 million at December 31, 2012. At the end of 2012, the Company closed two significant financings raising gross proceeds of \$42.0 million, significantly increasing cash and short-term deposits at the time. Cash resources have diminished since the end of 2012 as the Company completed drilling and exploration programs at KSM and Courageous Lake and supported the review of the environmental assessment application/environmental impact statement for KSM.

On December 10, 2013, the Company issued 1,500,000 flow-through common shares, at \$11.17 per share, raising gross proceeds of \$16.8 million. The purchase price represented a 46.6% premium over the market price of the Company's shares on that date. The Company has renounced its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the financings and has transferred the deductibility to the purchasers of the flow-through shares. The Company has committed to spend the full \$16.8 million on qualifying expenditures over fiscal 2014. This financing along with working capital on hand are sufficient to complete its planned 2014 exploration programs and continue supporting the review process for the environmental assessment application into the middle of 2014, when a decision is anticipated.

On November 21, 2012, the Company closed two private placement financings totalling 1,100,000 flow-through common shares, at an average price per share of \$21.85, raising gross proceeds of \$24.0 million. The purchase price for 635,800 shares subscribed to, by residents of British Columbia, was \$22.68 and represented a 44% premium over the market price of the Company's shares on the day the financing closed. The purchase price for 464,200 shares subscribed to, by residents outside of British Columbia, was \$20.72 and represented a 32% premium over the market price of the Company's shares. For tax purposes, the Company has renounced its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the financings and has transferred the deductibility to the purchasers of the flow-through shares. The Company spent the full \$24.0 million on qualifying expenditures in the period from closing of the financing to the end of 2013.

In December 2012, the Company issued 1,004,491 common shares to Royal Gold Inc. ("Royal Gold") at \$17.92 per share raising gross proceeds of \$18.0 million. This transaction was a follow-up transaction to a similar financing that closed in June 2011 and is further described below. The purchase price for the shares was equal to a 15% premium over the market price of the Company's shares and provided Royal Gold an option to acquire a 0.75% net smelter royalty on all gold and silver production sales from the KSM property for the lesser of \$60.0 million or US\$75.0 million. The option is exercisable for a period of 60 days following the announcement of receipt of all material approvals and permits, full project financing and certain other conditions for the KSM project. Combined with the option purchased in 2011, Royal Gold now holds an option to purchase a 2% net smelter royalty on all gold and silver production sales from KSM for the lesser of \$160.0 million or US\$200.0 million.

During the year ended December 31, 2013, operating activities, including working capital adjustments, used \$5.7 million compared to \$4.2 million used by operating activities in 2012. Operating activities in the near-term are not expected to deviate significantly from current levels. Expenditures on mineral interests of \$34.6 million excluding recoveries are down from the \$48.8 million spent in 2012. In 2012, the Company completed both a winter/spring and a fall exploration program at Courageous Lake while in the current year only completed a winter/spring program. In 2013, \$2.0 million was received in cash as partial consideration for optioned mineral properties whereas in 2012, only \$1.0 million in cash was received for similar payments.

The Company will 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.

Contractual Obligations (\$000's)

	Total	Payments due by period			
		2014	2015-16	2017-18	After 2018
Mineral interests	9,319	851	1,792	2,389	4,287
Flow-through expenditures	16,755	16,755	—	—	—
Business premises operating lease	440	132	264	44	—
	26,514	17,738	2,056	2,433	4,287

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

In 2014, the Company has planned a follow-up drilling program at KSM to further define the Deep Kerr resource and discover additional core deposit. The Company will also continue to support the review process of the environmental assessment application for KSM. The Company plans to continue to seek opportunities to either sell or joint venture KSM. The recent drilling results from Deep Kerr, and in particular its copper mineralization, along with the anticipated approval of the environmental assessment has enhanced the potential to attract the interest of major base metal companies to enter into a joint venture arrangement that would allow the Company to move the project closer toward production. Although the Company's focus will remain on KSM in 2014, a limited surface exploration program is planned for the Courageous Lake to establish high priority drilling targets at the project.

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, 2013, 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, the CEO and CFO concluded that the Company's internal controls over financial reporting were effective as at December 31, 2013.

There was no change in the Company's internal controls over financial reporting that occurred during the period October 1, 2013, to December 31, 2013, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Subsequent Events

Subsequent to December 31, 2013, 700,000 five-year options were granted to seven directors of the Company at an exercise price of \$10.36. This grant is subject to shareholder approval and the vesting is subject to the earlier of a major transaction on one of the Company's two core assets or receipt of environmental assessment and environmental impact statement certificates for the KSM project. The fair value of these options will be amortized, from the date of the grant, over the expected service life of the options.

Shares Issued and Outstanding

At March 24, 2014, the issued and outstanding common shares of the Company totaled 47,081,376. In addition, there were 3,625,000 stock options granted and outstanding and 235,000 RSUs that are subject to shareholder approval. Assuming the exercise of all outstanding options and RSUs, there would be 50,941,376 common shares issued and outstanding.

Related Party Transactions

During the year ended December 31, 2013, a private company controlled by a director of the Company was paid \$96,604 (2012 – \$87,000) for software licenses provided by his company; a private company controlled by an officer was paid \$155,595 (2012 – \$270,014) for legal services rendered. 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. As at December 31, 2013, \$71,000 of liabilities to related parties remained outstanding (December 31, 2012 – \$39,000).

Recent Accounting Standards Issued and Applied

IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company adopted IFRS 10 on January 1, 2013, and it had no significant impact on the financial statements.

IFRS 11, JOINT ARRANGEMENTS ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 requires classification of interests in joint arrangements as either joint operations or joint ventures. For a joint operation, assets, liabilities, revenues and expenses

are recognized and for a joint venture, the equity method is applied. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value, including any allocation of goodwill, into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company adopted IFRS 11 on January 1, 2013, and it had no impact on the financial statements.

IFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities. The Company adopted IFRS 12 on January 1, 2013, and it had no impact on the financial statements.

IFRS 13, FAIR VALUE MEASUREMENT was issued by the IASB on May 12, 2011. The new standard provides a single source of guidance of how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus is on an exit price. The Company adopted IFRS 13 on January 1, 2013, and it had no impact on the financial statements.

IFRIC 20, STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE was issued by the IASB on October 20, 2011. The new standard addresses accounting issues regarding waste removal costs incurred in surface mining activities during the production phase of a mine. The new interpretation addresses the classification and measurement of production stripping costs as either inventory or as a tangible or intangible non-current stripping activity asset. The standard also provides guidance for the amortization and impairment of such assets. The Company adopted IFRIC 20 on January 1, 2013, and given the development stage of the Company's projects, it had no impact on the financial statements.

Changes in Accounting Standards Not Yet Adopted

IFRS 9, FINANCIAL INSTRUMENTS – In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. The Company is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements.

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 and Mineral Reserves

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 U.S. 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 expenditures 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, KSM and Courageous Lake have known bodies of commercial ore but have yet to receive operating permits or adequate funding to advance the project to production. 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, landslides 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 thereunder, 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

The Company currently has limited interests in properties located outside of Canada but holds interests in various projects within the United States. 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 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, the value of stock-based compensation, asset retirement obligations and deferred income tax. All 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.

The provision for asset retirement obligations is the best estimate of the present value of the future costs of reclaiming the environment that has been subject to disturbance through exploration activities or historical mining activities. The Company uses assumptions and evaluates technical conditions for each project that have inherent uncertainties, including changes to laws and practices and to changes in the status of the site from time-to-time. The timing and cost of the rehabilitation is also subject to uncertainty. These changes, if any, are recorded on the statement of financial position as incurred.

The Company has net assets in Canada and the United States and files corporate tax returns in each. Deferred tax liabilities are estimated for tax that may become payable in the future. Future payments could be materially different from our estimated deferred tax liabilities. We have deferred tax assets related to non-capital losses and other deductible temporary differences. Deferred tax assets are only recognized to the degree that it shelters tax liabilities or when it is probable that we will have enough taxable income in the future to recover them.

Forward-Looking Statements

The 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 RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Financial statements include certain amounts based on estimates and judgments. When an alternative method exists under IFRS, management has chosen that which it deems most appropriate in the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects, in accordance with IFRS.

The Company maintains adequate systems of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that transactions are properly authorized and recorded, the Company's assets are appropriately accounted for and adequately safeguarded and that the financial information is relevant and reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management's discussion and analysis. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee also reviews the consolidated financial statements, management's discussion and analysis, the external auditors' report, examines the fees and expenses for audit services, and considers the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders. KPMG LLP, the external auditors, have full and free access to the Audit Committee.



Rudi P. Fronk
Chairman & Chief Executive Officer
March 24, 2014



Christopher J. Reynolds
Vice President, Finance and Chief Financial Officer
March 24, 2014

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

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 statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2013 and December 31, 2012, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 from 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, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Seabridge Gold Inc.'s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework 1992 issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 24, 2014 expressed an unmodified (unqualified) opinion on the effectiveness of Seabridge Gold Inc.'s internal control over financial reporting.



Chartered Professional Accountants, Licensed Public Accountants
March 24, 2014
Toronto, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and the Board of Directors of Seabridge Gold Inc.

We have audited Seabridge Gold Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Seabridge Gold Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting under the heading Internal Controls over Financial Reporting included in Management's Discussion and Analysis for the year ended December 31, 2013. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Seabridge Gold Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Seabridge Gold Inc. as of December 31, 2013 and December 31, 2012, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for each of the years ended December 31, 2013 and December 31, 2012, and our report dated March 24, 2014 expressed an unmodified (unqualified) opinion on those consolidated financial statements.



Chartered Professional Accountants, Licensed Public Accountants
March 24, 2014
Toronto, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents (Note 4)	1,063	2,284
Short-term deposits (Note 4)	20,096	41,099
Amounts receivable and prepaid expenses (Note 5)	5,128	1,911
Investments (Note 6)	6,543	8,658
Other short-term investments (7d)	560	—
	33,390	53,952
Non-current assets		
Mineral interests (Note 7)	235,429	208,091
Reclamation deposits	1,553	1,553
Property and equipment	5	7
Total non-current assets	236,987	209,651
Total assets	270,377	263,603
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	2,060	4,210
Taxes payable (Note 14)	1,096	97
Flow-through share premium (Note 10)	5,325	6,256
	8,481	10,563
Non-current liabilities		
Deferred income tax liabilities (Note 14)	6,792	2,451
Provision for reclamation liabilities (Note 9)	1,349	2,059
Total non-current liabilities	8,141	4,510
Total liabilities	16,622	15,073
Shareholders' equity (Note 10)	253,755	248,530
Total liabilities and shareholders' equity	270,377	263,603

Contingencies and Commitments (Note 15)

Subsequent events (Note 7(d), 7(e) and Note 10)

The accompanying notes form an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and authorized for issue on March 24, 2014 and were signed on its behalf:



Rudi P. Fronk
Director



Jay S. Layman
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in thousands of Canadian dollars except common share and per common share amounts)

	2013	2012
Corporate and administrative expenses (Note 12)	(11,831)	(15,832)
Impairment of investments (Note 6)	(4,579)	(1,216)
Loss on revaluation of other short-term investments (Note 7)	(73)	–
Gain on disposition of mineral property (Note 7)	2,006	1,076
Gain on sale of investments (Note 6)	98	–
Interest income	336	412
Finance expense and depreciation	(21)	(41)
Other income – flow-through shares (Note 10)	6,256	5,739
Other income	110	–
Foreign exchange gain (loss)	9	(23)
Loss before income taxes	(7,689)	(9,885)
Income tax expense (Note 14)	(5,960)	(2,624)
Loss for the year	(13,649)	(12,509)
Other comprehensive income (loss), net of income taxes:		
Unrecognized gain on available for sale financial assets	976	260
Comprehensive loss for the year	(12,673)	(12,249)
Basic and diluted net loss per Common Share	(0.30)	(0.29)
Basic weighted-average number of common shares outstanding	45,651,239	43,620,685

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in thousands of Canadian dollars)

	Share Capital	Stock-based Compensation	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
As at January 1, 2013	272,536	23,351	5,810	(53,337)	170	248,530
Stock-based compensation	–	7,038	–	–	–	7,038
Shares – exercise of options	411	(148)	–	–	–	263
Expired options	–	(3,423)	3,423	–	–	–
Issuance of shares	11,430	–	–	–	–	11,430
Share issuance costs	(1,131)	–	–	–	–	(1,131)
Deferred tax	298	–	–	–	–	298
Other comprehensive income	–	–	–	–	976	976
Net loss for the year	–	–	–	(13,649)	–	(13,649)
As at December 31, 2013	283,544	26,818	9,233	(66,986)	1,146	253,755
As at January 1, 2012	239,662	18,291	327	(40,828)	(90)	217,362
Shares – exercise of options	411	(148)	–	–	–	263
Stock-based compensation	–	10,691	–	–	–	10,691
Cancelled options	–	(3,033)	3,033	–	–	–
Expired options	–	(2,450)	2,450	–	–	–
Issuance of shares	32,883	–	–	–	–	32,883
Share issuance costs	(1,668)	–	–	–	–	(1,668)
Deferred tax	1,248	–	–	–	–	1,248
Other comprehensive income	–	–	–	–	260	260
Net loss for the year	–	–	–	(12,509)	–	(12,509)
As at December 31, 2012	272,536	23,351	5,810	(53,337)	170	248,530

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of Canadian dollars)

	2013	2012
Operating activities		
Net loss	(13,649)	(12,509)
Items not affecting cash:		
Loss on revaluation of other short-term investments	73	–
Impairment of investments	4,579	1,216
Gain on disposition of mineral property	(2,006)	(1,076)
Gain on sale of investments	(98)	–
Stock-based compensation	7,038	10,691
Other income – flow-through shares	(6,256)	(5,739)
Other income	(110)	–
Income tax expense	5,960	2,578
Finance expense and depreciation	21	41
Changes in non-cash working capital items		
Amounts receivable and prepaid expenses	1,218	(679)
Accounts payable and accrued liabilities	(2,150)	1,273
Taxes payable	(324)	19
Net cash used in operating activities	(5,704)	(4,185)
Investing activities		
Mineral interests	(34,556)	(48,716)
Investment in short-term deposits	(14,000)	(36,000)
Redemption of short-term deposits	35,003	42,142
Cash proceeds from sale of marketable securities	150	–
Cash proceeds from property recoveries	2,000	1,320
Redemption of reclamation deposit	–	35
Purchase of fixed assets	–	(8)
Net cash used in investing activities	(11,403)	(41,227)
Financing activities		
Issue of share capital	15,886	40,633
Net decrease in cash during the year	(1,221)	(4,779)
Cash and cash equivalents, beginning of the year	2,284	7,063
Cash and cash equivalents end of the year	1,063	2,284

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012

1. Reporting entity

Seabridge Gold Inc. is comprised of Seabridge Gold Inc. (the “Company”) and its subsidiaries and is a development stage company engaged in the acquisition and exploration of gold properties located in North America. The Company was incorporated under the laws of British Columbia, Canada on September 4, 1979 and continued under the laws of Canada on October 31, 2002. Its common shares are listed on the Toronto Stock Exchange trading under the symbol “SEA” and on the New York Stock Exchange under the symbol “SA”. The Company is domiciled in Canada, the address of its registered office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5 and the address of its corporate office is 106 Front Street East, 4th Floor, Toronto, Ontario, Canada M5A 1E1.

2. Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements were authorized for issuance by the Board of Directors of the Company on March 24, 2014.

3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets, classified as fair value through profit and loss which are measured at fair value.

(b) Basis of consolidation – Subsidiaries

Subsidiaries are entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest’s proportionate share of the fair value of the acquiree’s net identifiable assets.

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of operations.

Where a business combination is achieved in stages, previously held equity interests in the acquiree are re-measured at acquisition-date fair value and any resulting gain or loss is recognized in the consolidated statement of operations. Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

(c) Associates

An associate is an entity over which the investor has significant influence but not control and one that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20% if influence is exerted over policy decisions that affect the entity. The Company's share of the net assets and net income or loss of associates is accounted for in the consolidated financial statements using the equity method of accounting.

(d) Translation of foreign currencies

These consolidated financial statements are presented in Canadian dollars, which is the Company's, and each of its subsidiary's, functional currency.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of operations.

Monetary assets and liabilities of the Company denominated in a foreign currency are translated into Canadian dollars at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average exchange rates prevailing during the period. Exchange gains and losses are included in the determination of profit or loss for the year.

(e) Critical accounting judgments and estimation uncertainty

In applying the Company's accounting policies in conformity with IFRS, management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(I) CRITICAL ACCOUNTING JUDGMENTS

The following are the critical judgments, that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements (refer to appropriate accounting policies for details).

(a) Mineral reserves and resources

To calculate reserves and resources, the Company uses assumptions and evaluates technical, economic and geological conditions for each ore body. Measured grade of the ore and its metallurgy can have a significant effect on the carrying value of mineral properties and therefore the recoverability costs. Future market prices for gold and copper are also factored into valuation models. Changes to these factors can affect the recoverability of mineral properties and impairment thereto.

(b) Impairment of assets

When there has been a decline in the fair value of an investment in marketable securities that the Company has judged to be other than a temporary decline, the investment is written down to fair value and the loss is recognized in the statement of operations. For mineral properties, should the Company decide to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment at that time.

(II) KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Mineral properties

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.

(b) Asset retirement obligations

The provision for asset retirement obligations is the best estimate of the present value of the future costs of reclaiming the environment that has been subject to disturbance through exploration activities or historical mining activities. The Company uses assumptions and evaluates technical conditions for each project that have inherent uncertainties, including changes to laws and practices and to changes in the status of the site from time-to-time. The timing and cost of the rehabilitation is also subject to uncertainty. These changes, if any, are recorded on the statement of financial position as incurred.

(c) Share based payments

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.

(d) Deferred income taxes

The Company has net assets in Canada and the United States and files corporate tax returns in each. Deferred tax liabilities are estimated for tax that may become payable in the future. Future payments could be materially different from our estimated deferred tax liabilities. We have deferred tax assets related to non-capital losses and other deductible temporary differences. Deferred tax assets are only recognized to the degree that it shelters tax liabilities or when it is probable that we will have enough taxable income in the future to recover them.

(f) Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits consist of balances with banks and investments in money market instruments. These instruments are carried at fair value through profit or loss. 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.

(g) Investments

Investments in marketable securities accounted for as available for sale securities are recorded at fair value. The fair values of the 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. Increases or decreases in the market value of investments are recorded in other comprehensive income net of related income taxes. 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 and the loss is recorded in the statement of operations.

(h) Other short-term investments

Investments in other short-term investments are accounted for as available for sale securities and recorded at fair value. The fair values of the investments are determined based on the closing prices of the underlying investments 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. Increases or decreases in the market value of other short-term investments are recorded in other comprehensive income net of related income taxes. When there has been a loss in the value of a short-term investment that is determined to be other than a temporary decline, the investment is written down and the loss is recorded in the statement of operations.

(i) Mineral interests

Mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of property, plant and equipment and, as such, the Company capitalizes all exploration costs, which include license acquisition costs, advance royalties, holding costs, field exploration and field supervisory costs and all costs associated with exploration and evaluation activities relating to specific properties as incurred, until those properties are determined to be economically viable for mineral production. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to activities in a particular area of interest. The fair value of any recoveries from the disposition or optioning of a mineral property is credited to the carrying value of mineral properties.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial operations.

The actual recovery value of capitalized expenditures for mineral properties and deferred exploration costs will be contingent upon the discovery of economically viable reserves and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

When a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortized over the life of the reserves associated with the area of interest once mining operations have commenced.

(j) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The cost of property and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated closure and restoration costs associated with the asset. Depreciation is provided using the straight-line method at an annual rate of 20% from the date of acquisition. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively.

(k) Impairment of non-financial assets

The carrying value of the Company's mineral interests is assessed for impairment when indicators of such impairment exist. Property and equipment is assessed for impairment at the end of each reporting period. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated to determine the extent of the impairment loss, if any. The recoverable amount is determined as the higher of the fair value less costs to sell the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment is determined on an asset by asset basis, whenever possible. If it is not possible to determine impairment on an individual asset basis, then impairment is considered on the basis of a cash generating unit ("CGU"). CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other group of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged immediately to the statement of comprehensive loss so as to reduce the carrying amount to its recoverable amount. Impairment losses related to continuing operations are recognized in the statement of operations and comprehensive loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations and comprehensive loss.

(l) Reclamation liabilities

Provisions for environmental restoration are recognized when: (i) the Company has a present legal or constructive obligation as a result of past exploration, development or production events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a formal report and are subject to regular review.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. When estimates of obligations are revised, the present value of the changes in obligations is recorded in the period by a change in the obligation amount and a corresponding adjustment to the mineral interest asset.

The amortization or 'unwinding' of the discount applied in establishing the net present value of provisions due to the passage of time is charged to the statement of operations in each accounting period.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates. As a result there could be significant adjustments to the provisions for restoration and environmental cleanup, which would affect future financial results.

Funds on deposit with third parties provided as security for future reclamation costs are included in reclamation deposits on the balance sheet.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax is not recognized for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill which is not deductible for tax purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company has certain non-monetary assets and liabilities for which the tax reporting currency is different from its functional currency. Any translation gains or losses on the remeasurement of these items at current exchange rates versus historic exchange rates that give rise to a temporary difference is recorded as a deferred tax asset or liability.

(n) Stock-based compensation (options and restricted share units)

The Company applies the fair value method for stock-based compensation and other stock-based payments. The fair value of options is valued using the Black Scholes option-pricing model and other models for the two-tiered options and restricted share units as may be appropriate. The grant date fair value of stock-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date (Note 10). The Company reviews estimated forfeitures of options on an ongoing basis.

(o) Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through common shares. The tax deductibility of qualifying expenditures is transferred to the investor purchasing the shares. Consideration for the transferred deductibility of the qualifying expenditures is often paid through a premium price over the market price of the Company's shares. The Company reports this premium as a liability on the statement of financial position and the balance is reported as share capital. At each reporting period, and as qualifying expenditures have been incurred, the liability is reduced on a proportionate basis and income is recognized in the statement of operations.

(p) Net profit (loss) per common share

Basic profit (loss) per common share 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.

(q) Financial assets and liabilities

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The Company's financial instruments are comprised of the following:

FINANCIAL ASSETS:

Cash and cash equivalents

Short-term deposits

Amounts receivable

Investments

Other short-term investments

Reclamation deposits

CLASSIFICATION:

Fair value through profit or loss

Fair value through profit or loss

Loans and receivables

Available for sale

Available for sale

Fair value through profit or loss

FINANCIAL LIABILITIES:

Accounts payable and other liabilities

CLASSIFICATION:

Other financial liabilities

(i) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as fair value through profit or loss.

(ii) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(iii) AVAILABLE FOR SALE INVESTMENTS

Financial assets classified as available for sale are measured at fair value, with changes in fair values recognized in other comprehensive income, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in other comprehensive income is recognized within the consolidated statement of operations.

(iv) FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

LEVEL 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

LEVEL 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

LEVEL 3: Inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial assets measured at fair value, as at December 31, 2013, and December 31, 2012, which include cash and cash equivalents, short-term deposits and marketable securities are classified as a Level 1 measurement.

(v) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at each financial reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the instrument have been impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In the case of an impairment loss reversal being recorded for available for sale marketable securities, the reversal is recorded in other comprehensive income.

(r) Recent accounting standards issued and applied

IFRS 10, *Consolidated Financial Statements* (“IFRS 10”) provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company adopted IFRS 10 on January 1, 2013, and it had no impact on the financial statements.

IFRS 11, *Joint Arrangements* (“IFRS 11”) replaces the guidance in IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 requires classification of interests in joint arrangements as either joint operations or joint ventures. For a joint operation, assets, liabilities, revenues and expenses are recognized and for a joint venture, the equity method is applied. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value, including any allocation of goodwill, into a single investment balance at the beginning of the earliest period presented. The investment’s opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company adopted IFRS 11 on January 1, 2013, and it had no impact on the financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities. The Company adopted IFRS 12 on January 1, 2013, and it had no impact on the financial statements.

IFRS 13, *Fair Value Measurement* was issued by the IASB on May 12, 2011. The new standard provides a single source of guidance of how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus is on an exit price. The Company adopted IFRS 13 on January 1, 2013, and it had no impact on the financial statements.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* was issued by the IASB on October 20, 2011. This new standard addresses accounting issues regarding waste removal costs incurred in surface mining activities during the production phase of a mine. The new interpretation addresses the classification and measurement of production stripping costs as either inventory or as a tangible or intangible non-current stripping activity asset. The standard also provides guidance for the amortization and impairment of such assets. The Company adopted IFRIC 20 on January 1, 2013, and given the pre-development stage of the Company’s projects, it had no impact on the financial statements.

(s) New standards and interpretations not yet adopted

New standards and amendments to standards and interpretations that are effective for annual periods beginning on or after January 1, 2014, that have not been applied in preparing these financial statements are:

IFRS 9, *Financial instruments* (“IFRS 9”) proposes to replace IAS 39 Financial instruments recognition and measurement. The replacement standard establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015, but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company will evaluate the impact of the change to its financial statements based on the characteristics of its financial instruments at the time of adoption but is not expected to have a significant effect on the financial statements of the Company.

IFRIC 21, *Levies* sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company is assessing the impact of adopting IFRIC 21 on the financial statements but is not expected to have a significant effect on the financial statements of the Company.

4. Cash and cash equivalents and short-term deposits

(\$000's)	December 31, 2013	December 31, 2012
Cash and cash equivalents	1,063	2,284
Short-term deposits	20,096	41,099
	21,159	43,383

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.

5. Amounts receivable and prepaid expenses

(\$000's)	December 31, 2013	December 31, 2012
Provincial tax credits	4,435	–
HST	398	1,191
Prepaid expenses	154	177
Other receivables	141	543
	5,128	1,911

6. Investments

The Company holds common shares of several mining companies that were received as consideration for optioned mineral properties, among other investments. These available for sale financial assets are recorded at fair value on the statements of financial position and one associate is accounted for on the equity basis. In 2013, the Company determined that several of the investments were impaired and for the year ended December 31, 2013, recorded a \$4.6 million (2012 – \$1.2 million) charge to the statement of operations. Also in 2013 a \$0.1 million gain was recognized on the disposition of one investment.

7. Mineral interests

Mineral interest expenditures on projects are considered as exploration and evaluation. All of the projects have been evaluated for impairment and their related costs consist of the following:

(\$000's)	Balance January 1, 2013	Expenditures 2013	Recoveries 2013	Balance December 31, 2013
KSM	140,853	28,773	(4,435)	165,191
Courageous Lake	60,830	5,755	–	66,585
Nevada Projects	2,882	–	–	2,882
Grassy Mountain	3,382	–	(2,611)	771
Quartz Mountain	144	–	(144)	–
	208,091	34,528	(7,190)	235,429

(\$000's)	Balance January 1, 2012	Expenditures 2012	Recoveries 2012	Balance December 31, 2012
KSM	110,458	33,117	(2,722)	140,853
Courageous Lake	45,255	15,575	–	60,830
Nevada Projects	5,116	–	(2,234)	2,882
Grassy Mountain	3,359	23	–	3,382
Red Mountain	2,654	69	(2,723)	–
Quartz Mountain	369	–	(225)	144
	167,211	48,784	(7,904)	208,091

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

a) 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 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 \$1.0 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 \$1.0 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 mainly for mine infrastructure purposes for a cash payment of \$675,000, subject to a 2% net smelter returns royalty.

On June 16, 2011, the Company completed an agreement granting a third party an option to acquire a 1.25% net smelter royalty on all gold and silver production sales from KSM for a payment equal to the lesser of \$100.0 million or US\$125.0 million. The option is exercisable for a period of 60 days following the announcement of receipt of all material approvals and permits, full project financing and certain other conditions for the KSM project. The option was conditional on the optionee subscribing for \$30.0 million of the Company's shares at a premium to market of 15%. The financing was completed on June 29, 2011. The 15% premium derived from the option agreement for the NSR, was determined to be \$3.9 million (\$3.84 per share for 1,019,000 shares) which was recorded as a credit to mineral properties on the statement of financial position in 2011. The optionee also held an option to purchase an additional \$18.0 million of the Company's shares and receive an option to acquire an additional 0.75% net smelter royalty on all gold and silver production sales from KSM for a payment equal to the lesser of \$60.0 million or US\$75.0 million and exercised the option to purchase the shares in December 2012, at a 15% premium to the market price of the shares at that time. The premium derived from the option agreement for the 0.75% net smelter royalty on this transaction was determined to be \$2.4 million (\$2.41 per share for 1,004,491 shares) which was recorded as a credit to mineral properties on the statement of financial position in 2012.

In 2013, \$28.8 million of expenditures were incurred to complete the 2013 drilling and exploration program, complete and file an environmental assessment with the British Columbia and federal governments and respond to comments from regulatory bodies during their respective reviews. Approximately \$22.3 million of those expenditures related to drilling and other exploration costs and the balance, of \$6.5 million, was incurred to progress the review and approval of the environmental assessment. The exploration program resulted in the announcement, subsequent to December 31, 2013, of an initial resource estimate for the Deep Kerr deposit. Also in 2013, the Company applied for \$4.4 million of refundable provincial tax credits related to exploration expenditures incurred in 2010 at KSM. The expected recovery has been credited to mineral properties and a corresponding receivable has been recognized on the December 31, 2013, statement of financial position.

b) 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.

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.

In 2013, the Company incurred \$5.8 million in exploration costs to complete the winter and spring exploration and drilling programs at the Walsh Lake property at Courageous Lake and to assess the results of those programs.

c) Nevada Projects

In June 2011, the Company entered into a letter of intent with Golden Predator Corp. pursuant to which the Company and Golden Predator Corp., would contribute a portfolio of mineral properties into a new private company called Wolfpack Gold Corp. ("Wolfpack"). The letter of intent was superseded by definitive agreements executed in June 2012. The transaction was closed on June 26, 2012, and certain properties were transferred to Wolfpack, from the Company, while others were optioned. In total, 5,506,500 shares of Wolfpack were received as consideration for the optioned and transferred properties. Under the agreement, Seabridge granted to Wolfpack an option to purchase 100% of its lease interest in the Castle Black Rock property located in Esmerelda County, Nevada. To exercise this option, Wolfpack must issue Seabridge an aggregate of 7,000,000 common shares of Wolfpack over a four year period, of which 840,000 shares were received on closing in June 2012. The next tranche of shares of 1,120,000 is expected in June 2014. If Wolfpack exercises the option, Seabridge will retain a 1% net profits royalty in the Castle Black Rock Property.

Also under the agreement, Seabridge granted to Wolfpack an option to purchase 100% of its interest in the Four Mile Basin Property located in Nye County, Nevada. To exercise this option, Wolfpack must issue Seabridge an aggregate minimum of 3,000,000 Wolfpack shares over a four year period, of which, 360,000 shares were received on closing in June 2012. If Wolfpack exercises the option, Seabridge will retain a 2% net smelter returns royalty on precious metals and a 1% net smelter returns royalty in respect of all other mineral derived from the Four Mile Basin Property. Seabridge has an obligation to pay 10% of the proceeds received under this option to a third party. Therefore, Seabridge will retain a minimum of 2,700,000 Wolfpack shares and a 1.8% net smelter returns royalty on precious metals and a 0.9% net smelter returns royalty in respect of all other minerals after complying with this obligation. The next tranche of shares of 480,000 is expected in June 2014.

In addition, under the executed agreement, Seabridge granted to Wolfpack an option to purchase 100% of its interest in the Liberty Springs Property located in Nye County, Nevada. To exercise this option, Wolfpack must issue Seabridge an aggregate minimum of 2,500,000 Wolfpack Shares over a three year period, of which 300,000 Wolfpack shares were received on closing in June 2012. The actual number of Wolfpack shares to be issued to Seabridge following closing is subject to upward adjustment, based on future value protection formulae, and hence, these share amounts should be viewed as the minimum number of Wolfpack shares to be issued to maintain and fulfill the option. If Wolfpack exercises the option, Seabridge will retain a 2% net smelter returns royalty on precious metals and a 1% net smelter returns royalty in respect of all other minerals derived from the Property. Seabridge has an obligation to pay 10% of the proceeds received under this option to a third party. Therefore, Seabridge will retain a minimum of 2,250,000 Wolfpack shares and a 1.8% net smelter returns royalty on precious metals and a 0.9% net smelter returns royalty in respect of all other minerals after complying with this obligation. The next tranche of shares of 400,000 is expected in June 2014.

Under the agreement, Seabridge sold to Wolfpack its interests in the several other properties located in Nevada for 4,500,000 Wolfpack shares. Seabridge will retain a 2% net smelter returns royalty on precious metals and a 1% net smelter returns royalty in respect of all other minerals derived from these properties, except that in the case of properties already subject to an underlying royalty, Seabridge will only retain a 1% net profits royalty. Seabridge had

an obligation to pay 10% of the proceeds received under the acquisition of most of these properties to a third party. Accordingly, Seabridge retained 4,072,500 Wolfpack shares and either a 1.8% net smelter returns royalty on precious metals and a 0.9% net smelter returns royalty in respect of all other minerals or a 0.9% net profits royalty after complying with this obligation.

The fair value of the 5,506,500 shares received on closing has been recorded as a recovery of the carrying value of the Nevada projects. Although the Company currently holds less than 20% ownership in Wolfpack, two members of senior management of the Company have been appointed to the board of directors of Wolfpack, and therefore it can be presumed that the Company can exert significant influence over policy decisions within Wolfpack. The investment in Wolfpack has therefore been accounted for using the equity method.

d) 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.

In April 2011, the Company announced that an agreement had been reached to option the Grassy Mountain project to Calico Resources Corp. ("Calico") which was subsequently amended in the current year. In the original agreement, in order to exercise the option, Calico was to issue to the Company (i) two million of its common shares following TSX Venture Exchange approval; (ii) four million of its common shares at the first anniversary; and (iii) eight million of its shares when the project has received the principal mining and environmental permits necessary for the construction and operation of a mine. The Company received the first two million common shares of Calico in 2011 and a value of \$740,000 was recorded as a credit to the carrying value of the mineral properties. In February 2013, the agreement was amended to allow for an accelerated exercise of the option and Calico issued 6,433,000 common shares and 4,567,000 special warrants to acquire a 100% interest in the Grassy Mountain project. Each special warrant is exercisable to acquire one common share of Calico for no additional consideration. The special warrants stipulated that they could only be exercised to the extent that, once exercised, the Company holds less than 20% of the outstanding shares of Calico or if shareholders of Calico approve the allotment of shares. Subsequent to December 31, 2013, shareholders of Calico approved the allotment of shares. The fair value of the shares and special warrants has been credited to the carrying value of the mineral properties at the time of receipt of the securities. During the year, the Company elected to convert 1,671,000 special warrants into common shares and the fair value of the shares has been included in marketable securities on the statement of financial position as at December 31, 2013. The remaining warrants fair value of \$560,000 is in other short-term investments on the statement of financial position as at December 31, 2013.

The special warrants have been recorded on the statement of financial position in other short-term investments and have been marked to market with a loss of \$0.4 million, recorded since their receipt. Management has estimated the fair value of the special warrants using expected cash flows based on the probability-weighted average of the range of possible outcomes. The asset retirement obligation, related to the Grassy Mountain property, of \$0.6 million, has also been credited to the carrying value of the mineral properties. In addition to the shares and special warrants received as consideration, after the delivery of a National Instrument 43-101 compliant feasibility study on the project, Calico must either grant the Company a 10% net profits interest or pay the Company \$10.0 million in cash, at the sole election of the Company. Following the de-recognition of the Grassy Mountain net assets, a value of \$771,000 has been retained within mineral properties which represents management's best estimate of the fair value of consideration to be received by the Company upon completion of a feasibility study.

e) 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 \$1.0 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 the second quarter of 2012, the Company entered into an agreement with Banks Island Gold Ltd. to option its 100% interest in the Red Mountain Project. Under the terms of the option agreement, in order to acquire the property, Banks Island Gold must: (i) pay the Company \$100,000 on the execution of the letter of intent; (ii) pay \$450,000 in cash and issue 4,000,000 of its common shares upon execution of the definitive option agreement; (iii) pay the Company a further \$450,000 in cash on or before December 15, 2012; (iv) pay the Company a further \$1,500,000 in cash on or before August 3, 2013; and (v) pay the Company a final \$9,500,000 in cash on or before February 3, 2015. In 2012, the Company received \$1.0 million in cash and 4 million shares of Banks Island Gold valued at \$2.8 million. The value of cash and shares was recorded first as a recovery against the carrying value of the mineral properties, of \$2.7 million, and the excess, of \$1.1 million was recorded as a gain on disposition of mineral properties in 2012. In 2013, the Company agreed to allow Banks Island Gold to defer the \$1.5 million payment until January 2014. In return, the Company received 250,000 shares of Banks Island Gold. The fair value of those shares on the day of receipt, of \$150,000 has been recorded as a gain on the disposition of mineral properties on the consolidated statement of operations and the fair value has been recorded in marketable securities on the consolidated statement of financial position as at December 31, 2013. Subsequent to the year end, Banks Island Gold failed to pay the \$1.5 million and the option has been terminated. The Company retained all payments of cash and shares of Banks Island Gold and retains ownership of the project.

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 a peripheral claim portion of the Quartz Mountain property. To earn a 50% interest in that portion of the project, the optionee completed \$0.5 million in exploration expenditures by December 31, 2010, and issued 200,000 shares to the Company (50,000 shares were received in 2010 and the remaining 150,000 shares were received in February 2011). The amounts received are shown as recoveries against the carrying value 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.

In 2011, subject to an agreement between the Company and Orsa Ventures Corp. ("Orsa") the Company granted Orsa the exclusive option to earn a 100% interest in the Quartz Mountain gold property and all of Seabridge's undivided 50% beneficial joint venture interest in the adjacent peripheral property mentioned above. The agreement stipulated that Orsa would pay the Company \$0.5 million on or before the fifth day following regulatory approval of the option agreement and will make staged payments of \$5.0 million in cash or common shares of Orsa, at the discretion of the Company. In 2012, the agreement was amended allowing Orsa to pay the Company 1.5 million common shares of Orsa instead of the \$0.5 million, then due. In the third quarter of 2013, Alamos Gold Inc. ("Alamos") acquired Orsa and its option to acquire Quartz Mountain and the Company received the next staged payment of \$2.0 million from Alamos. The value of cash was recorded first as a recovery against the carrying value of the mineral properties, of \$0.1 million, and the excess, of \$1.9 million has been recorded as a gain on disposition of mineral properties.

In addition, upon the delivery of a feasibility study, Alamos must pay the Company \$3.0 million and either an additional \$15.0 million or provide a 2% net smelter return royalty on production at Quartz Mountain, at the option of the Company.

8. Accounts payable and accrued liabilities

(\$000's)	December 31, 2013	December 31, 2012
Trade and other payables due to related parties	71	39
Other trade payables	1,819	3,889
Non-trade payables and accrued expenses	170	282
	2,060	4,210

9. Provision for reclamation liabilities

(\$000's)	December 31, 2013	December 31, 2012
Beginning of the year	2,059	1,963
Accretion	19	28
Current year adjustment	(729)	68
End of the year	1,349	2,059

The Company's policy on providing for reclamation obligations is described in Note 3. Although the ultimate costs to be incurred are uncertain, the Company's estimates are based on independent studies or agreements with the related government body for each project using current restoration standards and techniques. The estimate of the asset retirement obligations, as at December 31, 2013, was calculated using the total estimated undiscounted cash flows, of \$1.5 million, required to settle estimated obligations and expected timing of cash flow payments required to settle the obligations in 2023. The total estimated undiscounted cash flows as at December 31, 2012, was \$2.5 million and included an estimate of undiscounted cash flows for restoration of the Grassy Mountain Project that was sold in 2013. The fair value of the asset retirement obligation related to the Grassy Mountain property of \$0.6 million was credited to the carrying value of the mineral properties. The discount rate used to calculate the present value of the reclamation obligations was 1.25% at December 31, 2013 (0.38% – December 31, 2012).

10. Shareholders' equity

(\$000's)	December 31, 2013	December 31, 2012
Share capital	283,544	272,536
Stock options	26,818	23,351
Contributed surplus	9,233	5,810
Deficit	(66,986)	(55,337)
Accumulated other comprehensive income	1,146	170
	253,755	248,530

The Company is authorized to issue an unlimited number of preferred shares and common shares with no par value. No preferred shares have been issued or were outstanding at December 31, 2013, and December 31, 2012.

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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties that would be accretive and meaningful to the Company. The Company is not subject to externally imposed capital requirements.

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, 2013. The Company considers its capital to be share capital, stock options, contributed surplus and deficit.

On December 10, 2013, the Company issued 1,500,000 flow-through common shares, at \$11.17 per share, raising gross proceeds of \$16.8 million. The purchase price represented a 46.6% premium over the market price of the Company's shares on that date. The Company has renounced its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the financings and has transferred the deductibility to the purchasers of the flow-through shares. The premium of \$5.3 million was recognized as a liability on the statement of financial position and the balance was recorded as share capital. At each reporting period, and as qualifying expenditures are incurred, the liability is reduced on a proportionate basis and income is recognized on the statement of operations. Share issuance costs of \$1.1 million were incurred in 2013 in relation to the offering and have been included in equity.

On November 21, 2012, the Company closed two private placement financings and, in total, issued 1,100,000 flow-through common shares, at an average price per share of \$21.85, raising gross proceeds of \$24.0 million. The purchase price for 635,800 shares subscribed to, by residents of British Columbia, who are eligible to take advantage of provincial tax credits, was \$22.68 and represented a 44.2% premium over the market price of the Company's shares on November 21, 2012. The purchase price for 464,200 shares subscribed to, by residents outside of British Columbia, was \$20.72 and represented a 31.7% premium over the market price of the Company's shares on the same day. The Company renounced its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the financings and transferred the deductibility to the purchasers of the flow-through shares. A combined premium of \$6.7 million was recognized as a liability on the statement of financial position and the balance was recorded as share capital in 2012. The Company incurred the qualifying exploration expenditures in 2013 and the full premium was recognized as other income on the statement of operations in 2013. Share issuance costs of \$1.7 million were incurred in 2012 in relation to the offering and were included in equity.

The Company provides compensation to directors and employees in the form of stock options and a Restricted Share Units ("RSU"), plan implemented in the current year.

Pursuant to the Share Option Plan, the Board of Directors has the authority to grant options, and to establish the exercise price and life of the option at the time each option is granted, at a price not less than the closing price of the Common Shares on the Toronto Stock Exchange on the date of the grant of such option and for a period not exceeding five years. All exercised options are settled in equity.

Stock option transactions were as follows:

	Options	Weighted average exercise price	Value of options (\$'000's)
Outstanding January 1, 2013	2,648,300	21.90	23,351
Granted	855,000	12.37	1,492
Exercised	(25,000)	10.54	(148)
Expired	(553,300)	11.84	(3,423)
Value assigned to RSUs	–	–	84
Amortized value of options granted in 2010, 2011 and 2012	–	–	5,462
Outstanding December 31, 2013	2,925,000	21.11	26,818
Exercisable at December 31, 2013	1,480,000		
Outstanding January 1, 2012	2,763,300	24.19	18,291
Granted	470,000	17.06	952
Exercised	(25,000)	10.54	(148)
Cancelled	(300,000)	29.75	(3,033)
Expired	(260,000)	29.60	(2,450)
Amortized value of options granted in 2010, 2011 and 2012	–	–	9,739
Outstanding December 31, 2012	2,648,300	21.90	23,351
Exercisable at December 31, 2012	1,332,467		

The outstanding share options at December 31, 2013, expire at various dates between March 2014 and June 2018.

A summary of options outstanding, their remaining life and exercise prices as at December 31, 2013, is as follows:

Exercise price	Options Outstanding		Options Exercisable	
	Number outstanding	Remaining contractual life	Number exercisable	Exercise price
\$21.88	25,000	3 months	25,000	\$21.88
\$29.75	650,000	2 years	400,000	\$29.75
\$28.80	200,000	2 years 2 months	200,000	\$28.80
\$30.42	150,000	2 years 3 months	150,000	\$30.42
\$27.39	50,000	2 years 6 months	–	\$27.39
\$21.98	550,000	3 years	550,000	\$21.98
\$21.54	10,000	3 years 3 months	10,000	\$21.54
\$14.70	100,000	3 years 6 months	33,333	\$14.70
\$17.32	180,000	3 years 9 months	60,000	\$17.32
\$17.52	155,000	4 years	51,667	\$17.52
\$12.60	705,000	4 years 3 months	–	\$12.60
\$12.91	100,000	4 years 6 months	–	\$12.91
\$8.00	50,000	5 years	–	\$8.00
	2,925,000		1,480,000	

In the quarter ended March 31, 2013, 665,000 five-year options were granted to the directors of the Company at an exercise price of \$12.60 and a fair value of \$6.89 per option. This grant was subject to shareholder approval and the vesting is subject to the earlier of a major transaction on one of the Company's two core assets or receipt of environmental assessment and environmental impact statement certificates for the KSM project. Shareholder approval was obtained on June 26, 2013, at which time the options were revalued to \$3.46 per option. The fair value of these options is being amortized, from the date of the grant, over the expected service life of the options, estimated to be 1.8 years, which was based on the probability-weighted average vesting period of the Company's range of possible outcomes. An additional 40,000 five-year options were granted to an employee of the Company, also at an exercise price of \$12.60 and a fair value of \$6.89 per option. These options vest over a two year period.

In July 2013, 100,000 options to purchase common shares were granted to a newly appointed officer of the Company. The shares have a five year term and an exercise price of \$12.91. The fair value of these options of \$7.24 is being amortized and charged to the statement of operations over the estimated service life.

The fair value of the options granted that vest over time is estimated on the dates of grant using a Black Scholes option-pricing model with the following assumptions:

	2013	2012
Dividend yield	Nil	Nil
Expected volatility	52% - 67%	67%
Risk free rate of return	1.3 - 1.8%	1.34%
Expected life of options	4.7 - 5 years	5 years

No other features of the option grant were incorporated into the measurement of fair value.

Subsequent to December 31, 2013, 700,000 five-year options were granted to seven directors of the Company at an exercise price of \$10.36. This grant is subject to shareholder approval and the vesting is subject to the earlier of a major transaction on one of the Company's two core assets or receipt of environmental assessment and environmental impact statement certificates for the KSM project. The fair value of these options will be amortized, from the date of the grant, over the expected service life of the options.

The Company implemented the RSU Plan during the year. Pursuant to the RSU Plan, the Board of Directors has the authority to grant RSUs, and to establish terms of the RSUs including the vesting criteria and the life of the RSU. The life of the RSU is not to exceed two years. The Board has granted 235,000 RSUs in 2013 to non-director members of senior management. The RSU Plan along with the 2013 grants are subject to shareholder and regulatory approval. The RSUs will be exchanged for shares of the Company upon the later of vesting criteria being met and shareholder approval of the RSU Plan. The fair value of the grants, of \$1.9 million, was estimated as at the grant date and is being amortized over the expected service period of the grants. The expected service periods vary from six to eighteen months depending on certain corporate objectives being met.

11. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

LEVEL 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

LEVEL 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

LEVEL 3: Inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial assets measured at fair value, as at December 31, 2013, and December 31, 2012, which include cash and cash equivalents, short-term deposits, marketable securities are classified as a Level 1 measurement and other short-term investments are classified as a Level 2 measurement.

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, 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. 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, 2013, the Company had a cash and cash equivalents and short-term deposits balance of \$21.1 million (December 31, 2012 – \$43.3 million) for settlement of current liabilities of \$8.5 million, excluding the flow-through share premium. The short-term deposits are in various guaranteed investment securities with maturities to January and December 2014 but are redeemable, 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 U.S. dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using U.S. dollar currency converted from its Canadian dollar bank accounts held in Canada. 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 option payments on certain exploration properties the Company owns. In addition, the Company holds \$1.9 million in gold exchange traded receipts. The risk on these investments is significant due to the nature of the investment but the amounts are not significant to the Company.

12. Corporate and administrative expenses

(\$000's)	December 31, 2013	December 31, 2012
Employee compensation	3,072	3,296
Stock-based compensation	7,038	10,691
Professional fees	393	540
General and administrative	1,328	1,305
	11,831	15,832

13. Related party disclosures

Compensation to directors, officers and key management personnel of the Company:

(\$000's)	December 31, 2013	December 31, 2012
Compensation of directors:		
Directors fees	290	260
Services	97	87
Stock-based compensation	1,240	840
	1,627	1,187
Compensation of key management personnel:		
Salaries and consulting fees	2,372	2,681
Stock-based compensation	3,659	6,097
	6,031	8,778
Total remuneration of directors and key management personnel	7,658	9,965

14. Income taxes

(\$000's)	December 31, 2013	December 31, 2012
Current tax expense	1,322	46
Deferred tax expense	4,638	2,578
	5,960	2,624

Tax recovery recognized directly in equity

(\$000's)	December 31, 2013	December 31, 2012
Financing costs	298	1,248

Rate reconciliation

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian Federal and Ontario statutory income tax rates of 26.5% (2012 – 26.5%).

(\$000's)	December 31, 2013	December 31, 2012
(Loss) income before income taxes	(7,689)	(9,855)
	26.50%	26.50%
Tax recovery calculated using statutory rates	(2,037)	(2,620)
Non-deductible items	1,794	2,834
Non-taxable items	(120)	(1,521)
Difference in foreign tax rates	(210)	68
Renouncement of flow-through expenditures	5,898	7,746
Movement in tax benefits not recognized	225	512
Recognition of deferred tax assets	–	(4,395)
Prior period adjustment	160	–
Other	250	–
Income tax expense	5,960	2,624

Deferred income tax

The following table summarizes the components of deferred income liability:

(\$000's)	December 31, 2013	December 31, 2012
Deferred tax assets		
Property and equipment	58	60
Provision for reclamation liabilities	355	584
Financing costs	1,003	1,249
Non-capital loss carryforwards	9,095	8,029
Deferred tax liabilities		
Mineral interests	(17,303)	(12,373)
	(6,792)	(2,451)

Unrecognized deferred tax assets

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

(\$000's)	December 31, 2013	December 31, 2012
Investment in subsidiaries	8,512	5,031
Marketable securities	3,621	892
Loss carry forwards	2,277	2,270
ITC	1,898	497

The tax losses not recognized expire as per the amount and years noted below. The deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit would be available against which the Company can utilize the benefits there from.

Income tax attributes

As at December 31, 2013, the Company had the following income tax attributes to carryforward:

	Amount (000's)	Expiry date
Canadian non-capital losses	36,797	2033
Canadian tax basis of mineral interest	170,052	Indefinite
U.S. tax basis of mineral interest	1,326	Indefinite

15. Contingencies and commitments

(\$000's)	Total	Payments due by period			
		2014	2015-16	2017-18	After 2018
Mineral interests	9,319	851	1,792	2,389	4,287
Flow-through expenditures	16,755	16,755	—	—	—
Business premises operating lease	440	132	264	44	—
	26,514	17,738	2,056	2,433	4,287

In fulfillment of agreements with subscribers of 1.5 million flow-through shares of the Company, the Company has committed to spend \$16.8 million on qualifying exploration expenditures in 2014.

CORPORATE INFORMATION

Directors

Rudi P. Fronk
Chairman of the Board

A. Frederick Banfield

D. Scott Barr

Thomas C. Dawson

Louis J. Fox

Eliseo Gonzalez-Urien

Richard C. Kraus

Jay S. Layman

Officers

Rudi P. Fronk
Chief Executive Officer

Jay S. Layman
President and Chief Operating Officer

William E. Threlkeld
Senior Vice President, Exploration

Peter D. Williams
Senior Vice President, Technical Services

Christopher J. Reynolds
Vice President, Finance and Chief Financial Officer

R. Brent Murphy
Vice President, Environmental Affairs

C. Bruce Scott
Vice President, Corporate Affairs and Corporate Secretary

Gloria M. Trujillo
Assistant Corporate Secretary

Stock Exchange Listings

Toronto Stock Exchange, symbol: "SEA"
New York Stock Exchange, symbol: "SA"
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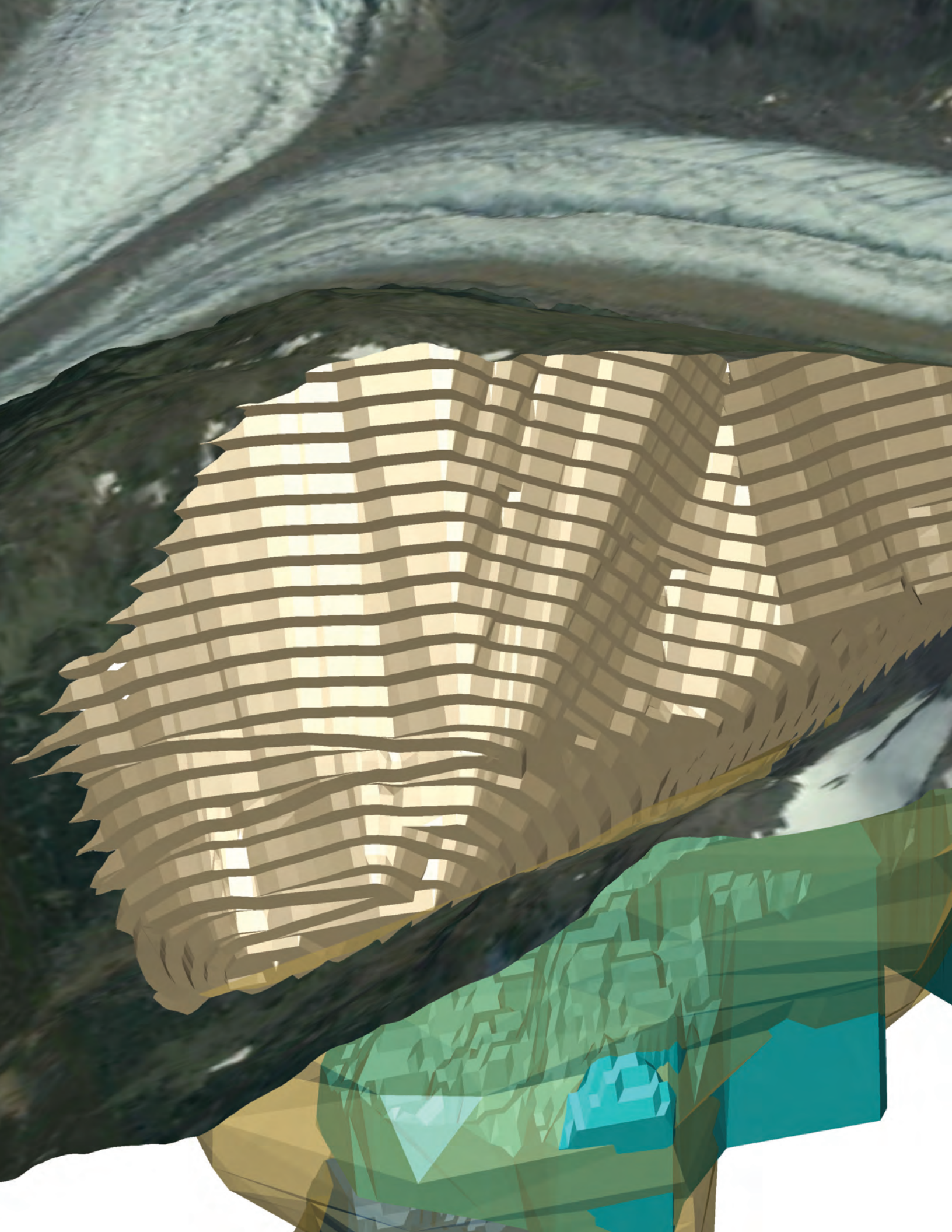
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