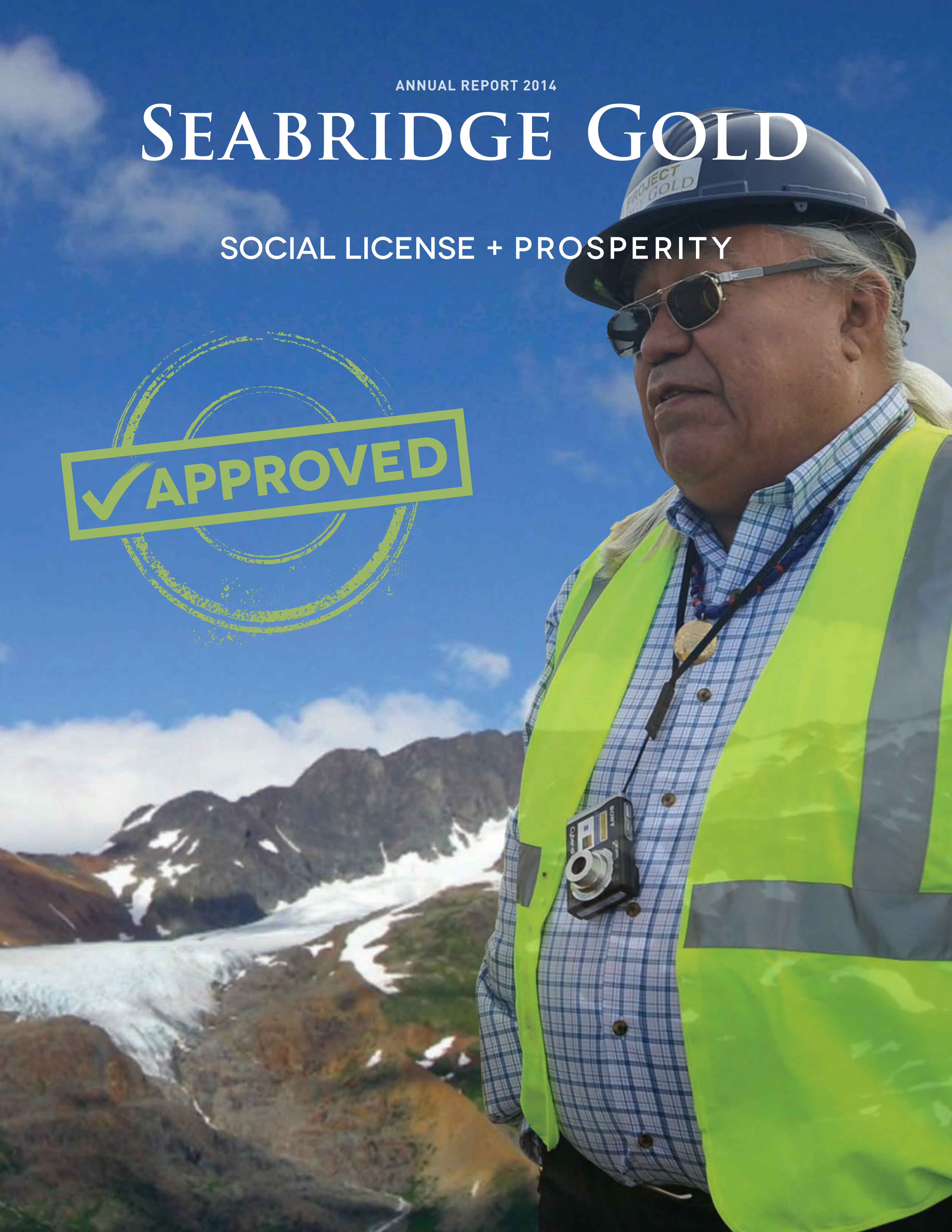
ANNUAL REPORT 2014

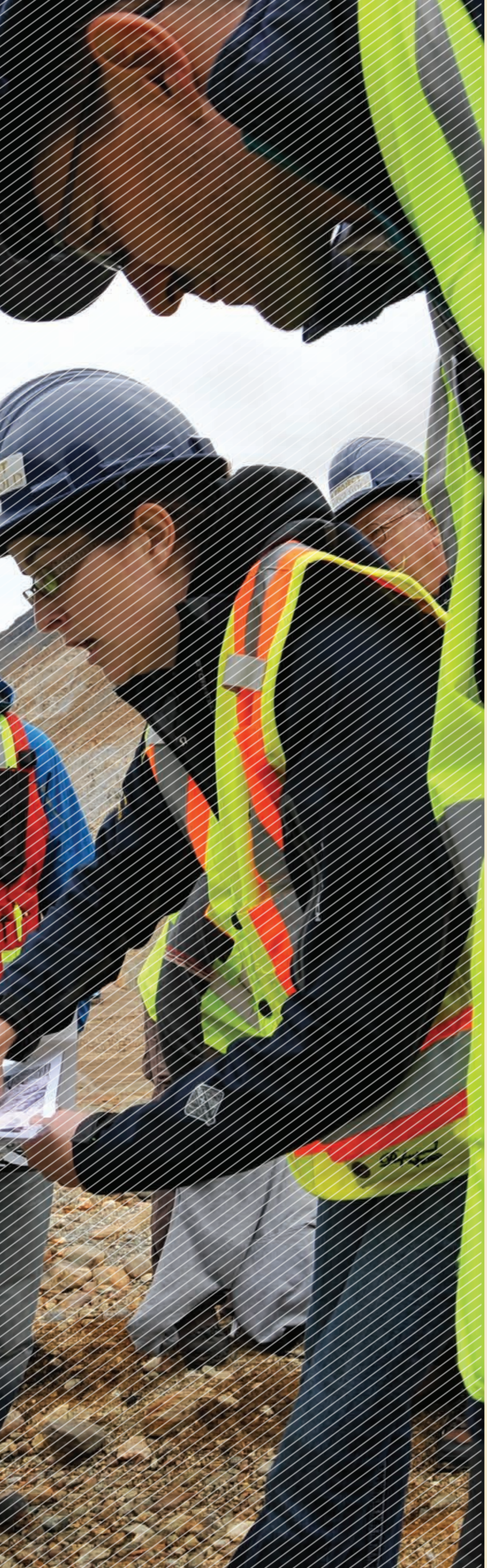
SEABRIDGE GOLD

SOCIAL LICENSE + PROSPERITY



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.



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STOCK EXCHANGE TRADING SYMBOLS

"SEA" on Toronto Stock Exchange
"SA" on New York Stock Exchange

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Wednesday, June 24, 2015
4:30 p.m. EDT
The Albany Club
91 King Street East
Toronto, Ontario M5C 1G3
Canada

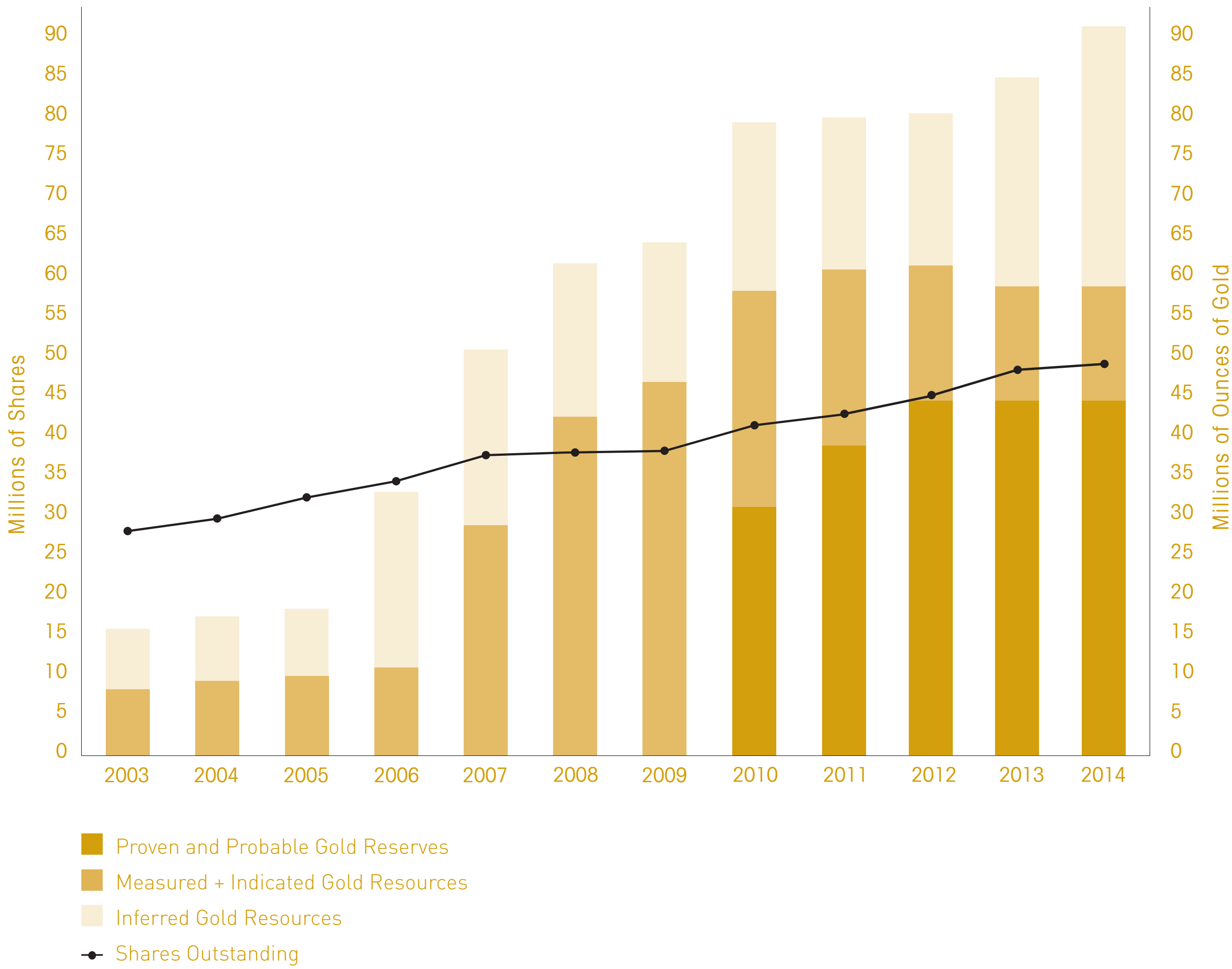
FORWARD–LOOKING STATEMENTS

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

The past twelve months has been a brutal period for gold companies ... especially for exploration and development companies like Seabridge that have large undeveloped projects and rely primarily on the equity markets for funding. At Seabridge we continue to believe that dilution matters and we therefore continue to strive to ensure that equity dilution is more than offset by improving our shareholders' exposure to gold by increasing our gold resources and reserves on a per share basis. We are able to accomplish this due to two factors: (i) having a project like KSM that provides extraordinary exploration opportunities, and (ii) having long-standing shareholders that continue to provide the capital necessary to succeed in all market conditions. As illustrated in the following graph, this discipline over the past 16 years has allowed us to develop one of the world's largest gold reserve and resource inventories with minimal share dilution.

GOLD RESERVES AND RESOURCES CONTINUE TO GROW FASTER THAN SHARES OUTSTANDING



This year I have decided to take a different direction from years past in my annual report to shareholders. Instead of summarizing the activities from the past 12 months, I thought it would be more meaningful and appropriate for you to hear our achievements from our employees, some of the most talented and dedicated individuals I have had the privilege to work with in my 35 years in the business. I hope you enjoy their stories on exploration, engineering and permitting/social license that follow my brief report.

REPORT CARD ON 2014 OBJECTIVES:

Consistent with the past, we start 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, seven objectives were set for 2014. Here is how we did:

- **Enter into Impact Benefit Agreements (IBA) with Treaty and First Nations**
  In June, Seabridge entered into a comprehensive IBA with the Nisga̱'a Nation, the only Treaty nation involved in the KSM environmental assessment process. The IBA establishes a long-term co-operative relationship between Seabridge and the Nisga̱'a Nation under which the Nisga̱'a Nation will support development of the Project, participate in economic benefits from the Project and provide ongoing advice. Also in June, Seabridge entered into an agreement with the Gitanyow Wilps represented by the Gitanyow Hereditary Chiefs Office whereby Seabridge has agreed to provide funding for certain programs relating to wildlife, fish and water quality monitoring to address some of the concerns raised by the Gitanyow, and to establish a committee as a means of maintaining communications about KSM Project related issues. Dialogue continues with the Tahltan and the Tsetsaut Skii km Lax Ha on IBAs.

- **Obtain approval from both the Canadian and British Columbia governments on the EA/EIS applications**
  On July 30, 2014, the British Columbia Environmental Assessment Office advised Seabridge that its Application for an Environmental Assessment Certificate for its KSM Project had received final approval from the British Columbia Ministers of the Environment and Energy and Mines. On December 19, 2014 the Federal Minister of the Environment issued her Environmental Assessment Decision Statement for Seabridge's KSM Project endorsing the conclusions of the KSM Comprehensive Study Report prepared by the Canadian Environmental Assessment Agency which found that the KSM Project is not likely to result in significant adverse effects on the environment. KSM has now successfully completed the Canadian environmental assessment process and received key early stage construction permits that renders the project shovel ready.

- **Complete a follow-up drill program at Deep Kerr with the expectation of extending the deposit to the north and at depth**
  A total of 12,900 meters in 13 core holes successfully expanded the known dimensions of the deposit along strike to the north and south as well as at depth. Drilling also confirmed the geological and resource models developed following the 2013 discovery program. An updated independent mineral resource estimate for the Deep Kerr Deposit now states an inferred resource of 782 million tonnes grading 0.54% copper and 0.33 g/T gold (8.2 million ounces of gold and 9.3 billion pounds of copper), an increase of more than 50% from last year's estimate.

- **Drill test additional core zone targets at KSM including Iron Cap**
  In addition to Deep Kerr, several other potential core zone targets were drilled during 2014. During the 2014 KSM drill program, 10 holes totaling 10,430 meters were drilled at the Iron Cap Lower Zone resulting in an initial inferred resource of 164 million tonnes at 0.59 g/T gold and 0.27% copper (3.1 million ounces of gold and 961 million pounds of copper). This initial resource is at a significantly higher grade than the Iron Cap resource which lies above the Lower Zone.

- **Continue reconnaissance activities at Courageous Lake, looking for additional higher grade deposits along the 52 kilometer greenstone belt**
  In 2014, a surface geophysical survey was undertaken in an effort to tie together historical drill intersections along the strike and south of the FAT deposit. Magnetic and VLF-EM surveys were successful at tracing the stratigraphic break that hosts the Walsh Lake and Tundra deposits and identified magnetic and resistivity anomalies coincident with downhole gold anomalies. A total of 6 target areas have now been selected and prioritized with characteristics that mimic the Walsh Lake and Tundra deposits. Initial drill testing of these targets is anticipated to confirm between 2 and 4 target areas with potential to replicate the Walsh Lake deposit, which would significantly enhance the project.

- **Increase gold ownership per common share with expanded resource estimates for KSM**
  The 2014 drill program at Deep Kerr and the Iron Cap Lower Zone added a combined estimated 5.4 million ounces of gold and 4.2 billion pounds of copper in a total of 431 million tonnes of inferred resources grading 0.40 g/T gold and 0.45% copper, while shares outstanding increased by only 1.36 million during the year, thereby once again increasing resource ounces of gold per share. In just two years, the Company's new core zone program has added an estimated 11.3 million ounces of gold and 10.3 billion pounds of copper in a total of 945 million tonnes of inferred resources at an average grade of 0.38 g/T gold and 0.49% copper. Given its history of successfully raising inferred resources at KSM to higher categories, the Company is confident that the observable continuity of these new core zone discoveries will support upgrading resources with additional drilling.

- **Complete a joint venture agreement on the KSM project with a suitable partner on terms advantageous to Seabridge**
  The addition of Deep Kerr has changed the landscape of potential joint venture partners, attracting many of the world's largest major base metal miners to look at the Project, however, a joint venture transaction has not yet been concluded for KSM. Following the Federal environmental assessment approval in December 2014, the number of major mining companies that are now under confidentiality agreements has more than doubled and they are now reviewing KSM. Seabridge believes that transaction terms are more important than timing. We will only conclude a joint venture transaction under terms that are favorable to Seabridge shareholders. Obviously, improved market conditions would strengthen our hand considerably in negotiating the transaction terms we are seeking.

And for 2015...

For this year, our prime objective continues to be to complete a joint venture agreement on the KSM project with a suitable partner on terms advantageous to Seabridge. We acknowledge that due to the size and complexity of the KSM project, the landscape of potential partners is limited. However, for the first time Seabridge believes that it now has all of the major potential players engaged in reviewing the project, which could provide the competitive environment suitable for negotiating favorable terms and completing a transaction. Seabridge's prime goal in a joint venture is to maximize its retained interest in KSM while minimizing our capital contribution.

Other objectives for 2015 include:

1. Test for a potential high-grade core zone underneath Mitchell, KSM's largest deposit;

2. Continue to expand resources at both Deep Kerr and the Iron Cap Lower Zone, focusing on grades that are significantly higher that KSM's reserve grade;

3. Undertake additional engineering studies at Deep Kerr and the Iron Cap Lower Zone to define the preliminary economics of bringing these higher grade deposits into KSM's production profile;

4. Update the 2012 KSM Preliminary Feasibility Study by incorporating current metal prices and revised capital and operating costs;

5. Increase gold ownership per common share with expanded resource estimates for KSM.

The Gold Market

In years past, the annual and quarterly report to shareholders included our views on the gold market. In January 2015 we decided to publish our gold market commentary on a more frequent basis on our website under ***Gold News and Views***. To see these notes please visit http://seabridgegold.net/case4gold.php.

On Behalf of the Board of Directors,

Rudi P. Fronk
Chairman and Chief Executive Officer
April 10, 2015

KSM TAKES ITS PLACE AMONG THE WORLD'S LARGEST GOLD-COPPER DEPOSITS

SEABRIDGE GOLD'S KSM PROJECT CONTINUES TO GROW YEAR BY YEAR AND NOW RANKS AMONG THE LARGEST MINERAL SYSTEMS IN THE WORLD. RESULTS FROM 2014 EXPANDED THE DEEP KERR INFERRED RESOURCE AND ADDED A NEW INFERRED RESOURCE IN THE IRON CAP LOWER ZONE.

It is now clearer than ever that KSM belongs among the largest porphyry copper-gold deposits in the world. With its Environmental Assessment fully approved, very low power costs, valuable infrastructure in place, resource expansion potential and established community support, the project is a very rare animal. The story of how KSM got to be what it is today is fascinating and best told by the team that lived it.

KSM Copper Staining at Mitchell Deposit

COMPILATION OF PROVEN AND PROBABLE RESERVES FROM SOME OF THE WORLD'S LARGEST COPPER–GOLD DEPOSITS

Project	Owner	Location	Tonnes (millions)	Copper Grade (%)	Gold Grade (g/T)
Batu Hijau	Newmont	Indonesia	709	0.41	0.30
Bingham Canyon	Rio Tinto	United States	693	0.45	0.18
Cadia East	Newcrest Mining	Australia	1,800	0.28	0.49
Grasberg	Freeport	Indonesia	2,269	0.83	0.94
Oyu Tolgoi	Rio Tinto	Mongolia	1,021	0.45	0.29
KSM	**Seabridge Gold**	**Canada**	**2,164**	**0.21**	**0.55**

ADDITIONS TO KSM INFERRED RESOURCES IN 2013 AND 2014

Zone	Tonnes (millions)	Copper Grade (%)	Copper (million of lbs)	Gold Grade (g/T)	Gold (000 of of ounces)	Silver Grade (g/T)	Silver (000 of ounces
Deep Kerr	782	0.54	9,324	0.33	8,179	1.9	46,866
Iron Cap Lower Zone	164	0.27	961	0.59	3,124	4.2	22,120
Total	**946**	**0.49**	**10,285**	**0.39**	**11,303**	**2.3**	**68,986**

(Mineral Reserves and Resources Table)

STARTING SMALL

When Seabridge acquired the project in 2001, it came with an historical gold resource of 3.4 million ounces and 2.7 billion pounds of copper. Growth since then has come on the back of hard work and some extraordinary exploration success. Three key features have contributed to this success: continuity, rigorous questioning and one extremely important observation.

Fundamental to expanding the extraordinary mineral system at KSM has been the skill, commitment and continuity of people. As Senior Geologist Tim Dodd notes, "we get the same team back year after year, sample technicians, laborers, drill crews, pilots, even cooks, and everyone is committed to the project's success." This collective dedication to project achievement gives the technical team the time to unravel Mother Nature's obstacles without first having to work out the interpersonal ones.

The exploration team's leader is Bill Threlkeld, Senior Vice President and a veteran with a number of large gold discoveries to his credit. As he explains it, his technical team's approach to understanding the KSM deposits is applied science. That process looks messy from the outside, something like watching sausage being made, but it's hard to argue with the results. Every step along the path of the KSM success story, the team has asked "how many different ways can we explain what we are seeing?" With multiple possible accounts in hand, each program is planned to answer as many question as possible. Peter Erwich, Senior Geologist comments that "we are continually planning and changing our plans. To a lot of people, that might seem like wasted effort, but it focuses ideas and pushes you to explain your observations."

Growth at KSM is not a story of linear expansion but rather a series of evolutionary leaps, each originating with a question. As a question reaches resolution, a new, more complete picture emerges of how and where to expand the project's deposits.

Beginning in 2006, the technical team's vision of KSM was pretty simple: there were a couple of known, medium size deposits, Kerr and Sulphurets, with new discovery potential in the Mitchell valley, all dissected by large displacement thrust faults. The team's goal was to discover enough new gold ounces to off-set the dilution of financing the exploration programs. The initial systematic sectional drilling at Mitchell was wildly successful, delivering more than 13 million inferred ounces. In retrospect it became clear that a large porphyry copper-gold system was exposed in the Mitchell valley. Along the way, a question was posed that would take several more years to answer. Jim Freeman, Senior Geologist explains it: "The discovery of Mitchell was curious, in that nearly every grade interval was identical. We had several possible explanations and some were very quirky, but no answers. It was a question that gnawed at the back of our minds for a long time."

> Expectations are high that the success of Kerr and Iron Cap can be repeated for the benefit of Seabridge shareholders.

HOW FAR HAS THIS THING MOVED?

Over the next few years at KSM, efforts were focused on improving the quality of the resources from inferred to measured and indicated, to qualify as reserves as Seabridge prepared to file its Environmental Assessment Application. That process provided plenty of opportunity to expand upon resources and discover the Iron Cap deposit. By the end of 2010, KSM had become the largest undeveloped gold project in Canada and ranked among the largest deposits in the world. As the scale of the project grew, the questions for the technical team became more energizing.

During this time, data was shared between neighboring properties, providing some answers, more questions and a key observation. Sharing information with neighboring Pretium Resources on its Snowfields deposit, Senior Geologist and Project Manager, Mike Savell observed that Snowfields looked like it was floored by a thrust fault, while the top of the Mitchell deposit was also a thrust fault. Reconstructing the displacement along this fault seemed to return the Snowfield deposit to its original position as the top of Mitchell with a very humble dislocation of less than one kilometer. That turned out to be the billion dollar observation.

Government regional geological surveys had proposed that displacements along these main faults were in the tens of kilometers and that the metal from the very old porphyry deposits in the area had been eroded away. The style of deposits on the neighboring properties didn't seem fit the story at KSM, and so more questions arose. Summarizing the technical team's reasoning: "Since this is northwest BC and these are old porphyry systems that have been eroded and dismembered by thrusting, why is there so much metal in this camp, shouldn't it be scattered all over the province? Or are we seeing the tops virtually intact with the higher grade core zones still below?"

By 2011, the Company took a step back and asked the technical team if there was now a chance to find better grade at KSM. The answer was a vigorous yes, with the caveat that more data was required. At that time, the project had more than 350 drill holes and more than $100 million in spending, so this might have seemed an absurd idea, but relying on past success, the data collection proceeded anyway. All the old questions were brought together in the search for a comprehensive model of the KSM district that would answer them all. A three dimensional representation of the electrical properties of the mineralized system was built utilizing magnetotelluric (MT) measurements. This work indicated that, at depth, there was continuity with the surface exposures of the KSM deposits and importantly, no suggestion of large scale displacement of the deposits associated with thrust faults. Borrowing from published models of porphyry copper-gold deposits, some clear ideas were born (see).

In 2012, a number of the enduring and vexing questions about KSM were bound together and a series of tests conceived to answer them. The goal in 2012, explore for high grade core zones with potential to deliver deposits of significantly higher grades, boiled down to answering these long-standing questions;

- Do the consistent grades at Mitchell come from the upper part of the sericite zone of a porphyry system, indicating that Mitchell had not suffered significant erosion?
- Could the abundance of metal occurrences around the KSM deposits represent the preservation of the porphyry mineral system upwards into the epithermal environment found by Pretium next door?
- Is the displacement along thrust faults on the KSM property like that indicated between Mitchell/Snowfields or is it the 10s of kilometers suggested in the literature?
- Is there continuity from the surface of altered and mineralized rocks to depth as suggested by the MT survey?

The hypothesis for the 2012 program was best stated by Savell: "If the upper porphyry and epithermal system are preserved in the district and the systems seem to continue at depth, then the deeper parts of the system should also be preserved on KSM's claims. These deeper parts, the core zones, should have more metal at higher grades and would suitably explain the style of mineralization we have seen to date in our drill holes."

Continued on page 17

THE PATH TO APPROVAL: HOW PERSEVERANCE AND RESPECTFUL DIALOGUE LED TO PERMITTING SUCCESS

THE PATH THAT LED TO PROVINCIAL AND FEDERAL ENVIRONMENTAL SEALS OF APPROVAL FOR KSM STARTED BACK IN 2008 WITH A SIGNIFICANT SHIFT IN COMPANY FOCUS. SEVEN YEARS AGO, SEABRIDGE GOLD WAS FOCUSED ON EXPLORATION, SEEKING TO EXPAND RESOURCES AT TWO MEDIUM-SIZE DEPOSITS, KERR AND SULPHURETS, AS WELL AS THE NEWLY DISCOVERED MITCHELL DEPOSIT.

As 2008 progressed, and the full potential of Mitchell began to emerge, Seabridge made the decision to focus the Company on the KSM Project's economic potential. This shift meant an entirely new priority—preparing and submitting an Environmental Assessment application. Brent Murphy, currently Seabridge's Vice President, Environmental Affairs, was brought on board to manage the permitting process.

35,000-page Environmental Assessment Application for the KSM project

Brent's first step was to educate his fellow Seabridge executives on the concept of social license based on community engagement. His next focus was on First Nations communities close to the KSM project. He had the foresight to know that earning the trust and gaining the acceptance of Treaty and First Nations and local communities was just as important as obtaining the regulatory approval and investor support. His approach was to look at aboriginal and community engagement not as a legal process but rather as an opportunity to form partnerships.

The monumental milestones the project reached in 2014 with the completion of the joint harmonized environmental assessment review included extensive involvement from the Nisga̱'a Nation and other First Nations, federal, provincial and municipal governments, regulators and local communities, as well as our neighbours in Alaska. It also required vision and perseverance from everyone involved. Brent stated "We were too stubborn to take 'no' for an answer during the environment review process. Our Seabridge Team was methodical, tackling each concern head on, whether it was technical, governmental or social. We always kept in mind that our goal was to get the environmental approvals we needed but our method was to obtain the agreement of those who would be most affected by the project. I am very proud of the way the project has been embraced by the local communities, the Nisga̱'a Nation and the First Nations of Northwestern BC."

Seabridge will remain committed to ensuring that the KSM Project upholds the highest environmental standards.

ENGAGEMENT AND AGREEMENTS

To support our engagement efforts, a regional office was opened in Smithers, BC in 2011, headed by Environmental Manager, Elizabeth Miller. She recounts Seabridge's engagement philosophy this way: "True engagement involves compromise, it's not just about informing and answering questions. You can't go into the process thinking you are there to sell your concept. You have to be prepared to adjust development plans to address the concerns that are raised," she says.

"Engagement means literally putting rubber to the road and spending time with local community members and regulators to have open, meaningful and frequent conversations about the KSM Project. During this time we also gained a tremendous amount of insight. The final design includes significant construction and operational design changes adopted in response to the concerns of the regulators and local aboriginal groups. This engagement effort also helped us to develop the meaningful commitments which we have made to local communities based on our growing understanding of their needs and aspirations."

Since 2008, engagement has meant more than 32 project working group meetings, 23 open houses in Northwest BC and Alaskan communities, 57 visits with Treaty and First Nations and 25 site tours. The working groups were broadly based to include all the regulators, communities and groups likely to be affected directly by the project. "The process works," Miller says, "because all the key players get all the same information at the same time and have an opportunity to shape decisions before they are made."

Taryn Culter, Seabridge's Community Affairs Coordinator located in Smithers notes that the frequency of face-to-face meetings has been important. "We are now seen as part of the local and regional community and the KSM Project is well known. Many of the key First Nations representatives we deal with have become our friends and we look forward to our community visits."

When asked how the Company was successful in signing a Benefit Agreement with the Nisga̱'a Lisims Government, Bruce Scott, our Vice President, Corporate Affairs, acknowledges the importance of collaboration in a negotiation process. "We took the approach that their wish for their people to share in the benefits of the Project through employment and business opportunities represented an opportunity for us to help address the challenge of meeting the Project's significant labour needs. This resulted in our discussions on many matters being about reaching agreement on the best way to achieve a shared goal, which changed the tone of meetings and in the process built trust between both parties."

The Company also signed an Agreement with the Gitanyow Huwilp (the Gitanyow wilps represented by the Gitanyow Hereditary Chiefs Office). About this Agreement, Scott says: "We respected their discomfort with our Project being just upstream from their territory so we agreed to fund initiatives that will give them greater assurance on key environmental matters. Once this was achieved, we reached an agreement quite quickly."

We are honoured that the BC Government now holds up Seabridge as the standard to follow for community and aboriginal engagement for the province's mineral exploration and mine development industry.

From left to right: Working Group Meeting in Smithers, Terrace Open House, Site Tour with the Tahltan Central Council

ENVIRONMENTAL ASSESSMENT AND ENVIRONMENTAL PROTECTION

KSM's Environmental Assessment (EA) submission was one of the largest ever submitted in Canada for a mining project. The materials assembled for the joint EA review reflect the stringent regulatory standards large resource projects like KSM must meet in Canada to prove their economic feasibility and environmental and social responsibility. The favourable decisions confirm our assertion that the KSM Project is a well-designed, technically sound and environmentally responsible project that will bring economic benefits to British Columbia and Canada for many decades.

The comprehensive and detailed technical components of the EA submission were instrumental in our success, with experts from world class consulting companies contributing to the document. Throughout the process, protection of the environment, including water quality, aquatic life and wildlife, was a guiding principle behind the design of KSM. The EA Report which assessed the KSM Project EA Application outlines 41 conditions required by the regulators to ensure that KSM is constructed, operated and closed in an environmentally sound manner. We are committed to upholding these conditions.

ENVIRONMENTAL ASSESSMENT VERSUS PERMITTING

The EA and Environmental Impact Statement (EIS) approved in 2014 gave approval in principal for the KSM Project to proceed; however specific permits are required to undertake mine construction and operations. BC Government regulators typically describe the BC EA process as "what" the project is while the mine permitting process is described as "how a project will operate."

In 2012, while Seabridge was working through the EA process, a separate KSM Project team concentrated efforts on permitting activities required to advance the project. Jessy Chaplin, Permitting Coordinator for Seabridge, notes: "I moved to Seabridge from a role coordinating mine development reviews for the BC Ministry of Mines. Knowing the people and how the internal BC Government review process works was an advantage in managing the KSM Limited Site Construction permit applications and respective reviews."

In September 2014, we received 43 of the 45 permits for which applications were submitted in 2012. These permits authorize the first two and a half years of construction activities at KSM, including the construction and use of access roadways, the Mitchell Treaty twin tunnels right-of-way, construction and operation of camps, and early-stage construction activities at the mine site and tailings management facility. The two remaining permits are still in the approval process.

Obtaining the Limited Site Construction permits is important because the Company is now authorized to build access routes to both the Mine Site and to the Processing and Tailings Management Area. To date all of Seabridge's exploration and mine planning activities at KSM has been by helicopter access only. Road access to the sites is critical for the next stages of detailed data collection and engineering required for construction of the water storage dam, rock storage facilities, the ore processing plant and tailing management facility.

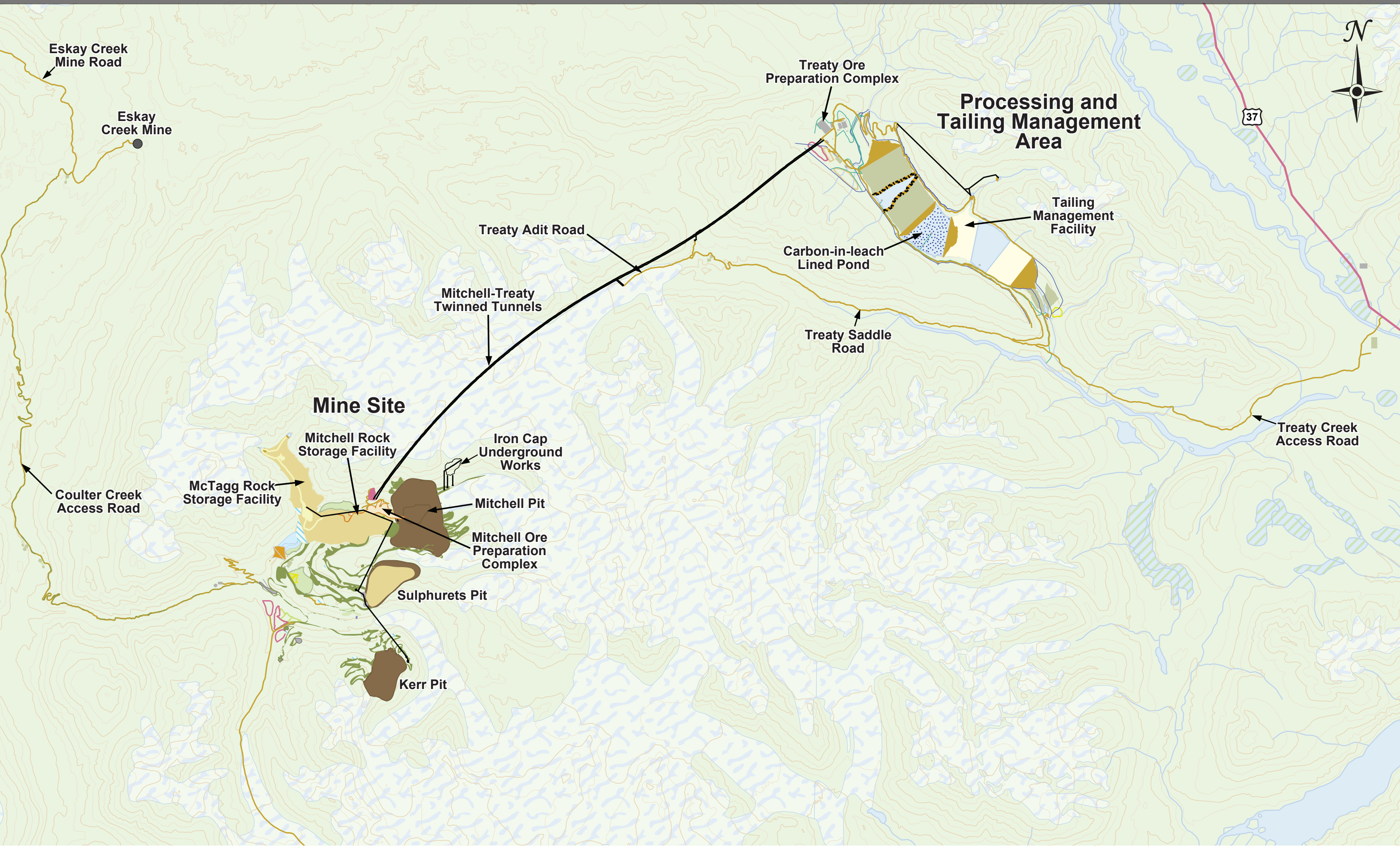
This on-going permitting process would not have been as successful as it has been to date without the dedicated members of the KSM Project Mine Review Committee. Under British Columbia's mine permitting process, Regional Mine Development Review Committees are established to review and provide feedback on permit applications, similar to project working groups in the Environmental Assessment process.

LOOKING FORWARD

We consider the approved EA and permits granted to be the early stages of earning a social license, not the end. As we move forward, Seabridge will remain committed to ensuring that the KSM Project upholds the highest environmental standards through project construction, operation and closure, and that local communities benefit from the project for generations. We understand that we have many obligations to meet, not only in the strict wording of the approvals we have received and the agreements we have signed, but also as good neighbors and members of a community. In 2015, Seabridge will continue to keep community members informed about our progress and will continue to support local initiatives which contribute to the social and economic stability of Northwestern British Columbia. ■

ENGINEERING: DESIGNING A VERY LARGE, ENVIRONMENTALLY SOUND, FLEXIBLE MINE

WHEN SEABRIDGE ACQUIRED KSM FROM PLACER DOME INC. IN 2000, ONLY TWO DEPOSITS WERE KNOWN – KERR AND SULPHURETS – COLLECTIVELY HOSTING ONLY ABOUT 250 MILLION TONNES WITH LIMITED METALLURGICAL TEST WORK AND LOGISTICAL CHALLENGES ASSOCIATED WITH ACCESS, TOPOGRAPHY, GLACIERS AND ICE FIELDS. GIVEN THE LOW METAL PRICES AT THE TIME, KSM ESSENTIALLY WENT ON THE SHELF FOR SIX YEARS WHILE SEABRIDGE FOCUSED ON OTHER PRIORITIES.



KSM Project Layout

In 2006, as metal prices rose, Seabridge began to explore KSM and the project changed in a hurry. The discovery of Mitchell, a very large open pitable gold-copper deposit with excellent grade, initiated a series of exploration breakthroughs including Iron Cap, Deep Kerr and the Iron Cap Lower Zone that added billions of tonnes of resources. One of the world's largest mineral systems began to emerge and with it, a set of engineering challenges. Deposits are found but mines are made and they are made by finding engineering solutions to practical problems.

Starting in 2008, Seabridge began to shift from a geology-centric mineral explorer adding resources to a full-discipline project designer, engineering reserves and preparing permit applications. Exploration remained an important value creator but as the front end of a process tasked to take KSM all the way through to a defined economic opportunity.

A first class engineering team was assembled consisting of top flight consultants and two critical hires — Jay Layman and Peter Williams, two of the most talented and experienced leaders of the Newmont Mining engineering team. Jay Layman has become Seabridge's President and COO while Peter Williams is Senior Vice President of Technical Services.

"KSM has significant engineering challenges," notes Jay, "but it also has some tremendous logistical advantages over other large, undeveloped projects around the world. First, we now have access to some of the cheapest power in the world. Second, we are close to a year-round ocean going port facility that is already shipping concentrate from nearby mines. Third, nearby all-weather road access has been improved dramatically over the past 20 years. Finally, we don't need to dislodge people living near or on the site since the closest population center is more than 100 kilometers from our site."

The four main engineering challenges posed by the project were (1) metallurgy (2) where to put all the facilities (3) what to do with all the water and (4) how to incorporate the growing high grade underground potential with the project's open pit opportunities.

RECOVERING THE METAL

The Seabridge engineering team completed a number of economic assessments from 2008 onward, culminating in the 2012 Preliminary Feasibility Study (PFS) which was the basis of the project's Environmental Assessment application. This PFS optimized 2.1 billion tonnes of open pit and underground mining reserves from the Mitchell, Sulphurets, Kerr and Iron Cap deposits. The first issue these studies examined was metallurgy: could KSM ore produce a clean concentrate of sufficient grade to be saleable without penalty to the world's largest refiners? The answer is yes. Detailed metallurgical testing was performed on KSM core samples and included many locked-cycle flotation tests and two pilot plant campaigns in 2009 and 2010. This extensive research work defined a viable flowsheet producing marketable concentrates which recover copper, gold and silver from all four KSM deposits with very positive economics. Molybdenum concentrates can also be produced from Mitchell ores.

The metallurgical tests were designed and managed by the first engineering consultant Seabridge hired, none other than Jim Smolik, a metallurgical engineer who was a key member of the world-renowned project development team at Placer Dome, KSM's previous owner. Commenting on the transformation of KSM, Jim says: "There is no doubt in my mind that had Mitchell, Sulphurets, Iron Cap and Deep Kerr been delineated, KSM would have become a key development project for Placer Dome."

WHERE DOES EVERYTHING GO?

A project the size of KSM needs the right place for some very large facilities. With over 2 billion tonnes of ore to process, finding a suitable location for tailings management was especially critical. Seabridge evaluated 14 different tailings disposal options, finally settling on a large, broad valley located to the east of the Mitchell deposit. This location could safely accommodate more than 2.5 billion tonnes of material. The problem? The valley was approximately 25 kilometers from the mine. To mitigate the issues associated with intervening steep topography, glaciers and ice fields, a 23 kilometer long twin tunnel was designed to transport crushed ore from the mine side of the project to the Treaty Creek mill and tailings site located to the east. This was clearly the best solution environmentally and it also proved to be cost-efficient.

MANAGING A LOT OF WATER

As the 2012 KSM Pre-Feasibility Study proceeded, one of the most daunting issues was what to do with all the water. Snow, rain and glacier melt generate a considerable and variable water load that has to be contained and treated to ensure that run-off from acid-generating rock does not pollute the waterways leaving the project. As it is, streams leaving the property now are naturally highly acidic; mining would make them more so. An innovative system of tunnels, diversions, storage areas and treatment facilities was designed to address this issue.

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The new ore sources are likely to replace the more expensive, lower grade ore from the outer laybacks of the Mitchell and Sulphurets open pits.

In the midst of this work, the environmental permitting team added new water chemistry control restrictions for the engineers to address. These parameters required plant changes to accommodate seasonal discharges from the Mitchell mine water treatment facility and the tailing management facility. A pilot plant also had to be designed, constructed and tested to meet new, more exacting selenium limits only months before the submission of the Environmental Assessment application. Mission accomplished. KSM will generate high water quality.

BRINGING IN THE HIGH GRADE

Seabridge's exploration team has been finding deeper, higher grade core zones beneath the surface-expressed porphyry deposits since 2012. The potential addition of resources drilled at Deep Kerr and Iron Cap Lower Zone in 2013 and 2014 is now being evaluated. The aim is to accommodate early production from the best ore available for mining operations to increase economic returns. Leading this activity is Peter Williams, who joined Seabridge following a 24 year career at Newmont which ended as head of global mine engineering. Peter stated "Never in my career have I seen a project that provides the production flexibility of KSM. We have the four original deposits that comprise our 2.1 billion tonnes of reserves, plus two new zones that each have per tonne metal values substantially higher than our reserves. There is a real opportunity to substantially improve KSM's economics and also reduce our environmental footprint as we move Deep Kerr and the Iron Cap Lower zones to reserves."

Early on, Jay Layman recognized that Deep Kerr was special. "We can access the ore by drifting in from the valley floor," he said. This statement has a lot behind it. Accessing almost 1000 vertical meters of ore above the valley floor by block cave mining reduces or possibly eliminates the need for an open pit at Kerr, resulting in a simpler mine operation from an environmental point of view, less waste created and better water containment. Rather than lift ore out of a pit, the new approach would use gravity to break and transport ore down towards the elevation of the main tunnel to the ore processing plant.

Seabridge is in the initial stages of high level studies to assess the potential for block caving at Deep Kerr and Iron Cap Lowe Zone. Deep Kerr and Iron Cap Lower Zone resources are in the inferred resource category but it is now apparent that the component ore feeds from block caving these deposits are better than component feeds in the 2012 PFS, meaning that the new ore sources are likely to replace the more expensive, lower grade ore from the outer laybacks of the Mitchell and Sulphurets open pits.

As Jay notes, "we want to feed the process plant with the best 2.5 billion tonnes of ore that will fill the tailings facility. We are running an internal competition for the most profitable tonnes and block caving looks like it may be the winner."

Block caves generate very little waste rock compared to open pits, so by not mining the outer laybacks of Mitchell and Sulphurets, it may be possible to reduce surface waste dumps in the Mitchell Valley from the three billion tonnes stated in the 2012 PFS to something less than one billion tonnes. Less surface waste in the Mitchell Valley directly increases the robustness of environmental compliance. Less waste equals less impact on the water shed. As Deep Kerr and Iron Cap Lower Zone grow in size, more open pit ore can be replaced with underground feed which has better margins and a kinder environmental footprint.

Another optimization lever that Seabridge is now starting to look at is mill rate. With the addition of more than 900 million tonnes of higher margin material, we now have the potential sources to look at a mill rate above the 130,000 tonnes per day presented in the 2012 PFS. Mill rate and grade to mill are two of the best ways to improve project economics.

"KSM is why I came to Seabridge," says Jay. "At Newmont, one of my jobs was to rank projects and companies around the world. I used a number of key criteria: sufficient size to cover multiple market cycles; high enough throughput to provide adequate return on capital and subsequent low operation costs to make it through the bottom of price cycles; close access to roads and ports; inexpensive power combined with a relatively low to medium ball mill index; and last but not least, social license, meaning low impact in regards to displacement of people, in an environment where a sound project will obtain local indigenous support. KSM has all of these characteristics." ■

Over the past 25 years, glacial melting has exposed the Mitchell deposit

Continued from page 10

KSM TAKES ITS PLACE AMONG THE WORLD'S LARGEST GOLD–COPPER DEPOSITS

IT KEEPS GETTING BETTER

The result of this thinking was the discovery of the huge Deep Kerr deposit in 2012 and the Iron Cap Lower Zone in 2013, both much higher grade core zones with potential for major economic implications for KSM. The team proved that vertical continuity had been preserved in the KSM deposits. Further core zone discoveries are now likely.

During the last decade, exploration at KSM has evolved from a simple program of expanding the surface expression of several porphyry mineral systems to a multifaceted exploration program evaluating vertical and lateral zonation within a porphyry complex. The results have been extraordinary and can be credited to dedicated people eager for success, clear goals to realize and relentless posing of questions in need of answers.

So what's next? In 2015, the team will tackle the problem of extending vertical continuity down plunge at Mitchell, the largest exposed deposit at KSM. Expectations are high that the success of Kerr and Iron Cap can be repeated for the benefit of Seabridge shareholders. ■

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.

PROVEN AND PROBABLE MINERAL RESERVES

				AVERAGE GRADES				CONTAINED METAL			
Project	**Zone**	**Reserve Category**	**Tonnes (millions)**	**Gold (g/T)**	**Copper (%)**	**Silver (g/T)**	**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							
			Gold		**Copper**		**Silver**		**Molybdenum**	
Project	**Cut-Off Grade (g/T)**	**Tonnes (000)**	**Grade (g/T)**	**Ounces (000)**	**Grade (%)**	**Pounds (millions)**	**Grade (g/T)**	**Ounces (000)**	**Grade (ppm)**	**Pounds (millions)**
KSM: Mitchell	0.5 Gold 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, 2014 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.

Note: 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.

INDICATED RESOURCES

			Gold		Copper		Silver		Molybdenum	
Project	**Cut-Off Grade (g/T)**	**Tonnes (000)**	**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

			Gold		Copper		Silver		Molybdenum	
Project	**Cut-Off Grade (g/T)**	**Tonnes (000)**	**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

			Gold		Copper		Silver		Molybdenum	
Project	**Cut-Off Grade (g/T)**	**Tonnes (000)**	**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	781,700	0.33	8,179	0.54	9,324	1.9	46,866	27	47.1
Iron Cap Lower Zone	$20 NSR	163,800	0.59	3,124	0.27	961	4.2	22,120	15	5.3
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				**31,577**		**14,457**		**177,624**		**167.2**

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, 2014 and 2013.This report is dated March 11, 2015 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2014 and 2013, 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, 2014 and the comparative year ended December 31, 2013 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's objective is 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)	2014	2013	2012
Corporate and administrative costs	(14,091)	(11,831)	(15,832)
Other income - flow-through shares	7,489	6,256	5,739
Gain on disposition of mineral properties	2,489	2,006	1,076
Impairment of mineral properties	(2,437)	–	–
Impairment of investments	(1,236)	(4,579)	(1,216)
Income taxes	(5,899)	(5,960)	(2,624)
Other	662	459	348
Net loss	(13,023)	(13,649)	(12,509)
Basic loss per share	(0.27)	(0.30)	(0.29)
Diluted loss per share	(0.27)	(0.30)	(0.29)

SUMMARY BALANCE SHEETS ($000's)	2014	2013	2012
Current assets	16,282	33,390	53,952
Non-current assets	262,074	236,987	209,651
Total assets	278,356	270,377	263,603
Current liabilities	4,743	8,481	10,563
Non-current liabilities	13,779	8,141	4,510
Equity	259,834	253,755	248,530
Total liabilities and equity	278,356	270,377	263,603

RESULTS OF OPERATIONS

The net loss for the year ended December 31, 2014 was $13.0 million or $0.27 per share compared to a net loss of $13.6 million or $0.30 per share for 2013.

The main expenses contributing to the losses in both 2014 and 2013 were corporate and administrative costs, and in particular, stock based compensation, impairment of investments and income taxes. In 2014, the Company also incurred impairment to its non-core mineral properties. Offsetting some of these expenses were the recognition of gains on the disposition of mineral properties and other income relating to flow-through share premiums, obtained in financings completed in 2012, 2013 and 2014. These items are discussed further below.

In 2014, corporate and administrative expenses increased by $2.3 million, from $11.8 million to $14.1 million and are largely a reflection of a $2.6 million increase in stock-based compensation expense, which rose from $7.0 million in 2013 to $9.7 million in 2014. The majority of the 2014 expense relates to stock options granted in the current and previous years. In 2014, $6.5 million related to options granted in 2010 to 2014 with roughly half, or $3.2 million, relating to options granted in 2014, as the estimated service period for the 2014 grant was relatively condensed versus previous grants. The comparable expense recorded in 2013 was $6.9 million. The balance of the stock-based compensation expense of $3.2 million relates to RSUs granted in 2013 and 2014. The comparable expense in 2013 was less than $0.1 million as the 2013 RSU grant was made late in that fiscal year.

The $9.7 million total stock-based compensation expense represented 69% of total corporate and administrative costs. In 2013, 59% of total corporate and administrative costs were comprised of stock-based compensation. Ignoring future grants of stock options and RSUs, stock-based compensation is expected to decrease in 2015 as the remaining stock-based compensation to be recognized for stock options and RSUs granted to December 31, 2014 is $1.8 million.

OPTIONS GRANTED

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

	Number of options	Exercise price	Grant date fair value	Expensed prior to 2013	Expensed in 2013	Expensed in 2014	Remaining balance to be expensed
December 20, 2010	950,000	29.75	12,363	11,427	655	281	–
March 1, 2011	200,000	28.80	3,274	3,069	205	–	–
March 29, 2011	150,000	30.42	2,552	2,268	284	–	–
June 29, 2011	50,000	27.39	583	276	183	124	–
December 12, 2011	550,000	21.98	6,454	4,735	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	1,487	55	964	468	–
March 3, 2013	705,000	12.60	2,577	–	1,226	1,335	16
June 5, 2013	100,000	12.91	724	–	257	361	107
December 19, 2013	50,000	8.00	239	–	9	230	–
March 24, 2014	700,000	10.36	2,959	–	–	2,959	–
June 24, 2014	50,000	9.72	223	–	–	223	
					6,958	6,521	123

The Company implemented the RSU plan in late 2013 and has granted a total of 507,500 RSUs to certain non-director, key management personnel. Pursuant to that 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 RSUs are exchanged for shares of the Company upon the vesting criteria being met. The fair value of the grants, of $4.9 million, was estimated as each grant date. The expected service periods vary from one to eighteen months depending on the corporate objectives that are to be met.

RSUs GRANTED

(000's except number of RSUs)

	Number of RSUs	Grant date fair value	Expensed in 2013	Expensed in 2014	Remaining balance to be expensed
December 19, 2013	235,000	2,267	84	2,059	124
December 9, 2014	272,500	2,624	–	1,099	1,525
		4,891	84	3,158	1,649

Cash based employee compensation of $2.5 million is 19% lower than the comparable expense of $3.1 million in 2013. There was no bonus remuneration paid in 2014 as management strived to conserve the Company's cash and instead utilized the RSU and option plans. It is expected that employee compensation will remain at current levels into 2015 as management personnel levels are not expected to fluctuate significantly.

Other corporate and administrative costs incurred in 2014 of $1.9 million have increased marginally compared to those incurred in 2013 of $1.7 million and the Company expects to incur similar costs in 2015.

In 2014, the Company recorded $7.4 million of other income (2013 - $6.3 million), related to two private placements of flow-through shares it finalized at the end of 2013 and in July 2014. At the end of 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 calculated premium of $5.3 million was recognized as a liability on the statement of financial position and the balance was recorded as share capital on the date of closing of the financing. During 2014, the Company had incurred the full $16.8 million of qualifying expenditures and the premium has been fully recognized through the statement of operations. Additionally during 2014, the Company issued 1,150,000 flow-through common shares, at $12.00 per share, raising gross proceeds of $13.8 million. The purchase price represented a 29% premium over the market price of the Company's shares on that date. 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 as at December 31, 2014. The premium calculated at the time of the financing, of $3.1 million, was recognized as a liability on the statement of financial position and the balance was recorded as share capital. Based on qualifying expenditures made from closing to December 31, 2014 $2.2 million of the premium was recognized through other income and the remaining premium of $0.9 million will be recognized in 2015 when the Company is expected to fully incur the committed expenditures.

During 2014, the Company entered into an agreement with IDM Mining ("IDM") to option the Company's Red Mountain Project. In order to exercise its option, IDM paid the Company $1 million in cash and 4,955,500 common shares of IDM, the fair value of which was $1.5 million. The receipt of cash and shares was recorded as a $2.5 million (2013 - $2.0 million) gain on the disposition of mineral properties, as all historical acquisition and exploration costs for the project had been fully recovered through previous option payments and other recoveries. In addition to the initial payment of cash and shares, IDM is committed to pay an additional $1 million within eighteen months and is also obligated to spend $7.5 million on the Red Mountain Project over a three year period.

In 2014, Wolfpack Gold Corp. (renamed Encore Energy Corp. "Encore") which held options to purchase three non-core projects the Company owns in the State of Nevada, notified the Company that it would discontinue the option to purchase two of the projects and no further option payments would be made on those options. At that time, the Company decided not to continue to carry the maintenance costs of these claims and determined that the recoverability of the carrying costs was impaired and charged the statement of operations $2.4 million as impairment of mineral properties. No impairments of mineral properties were recorded in 2013. Encore has notified the Company that it intends to continue its option on the third project, Castle Black Rock, and during the year made the required payment of 1,120,000 shares. The fair value of the shares of $0.1 million was recorded as a recovery of mineral properties on the statement of financial position. The Company has retained a mineral property value of $350,000 representing an estimate of the remaining value to be recovered on the project.

The Company holds investments in common shares of several mining companies that were received as consideration for optioned mineral properties, and other short-term investments, including one gold exchange traded receipt. These available for sale financial assets are recorded at fair value on the statements of financial position. In 2014, the Company determined that the recoverability of some of its available for sale investments were impaired and recorded a $1.2 million (2013 - $4.6 million) charge to the statement of operations.

Due to the significant influence the Company can exert, through representation on the board of directors and share ownership of one investment the Company holds, it is classified as an associate and accounted for using the equity method. In 2014 the Company recognized a $0.6 million loss on the statement of operations for its proportionate share of losses of this associate and one other investment, no longer classified as an associate. The proportionate loss of the other associate recognized in the first half of 2014 was $0.4 million and included the proportionate share of their losses until such time that a change in the Company's representation on the board of directors deemed accounting for the investment using the equity method no longer appropriate. Since that change in circumstances that investment has been classified as an available-for-sale investment and accounted for at fair value.

Interest income has decreased in 2014 versus the comparable year and is a reflection of the diminished average cash and short-term deposits 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 deposits and will seek to maximize the return it can attract.

In 2014, the Company recognized income tax expense of $5.9 million (2013 - $6.0 million) primarily related to a deferred tax expense arising due to the renouncement of expenditures related to 2013 and 2014 flow through shares which are capitalized for accounting purposes, offset partially by a deferred tax recovery arising from the loss in the current year.

QUARTERLY INFORMATION

Selected financial information for the last eight quarters ending December 31, 2014 is as follows (unaudited):

Quarterly operating results ($000's)	**4th Quarter ended December 31, 2014**	**3rd Quarter ended September 30, 2014**	**2nd Quarter ended June 30, 2014**	**1st Quarter ended March 31, 2014**
Revenue	–	–	–	–
Loss for period	(3,972)	(2,834)	(3,775)	(2,442)
Basic loss per share	(0.08)	(0.06)	(0.08)	(0.05)
Diluted loss per share	(0.08)	(0.06)	(0.08)	(0.05)
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)

Major activities in 2014 included completing an exploration and drilling program at KSM, (ii) responding to review comments on the environmental assessment application / environmental impact statement for KSM and assessing the results of the previous year's exploration and drilling program. Costs associated with the KSM exploration and drilling program are expected to continue into 2015 while the Company completes a planned follow-up exploration and drilling program. Minimal activity is planned for Courageous Lake in 2015, as the Company focuses on the KSM project.

MINERAL INTEREST ACTIVITIES

During the year ended December 31, 2014, the Company incurred $31.7 million of aggregate expenditures related to its mineral interests compared to $34.6 million in 2013.

In 2014, the Company incurred $30.9 million of expenditures related to the KSM project. Approximately $20.3 million of those expenditures related to direct exploration costs including drilling, assaying and logistics as well as technical analysis of the project. The balance, of $10.6 million, was incurred to support the project and included costs to secure the approval of the environmental assessment.

The Company commenced its 2014 drilling program in May and it continued through to October. The 2014 program included extensive follow-up drilling on the high-grade copper-gold zone below the Kerr deposit, known as Deep Kerr, as well as preliminary drilling on the Iron Cap Lower Zone deposit.

At Deep Kerr a total of 12,900 meters in 13 core holes expanded upon the known dimensions of the deposit along strike to the north and south as well as at depth. Drilling also confirmed the geological and resource models developed following the 2013 program. The Company expects the results of the 2014 drilling to support an increase in the Deep Kerr inferred resource which currently stands at 515 million tonnes grading 0.53% copper and 0.36 grams per tonne gold.

During 2014, drilling at the Iron Cap Lower Zone confirmed a new gold-copper occurrence beneath the existing Iron Cap deposit at KSM, one of the project's four large porphyry deposits. It is anticipated that the drill program will generate sufficient data for an initial resource estimate at the deposit which is also expected in the first half of 2015.

Since 2008, the KSM Project has been subject to review under a joint harmonized federal-provincial environmental assessment review outlined by the British Columbia Environmental Assessment Act and the Canadian Environmental Assessment Act. In 2014 significant costs were incurred to support the final approvals of the environmental assessments. The provincial process concluded in July 2014 with the receipt of the BC Environmental Assessment Certificate and federal approval was obtained in December 2014. Consistent with the Province of British Columbia's approval, the Federal Minister of the Environment approval endorsed the conclusions of the KSM Comprehensive Study Report prepared by the Canadian Environmental Assessment Agency which found that the KSM Project is not likely to result in significant adverse effects on the environment.

Also in 2014, the Company applied for $4.1 million of refundable provincial tax credits related to exploration expenditures incurred in 2011 at KSM. The recovery has been credited to mineral properties and a corresponding receivable, including $0.1 million of interest, was recognized on the December 31, 2014 statement of financial position. Subsequent to the year end, the funds were fully recovered.

At Courageous Lake, the Company incurred $0.9 million of exploration costs completing the prioritization of targets for discovery of shallow, high grade gold occurrences analogues to Walsh Lake. The Walsh Lake deposit resource grade is approximately 50% higher than the project's reserve grade at the main FAT deposit, is near surface and close to the proposed processing site. The deposit is a steeply-dipping structural zone that displayed a discrete magnetic and electromagnetic response within a 2012 air-borne geophysical survey. To refine and prioritize targets, 112 line kilometers of ground magnetic and very low frequency electromagnetic surveys were completed in 2014. Historical drilling data and surface geochemistry was integrated with the geophysical results and a priority list of drill targets has been established for the discovery of Walsh Lake-style deposits along the Courageous Lake Greenstone Belt.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital position, at December 31, 2014, was $11.5 million, down from $24.9 million at December 31, 2013. Excluding the flow-through share premium, working capital amounted to $12.5 million at December 31, 2014 and $30.2 million at December 31, 2013. Cash and short-term deposits at December 31, 2014 totaled $6.3 million versus $21.2 million at December 31, 2013. At the end of 2013, the Company closed a flow-through share financing raising gross proceeds of $16.8 million, significantly increasing cash and short-term deposits at that time. Cash resources have diminished since the end of 2013 as the Company completed drilling and exploration programs at KSM and finalized the approvals of the environmental assessment application/environmental impact statement.

On July 22, 2014 the Company issued 1,150,000 flow-through common shares, at $12.00 per share, raising gross proceeds of $13.8 million. The purchase price represented a 29% premium over the market price of the Company's shares on that date. The Company has committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the financings and transfer the deductibility to the purchasers of the flow-through shares. During 2014, The Company incurred $9.6 million of qualifying expenditures against this commitment and will incur the remaining $4.2 million expenditures in 2015.

Subsequent to the year end the Company entered into an agreement with a syndicate of underwriters whereby they have agreed to purchase 1,400,000 flow-through common shares of the Company at a price of $10.17 per flow-through common share for gross proceeds of $14.2 million. The Company has granted the underwriters an option to purchase from the Company up to an additional 210,000 flow-through common shares, at the same price and is exercisable at least two weeks prior to the closing date. The financing is scheduled to close on April 7, 2015, and is subject to certain conditions including the receipt of all necessary approvals, including the approval of the Toronto Stock Exchange, the NYSE, and the relevant securities regulatory authorities.

Also subsequent to the year-end, the Company collected $4.1 million of refundable provincial tax credits receivable related to exploration expenditures incurred in 2011 at KSM.

During the year ended December 31, 2014, operating activities, including working capital adjustments, used $4.3 million compared to $5.7 million used by operating activities in 2013. Operating activities in the near-term are not expected to deviate significantly from current levels. Expenditures on mineral interests of $31.0 million excluding recoveries are down slightly from the $34.6 million spent in 2013. In 2014, $1.0 million was received in cash as partial consideration for optioned mineral properties whereas in 2013, $2.0 million in cash was received for similar payments. Also showing a year-over-year variance, the Company raised $2.1 million on the sale of investments but only $150,000 in the 2013 comparable year.

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)

			Payments due by years		
	Total	**2015**	**2016-17**	**2018-19**	**After 2019**
Mineral interests	10,132	1,076	2,612	2,981	3,463
Flow-through expenditures	4,183	4,183	–	–	–
Business premises operating lease	308	132	176	–	–
	14,623	5,391	2,788	2,981	3,463

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

For 2015 the Company has planned follow-up drilling at KSM to further define the Deep Kerr and Iron Cap Lower Zone deposits and establish a better understanding of block cave targets within each. Work is also planned to expand permitting activities related to development of applications for water diversion licenses and baseline programs for wildlife monitoring. Recent drilling results from Deep Kerr and Iron Cap Lower Zone and in particular its copper mineralization, along with the approval of the environmental assessment has enhanced the potential to attract the interest of major mining companies to enter into a joint venture arrangement that would allow the Company to move the project closer toward production. While the Company focusses on KSM in 2015, limited exploration is planned for the Courageous Lake project.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded the Company's internal control over financial reporting as of December 31, 2014 was effective.

The registered public accounting firm that audited the Company's consolidated financial statements as at December 31, 2014 and December 31, 2013 and for the years ended December 31, 2014 and December 31, 2013 has issued an attestation report on the Company's internal control over financial reporting.

CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company's internal controls over financial reporting that occurred during 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design and operating effectiveness of the disclosure controls and procedures as of December 31, 2014, are appropriately designed. These disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

SUBSEQUENT EVENTS

Subsequent to December 31, 2014, 136,250 of RSUs granted in 2014 fully vested and were exchanged for shares of the Company.

SHARES ISSUED AND OUTSTANDING

At March 11, 2015, the issued and outstanding common shares of the Company totaled 48,602,626. In addition, there were 3,240,000 stock options granted and 216,250 RSUs outstanding. Assuming the exercise of all outstanding options and RSUs, there would be 52,058,876 common shares issued and outstanding.

RELATED PARTY TRANSACTIONS

The following is a listing of compensation to directors, officers and key management personnel of the Company:

($000's)	**December 31, 2014**	**December 31, 2013**
Compensation of directors:		
Directors fees	316	290
Services	86	97
Stock-based compensation	2,375	1,240
	2,777	1,627
Compensation of key management personnel:		
Salaries and consulting fees	2,170	2,372
Stock-based compensation	4,816	3,659
	6,986	6,031
Total remuneration of directors and key management personnel	9,763	7,658

RECENT ACCOUNTING STANDARDS ISSUED AND APPLIED

IFRIC 21, Levies ("IFRIC 21"), 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 the recognition of a liability to pay a levy. The implementation of IFRIC 21 did not have a significant impact on the Company's consolidated financial statements.

CHANGES IN ACCOUNTING STANDARDS NOT YET ADOPTED

New standards and amendments to standards and interpretations that are relevant to the Company and effective for annual periods beginning on or after January 1, 2015, that have not been applied in preparing these financial statements are:

IFRS 9, Financial instruments ("IFRS 9") introduces new requirements for classification and measurement of financial assets, additional changes to financial liabilities and a new general hedge accounting standard. The mandatory effective date is for annual periods beginning on or after January 1, 2018. Early adoption is permitted and the new standard must be applied retrospectively, with some exceptions. The Company does not intend to early adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2015. The Company does not expect the standard will have a material impact on the financial statements upon adoption.

IFRS 11, Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business and apply prospectively for annual periods beginning on or after January 1, 2016. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

IFRS 15, Revenue from contracts with customers ("IFRS 15") proposes to replace IAS 18 Revenue, IAS 11 Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at either a point in time or over time. The model features a five-step analysis of transactions to determine when and how much revenue should be recognized. New estimates and judgmental thresholds were introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the standard will have a material impact on the financial statements upon adoption.

IAS 16, Property, Plant and Equipment and IAS 38 Intangible Assets (Amendments to IAS 16 and IAS 38). The amendments made to IAS 16 state that revenue-based methods of depreciation cannot be used for property, plant and equipment and the amendments in IAS 38 introduce the supposition that the use of revenue-based amortization methods for intangible assets is inappropriate. The Company intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments will have a material impact on the financial statements upon adoption.

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. However, the future volatility is uncertain.

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.

RISKS AND UNCERTAINTIES

The risks and uncertainties are discussed within the Company's most recent 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.

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 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 11, 2015

Christopher J. Reynolds
Vice President, Finance and Chief Financial Officer
March 11, 2015

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, 2014 and December 31, 2013, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, 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, 2014, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2015 expressed an unmodified (unqualified) opinion on the effectiveness of Seabridge Gold Inc.'s internal control over financial reporting.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 11, 2015
Toronto, Canada

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

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

We have audited Seabridge Gold Inc.'s internal control over financial reporting as of December 31, 2014, 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 included under the heading Internal Controls over Financial Reporting in Management's Discussion and Analysis for the year ended December 31, 2014. 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, 2014, 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, 2014 and December 31, 2013, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and our report dated March 11, 2015 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 11, 2015
Toronto, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents (Note 4)	256	1,063
Short-term deposits (Note 4)	6,037	20,096
Amounts receivable and prepaid expenses (Note 5)	5,092	5,128
Investments (Note 6)	4,897	7,103
	16,282	33,390
Non-current assets		
Mineral interests (Note 7)	260,521	235,434
Reclamation deposits (Note 9)	1,553	1,553
Total non-current assets	262,074	236,987
Total assets	278,356	270,377
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	3,737	2,060
Taxes payable	65	1,096
Flow-through share premium (Note 10)	941	5,325
	4,743	8,481
Non-current liabilities		
Deferred income tax liabilities (Note 14)	12,430	6,792
Provision for reclamation liabilities (Note 9)	1,349	1,349
Total non-current liabilities	13,779	8,141
Total liabilities	18,522	16,622
Shareholders' equity (Note 10)	259,834	253,755
Total liabilities and shareholders' equity	278,356	270,377

Subsequent event (Notes 7, 10 and 16)
Commitments (Note 15)

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

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)

	2014	2013
Corporate and administrative expenses (Note 12)	(14,091)	(11,831)
Other income - flow-through shares (Note 10)	7,489	6,256
Gain on disposition of mineral properties (Note 7)	2,489	2,006
Impairment of mineral properties (Note 7)	(2,437)	–
Impairment of investments (Note 6)	(1,236)	(4,579)
Other gain on investments (Note 6)	517	135
Interest income	190	336
Finance expense and depreciation	(20)	(21)
Foreign exchange gain (loss)	(25)	9
Loss before income taxes	(7,124)	(7,689)
Income tax expense (Note 14)	(5,899)	(5,960)
Loss for the year	(13,023)	(13,649)
Other comprehensive income (loss), net of income taxes:		
Reclassification of previously deferred gains on available for sale investments	(1,272)	–
Items that may subsequently be reclassified to profit or loss:		
Unrealized gain on available for sale investments	166	976
Comprehensive loss for the year	(14,129)	(12,673)
Basic and diluted net loss per Common Share	(0.27)	(0.30)
Basic weighted-average number of common shares outstanding	47,655,513	45,651,239

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 except number of shares)

	Shares	Share capital	Stock-based compensation	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
As at January 1, 2014	47,081,376	283,544	26,818	9,233	(66,986)	1,146	253,755
Share issuance	1,205,000	11,205	–	–	–	–	11,205
Share issuance costs	–	(919)	–	–	–	–	(919)
Stock-based compensation	–	–	9,679	–	–	–	9,679
Shares - RSUs	152,500	1,472	(1,472)	–	–	–	–
Expired options	–	–	(455)	455	–	–	–
Cancelled options	–	–	(5,373)	5,373	–	–	–
Deferred tax	–	243	–	–	–	–	243
Other comprehensive loss	–	–	–	–	–	(1,106)	(1,106)
Net loss for the year	–	–	–	–	(13,023)	–	(13,023)
As at December 31, 2014	**48,438,876**	**295,545**	**29,197**	**15,061**	**(80,009)**	**40**	**259,834**
As at January 1, 2013	45,556,376	272,536	23,351	5,810	(53,337)	170	248,530
Stock-based compensation	–	–	7,038	–	–	–	7,038
Share - exercise of options	25,000	411	(148)	–	–	–	263
Expired options	–	–	(3,423)	3,423	–	–	–
Issuance of shares	1,500,000	11,430	–	–	–	–	11,430
Share issuance costs	–	(1,131)	–	–	–	–	(1,131)
Deferred tax	–	298	–	–	–	–	298
Other comprehensive gain	–	–	–	–	–	976	976
Net loss for the year	–	–	–	–	(13,649)	–	(13,649)
As at December 31, 2013	47,081,376	283,544	26,818	9,233	(66,986)	1,146	253,755

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of Canadian dollars)

	2014	2013
Operating activities		
Net loss	(13,023)	(13,649)
Items not affecting cash:		
Impairment of mineral properties	2,437	–
Gain on disposition of mineral properties	(2,489)	(2,006)
Stock-based compensation	9,679	7,038
Other income – flow-through shares	(7,489)	(6,256)
Impairment of investments	1,236	4,579
Other gain on investments	(517)	(135)
Income tax expense	5,899	5,960
Finance expense and depreciation	20	21
Taxes paid	(1,219)	(324)
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(253)	1,218
Accounts payable and accrued liabilities	1,465	(2,150)
Net cash used in operating activities	(4,254)	(5,704)
Investing activities		
Mineral interests	(30,988)	(34,556)
Mineral exploration tax credits	4,435	–
Investment of short-term deposit	(12,000)	(14,000)
Redemption of short-term deposits	26,054	35,003
Disposition of mineral properties	1,000	2,000
Cash proceeds from sale of investments	2,065	150
Net cash used in investing activities	(9,434)	(11,403)
Financing activities		
Issue of share capital (net of transaction costs)	12,881	15,886
Net decrease in cash during the year	(802)	(1,221)
Cash and cash equivalents, beginning of the year	1,063	2,284
Cash and cash equivalents, end of the year	256	1,063

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

1. REPORTING ENTITY

Seabridge Gold Inc. is comprised of Seabridge Gold Inc. ("Seabridge" or the "Company") and its subsidiaries and is a 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") as issued by the International Accounting Standards Board ("IASB"). These financial statements were authorized for issuance by the Board of Directors of the Company on March 11, 2015.

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, which are measured at fair value.

(b) Basis of consolidation - Subsidiaries

Subsidiaries are entities over which the Company has control. Control over an entity exists when the Company is exposed or has rights to returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 of costs. Future market prices for gold and copper and other commodities 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 significant or prolonged, 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 restricted share units might be exercised and share 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 share-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 there will be sufficient 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 significant or prolonged, the investment is written down and the loss is recorded in the statement of operations.

(h) 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.

(i) 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.

(j) Impairment of non-financial assets

The carrying value of the Company's mineral interests is assessed for impairment when indicators of such impairment exist. 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 for 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.

(k) 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; (iii) and the amount can be 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 incorporating risks specific to the obligation using a pre-tax rate that reflects current market assessments of the time value of money. 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 statement of financial position.

(l) 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.

(m) 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.

(n) 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.

(o) 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 and RSUs are not included in the calculation of diluted profit per share as the effect is anti-dilutive.

(p) 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:	CLASSIFICATION:
Cash and cash equivalents	Fair value through profit or loss
Short-term deposits	Fair value through profit or loss
Amounts receivable	Loans and receivables
Investments	Available for sale
FINANCIAL LIABILITIES:	**CLASSIFICATION:**
Accounts payable and other liabilities	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.

(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.

(q) Recent accounting standards issued and applied

IFRIC 21, Levies ("IFRIC 21"), 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 the recognition of a liability to pay a levy. The implementation of IFRIC 21 did not have a significant impact on the Company's consolidated financial statements.

(r) New accounting standards and interpretations not yet adopted

New standards and amendments to standards and interpretations that are relevant to the Company and effective for annual periods beginning on or after January 1, 2015, that have not been applied in preparing these financial statements are:

IFRS 9, ***Financial instruments*** ("IFRS 9") introduces new requirements for classification and measurement of financial assets, additional changes to financial liabilities and a new general hedge accounting standard. The mandatory effective date is for annual periods beginning on or after January 1, 2018. Early adoption is permitted and the new standard must be applied retrospectively, with some exceptions. The Company does not intend to early adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2015. The Company does not expect the standard will have a material impact on the financial statements upon adoption.

IFRS 11, ***Accounting for Acquisitions of Interests in Joint Operations*** (Amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business and apply prospectively for annual periods beginning on or after January 1, 2016. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

IFRS 15, ***Revenue from contracts with customers*** ("IFRS 15") proposes to replace IAS 18 Revenue, IAS 11 Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at either a point in time or over time. The model features a five-step analysis of transactions to determine when and how much revenue should be recognized. New estimates and judgmental thresholds were introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the standard will have a material impact on the financial statements upon adoption.

IAS 16, ***Property, Plant and Equipment*** and IAS 38 ***Intangible Assets*** (Amendments to IAS 16 and IAS 38). The amendments made to IAS 16 state that revenue-based methods of depreciation cannot be used for property, plant and equipment and the amendments in IAS 38 introduce the supposition that the use of revenue-based amortization methods for intangible assets is inappropriate. The Company intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments will have a material impact on the financial statements upon adoption.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

($000's)	December 31, 2014	December 31, 2013
Cash and cash equivalents	256	1,063
Short-term deposits	6,037	20,096
	6,293	21,159

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, 2014	December 31, 2013
Provincial tax credits	4,246	4,435
HST	389	398
Prepaid expenses	229	154
Other receivables	228	141
	5,092	5,128

6. INVESTMENTS

($000's)	December 31, 2014	December 31, 2013
Available-for-sale investments	3,246	6,795
Investments in associates	1,651	308
	4,897	7,103

The Company holds common shares of several mining companies that were received as consideration for optioned mineral properties and other short-term investments, including one gold exchange traded receipt. These available for sale financial assets are recorded at fair value of $3.2 million (2013 - $6.8 million) on the statements of financial position. For the year ended December 31, 2014, the Company determined that the recoverability of some of its available for sale investments was impaired and recorded a $1.2 million (2013 - $4.6 million) charge to the statement of operations.

The Company holds one investment in an associate that is accounted for on the equity basis. The Company had previously accounted for the investment at fair value as it was classified as an available-for-sale asset. During the first fiscal quarter of 2014, the Company obtained significant influence over this investment and on reclassification from available-for-sale to associate the Company recognized a gain of $0.6 million on the statement of operations. The gain was comprised of $1.3 million of deferred gains, previously recognized in accumulated other comprehensive income and $0.7 million loss in the first fiscal quarter of 2014, representing the change in fair value of the investment during the period prior to obtaining significant influence. During the year ended December 31, 2014, the Company recorded its proportionate share of the net losses of the associate of $0.6 million (2013 – nil) within other gain (loss) on investments on the statement of operations and, at December 31, 2014, carried the investment at $1.7 million on the statement of financial position. This loss included the proportionate losses of another associate of $0.4 million that, since August 2014, has been accounted for at fair value, as it is now classified as an available-for-sale investment due to the Company ceasing to exert significant influence over the operations. In August 2014, the entity reconstituted the composition of its board of directors without any representation from the Company, eliminating the significant influence the Company previously exerted.

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, 2014	Expenditures 2014	Recoveries 2014	Impairment 2014	Balance December 31, 2014
KSM	165,196	30,852	(4,119)	–	191,929
Courageous Lake	66,585	886	–	–	67,471
Nevada Projects	2,882	–	(95)	(2,437)	350
Grassy Mountain	771	–	–	–	771
	235,434	31,738	(4,214)	(2,437)	260,521

($000's)	Balance January 1, 2013	Expenditures 2013	Recoveries 2013	Impairment 2013	Balance December 31, 2013
KSM	140,858	28,773	(4,435)	–	165,196
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)	–	–
	208,096	34,528	(7,190)	–	235,434

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 KSM property to Noranda Inc. (which subsequently became Falconbridge Limited and then Xstrata plc.- now Glencore 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 from Falconbridge. 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 million in cash, issue 75,000 shares and pay advance royalties of $100,000 per year for 10 years commencing on closing of the agreement. The property is subject to a 4.5% net smelter royalty from which the advance royalties are deductible. The purchase agreement closed in September 2009, with the payment of $1 million in cash, the issuance of 75,000 shares valued at $2,442,750 and the payment of the first year's $100,000 advance royalty.

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

In 2011 and 2012, the Company completed agreements granting a third party an option to acquire a 2% net smelter royalty on all gold and silver production sales from KSM for a payment equal to the lesser of $160 million or US$200 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.

In 2014, $30.9 million of expenditures were incurred on the KSM project as the Company undertook its 2014 exploration and drilling program. Costs were incurred for direct drilling and support costs including fuel, core cutting, assaying and camp supplies. Drilling of these targets commenced in the second quarter of 2014. The Company also incurred costs responding to comments from regulatory bodies during their continuing review of the environmental assessment filed with the British Columbia and federal governments. Approval of the environmental assessment application by provincial and federal regulators was obtained in 2014.

In 2013, the Company applied for $4.4 million of refundable provincial tax credits related to exploration expenditures incurred in 2010 at KSM. The recovery was credited to mineral properties in 2013 and the Company collected the funds during 2014. Similarly, in 2014, the Company applied for $4.1 million of refundable provincial tax credits related to exploration expenditures incurred in 2011 at KSM and the recovery has been credited to mineral properties and a corresponding receivable has been recognized on the December 31, 2014 statement of financial position. Subsequent to the year-end, the Company collected the funds.

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 up to a total of $1,250,000. The Company has made $950,000 in payments and is committed to make three additional annual payments until 2017. The property may be purchased outright at any time with the accelerated payment of the remaining balance.

In 2014, the Company incurred $0.9 million of exploration costs completing a limited exploration program while the Company focuses on exploration programs at KSM.

c) Nevada Projects

In June 2011, the Company entered into an agreement 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 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, the Company 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 second tranche of 1,120,000 shares, with a fair value of $0.1 million, was received in the current year and the remaining 5,040,000 shares are to be received over the next two years. The fair value of the shares received was recorded as a recovery of mineral property costs. If Wolfpack exercises the option, Seabridge will retain a 1% net profits royalty in the Castle Black Rock Property. The Nevada assets within Wolfpack were sold to Timberline Resources Corporation ("Timberline") in 2014 and the Company received shares of Timberline as a distribution to Wolfpack shareholders in exchange for the assets transferred. As such, Timberline is now the option holder on the Castle Black Rock property and must abide by the original terms of the option agreement.

Also under the agreement, Seabridge granted to Wolfpack an option to purchase 100% of its interest in the Four Mile Basin Property and Liberty Springs projects, both located in Nye Country, Nevada and received 660,000 shares, as initial consideration, in 2012. During 2014 Wolfpack notified the Company that it would discontinue the option to purchase these two projects and no further option payments will be made. The Company decided not to continue to carry the maintenance costs of these claims and determined that the recoverability of the carrying costs was impaired and charged the statement of operations $2.4 million.

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 2013. 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 reduction 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 was exercisable to acquire one common share of Calico for no additional consideration. The fair value of the shares and special warrants reduced the carrying value of the mineral properties at the time of receipt of the securities. During 2013 and 2014, the Company elected to convert all of the special warrants into common shares.

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 million in cash, at the sole election of the Company. Following the de-recognition of the Grassy Mountain net assets, in 2013, a value of $771,000 has been retained within mineral properties.

e) Other mineral properties

(i) Red Mountain

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

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

In 2012, the Company entered into an agreement with Banks Island Gold Ltd. to option its 100% interest in the Red Mountain Project and received $1 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 a $1.5 million payment, due in 2013, 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 was recorded as a gain on the disposition of mineral properties on the consolidated statement of operations and the fair value was recorded in investments on the consolidated statement of financial position as at December 31, 2013. Banks Island Gold failed to pay the $1.5 million in January 2014 and their option was terminated. The Company retained all payments of cash and shares of Banks Island Gold and retains ownership of the project.

During 2014, the Company entered into an agreement with IDM Mining ("IDM") to option the Red Mountain Project. In order to exercise its option, IDM paid the Company $1 million and must pay $1 million within eighteen months. IDM also issued to the Company 4,955,500 common shares, the fair value of which was $1.5 million, and was recorded in investments on the statement of financial position. IDM is also obligated to spend $7.5 million on the Red Mountain Project over a three year period. At the time of the receipt of the cash and shares mentioned above, there was no carrying value recorded for Red Mountain, as all historical acquisition and exploration costs have been fully recovered through option payments and other recoveries and as such, the combined value of the cash and shares of $2.5 million has been recorded on the statement of operations as a gain on the disposition of mineral properties.

(ii) 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 were recorded 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 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 2013, Alamos Gold Inc. ("Alamos") acquired Orsa and its option to acquire Quartz Mountain and the Company received the next staged payment of $2 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 was recorded as a gain on disposition of mineral properties.

In addition, upon the delivery of a feasibility study, Alamos must pay the Company $3 million and either an additional $15 million or provide a 2% net smelter return royalty on production at Quartz Mountain, at the option of the Company.

There is no carrying value recorded for Quartz Mountain as all historical acquisition and exploration costs have been fully recovered through option payments and other recoveries.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($000's)	December 31, 2014	December 31, 2013
Trade payables	3,545	1,819
Trade and other payables due to related parties	56	71
Non-trade payables and accrued expenses	136	170
	3,737	2,060

9. PROVISION FOR RECLAMATION LIABILITIES

($000's)	December 31, 2014	December 31, 2013
Beginning of the year	1,349	2,059
Accretion	17	19
Current year adjustment	(17)	(729)
End of the year	1,349	1,349

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, 2014, was calculated using the total estimated undiscounted cash flows, of $1.5 million, (December 31, 2013 - $1.5 million) required to settle estimated obligations and expected timing of cash flow payments required to settle the obligations in 2024. The discount rate used to calculate the present value of the reclamation obligations was 1.25% at December 31, 2014 (1.25% - December 31, 2013). The Company has placed a total of $1.6 million (December 31, 2013 - $1.6 million) on deposit with financial institutions that are pledged as security against the reclamation provision.

10. SHAREHOLDERS' EQUITY

($000's)	December 31, 2014	December 31, 2013
Share capital	295,545	283,544
Stock options	29,197	26,818
Contributed surplus	15,061	9,233
Deficit	(80,009)	(66,986)
Accumulated other comprehensive income	40	1,146
	259,834	253,755

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, 2014 and December 31, 2013.

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, 2014. The Company considers its capital to be share capital, stock options, restricted share units and contributed surplus and deficit.

On July 22, 2014 the Company issued 1,150,000 flow-through common shares, at $12.00 per share, raising gross proceeds of $13.8 million. The purchase price represented a 29% premium over the market price of the Company's shares on that date. The Company has committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the financings and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement was December 31, 2014. The full premium of $3.1 million was initially 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 being reduced on a proportionate basis and income is recognized on the statement of operations. In the period July 22, 2014 to December 31, 2014 $2.2 million of the premium was recognized through other income on the statement of operations for the proportionate amount of qualifying expenditures made relative to the $13.8 million commitment. Share issuance costs of $0.9 million were incurred in 2014 in relation to the offering and have been included in equity.

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 financing and has transferred the deductibility to the purchasers of the flow-through shares. The premium of $5.3 million was initially 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 were incurred, the liability was 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. The Company incurred the full $16.8 million of qualifying expenditures in 2014 and the premium has been fully amortized through the statement of operations.

The Company provides compensation to directors and employees in the form of stock options and a Restricted Share Units ("RSU"), plan implemented in 2013.

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.

Pursuant to the Company's 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.

Stock option and RSU transactions were as follows:

	Options	**Weighted average exercise price**	**Amortized value of options ($000's)**	**RSUs**	**Amortized value of RSUs ($000's)**	**Stock-based compensation ($000's)**
Outstanding January 1, 2014	2,925,000	21.11	26,734	235,000	84	26,818
Granted	750,000	10.32	3,181	272,500	1,099	4,280
Exercised option or vested RSU	–	–	–	(152,500)	(1,472)	(1,472)
Cancelled	(400,000)	28.98	(5,373)	–	–	(5,373)
Expired	(35,000)	23.02	(455)	–	–	(455)
Amortized value of stock based compensation granted in prior years	–	–	3,340	–	2,059	5,399
Outstanding December 31, 2014	**3,240,000**	**17.62**	**27,427**	**355,000**	**1,770**	**29,197**
Exercisable at December 31, 2014	**3,046,666**					

	Options	Weighted average exercise price	Amortized value of options ($000's)	RSUs	Amortized value of RSUs ($000's)	Stock-based compensation ($000's)
Outstanding January 1, 2013	2,648,300	21.90	23,351	–	–	23,351
Granted	855,000	12.37	1,492	235,000	84	1,576
Exercised	(25,000)	10.54	(148)	–	–	(148)
Expired	(553,300)	11.84	(3,423)	–	–	(3,423)
Amortized value of stock based compensation granted in prior years	–	–	5,462	–	–	5,462
Outstanding December 31, 2013	**2,925,000**	**21.11**	**26,734**	**235,000**	**84**	**26,818**
Exercisable at December 31, 2013	**1,480,000**			–		

The outstanding share options at December 31, 2014 expire at various dates between December 2015 and June 2019. A summary of options outstanding, their remaining life and exercise prices as at December 31, 2014 is as follows:

	Options Outstanding		Options Exercisable	
Exercise price	**Number outstanding**	**Remaining contractual life**	**Number exercisable**	**Exercise price**
$29.75	495,000	1 year 0 months	395,000	$29.75
$30.42	150,000	1 year 3 months	150,000	$30.42
$21.98	545,000	1 year 11 months	545,000	$21.98
$21.54	10,000	2 years 2 months	10,000	$21.54
$14.70	100,000	2 years 6 months	100,000	$14.70
$17.32	180,000	2 years 8 months	180,000	$17.32
$17.52	155,000	2 years 11 months	155,000	$17.52
$12.60	705,000	3 years 2 months	678,333	$12.60
$12.91	100,000	3 years 5 months	33,333	$12.91
$8.00	50,000	4 years	50,000	$8.00
$10.36	700,000	4 years 3 months	700,000	$10.36
$9.72	50,000	4 years 6 months	50,000	$9.72
	3,240,000		**3,046,666**	

In the quarter ended March 31, 2014, 700,000 five-year options were granted to seven directors of the Company at an exercise price of $10.36 and a fair value of $3.52 per option. The exercise price represented a 20% premium to market at the time of the grant. This grant was approved by shareholders 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 24, 2014, at which time the options were revalued to $4.23 per option. In the second quarter of 2014, 50,000 options were granted to a director of the Company with an exercise price of $9.72 and a fair value of $4.45 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. Shareholder approval was obtained in 2014 for this grant.

In 2014, 400,000 options that were granted in 2010 and 2011 were cancelled. All of the fair value attributed to these options had been expensed prior to the time of cancellation.

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:

	2014	2013
Dividend yield	Nil	Nil
Expected volatility	52%	52 - 67%
Risk free rate of return	1.58 - 1.72%	1.3 - 1.8%
Expected life of options	4.75 - 5 years	4.7 - 5 years

The Board granted 235,000 RSUs in 2013 to non-director members of senior management. The RSU Plan along with the 2013 grants were subject to regulatory and shareholder approval. Shareholder and regulatory approvals were obtained in 2014. The fair value of the grants, of $2.3 million, was estimated at the date all regulatory approvals were obtained and is being amortized over the expected service period of the grants. The expected service periods vary from six to eighteen months from the date of the grant depending on certain corporate objectives being met. During 2014 152,500 of these RSUs fully vested and were exchanged for shares of the Company.

In 2014, the Board granted 272,500 RSUs to non-director members of senior management. The fair value of the grants, of $2.6 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 one to fourteen months from the date of the grant depending on certain corporate objectives being met. Subsequent to the year-end, 136,250 of these RSUs fully vested and were exchanged for shares of the Company.

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 and liabilities as at December 31, 2014 and December 31, 2013 are cash and cash equivalents, short-term deposits, amounts receivable, available-for-sale investments, and accounts payable and accrued liabilities. Other than investments, the carrying values approximate their fair values due to the immediate or short-term maturity of these financial instruments and are classified as a

Level 1 measurement. The Company's available-for-sale investments are measured at fair value based on quoted market prices and are classified as a level 1 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. 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, 2014, the Company had a cash and cash equivalents and short-term deposits balance of $6.3 million (2013 - $21.2 million) for settlement of current liabilities of $3.8 million, excluding the flow-through share premium. The Company is committed to spend $4.2 million on qualifying exploration expenditures in fulfillment of the July 2014 flow-through financing and will incur $1.1 million to maintain its mineral property claims in good standing. The short-term deposits are in various guaranteed investment securities with maturities to February 2015 and July 2015 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. The Company's ability to fund its operations and capital expenditures and other obligations as they become due is dependent upon market conditions. Subsequent to the year end the Company entered into an agreement to issue 1,400,000 flow-through common shares of the Company at a price of $10.17 per flow-through common share for gross proceeds of $14.2 million. The Company has granted the purchasers an option to purchase up to an additional 210,000 flow-through common shares, at the same price. The financing is scheduled to close on April 7, 2015.

Market Risk

(a) Interest Rate Risk

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

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. 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) Investment Risk

The Company has investments in other publicly listed exploration companies which are included in investments. These shares were received as option payments on certain exploration properties the Company owns. In addition, the Company holds $2 million in a gold exchange traded receipt that is recorded on the statement of financial position in investments. 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, 2014	December 31, 2013
Employee compensation	2,509	3,072
Stock-based compensation	9,679	7,038
Professional fees	734	393
General and administrative	1,169	1,328
	14,091	11,831

13. RELATED PARTY DISCLOSURES

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

($000's)	December 31, 2014	December 31, 2013
Compensation of directors:		
Directors fees	316	290
Services	86	97
Stock-based compensation	2,375	1,240
	2,777	1,627
Compensation of key management personnel:		
Salaries and consulting fees	2,170	2,372
Stock-based compensation	4,816	3,659
	6,986	6,031
Total remuneration of directors and key management personnel	9,763	7,658

14. INCOME TAXES

($000's)	December 31, 2014	December 31, 2013
Current tax expense	18	1,322
Deferred tax expense	5,881	4,638
	5,899	5,960

Tax recovery recognized directly in equity

($000's)	December 31, 2014	December 31, 2013
Financing costs	243	298

In 2014, the Company recognized income tax expense of $5.9 million (2013 - $6.0 million) primarily related to a deferred tax expense arising due to the renouncement of expenditures related to 2013 and 2014 flow through shares which are capitalized for accounting purposes, offset partially by a deferred tax recovery arising from the loss in the current year.

Rate reconciliation

The provision for income tax differs from the amount that would have resulted by applying the combined Federal and Ontario and Northwest Territories statutory income tax rates of 26.44% (2013 - 26.50%)

($000's)	December 31, 2014	December 31, 2013
Loss before income taxes	(6,748)	(7,689)
	26.44%	26.50%
Tax recovery calculated using statutory rates	(1,784)	(2,037)
Non-deductible items	470	1,794
Non-taxable items	–	(120)
Difference in foreign tax rates	(303)	(210)
Rate differential	(33)	–
Movement in tax benefits not recognized	527	225
Branch tax	16	–
Renouncement of flow-through expenditures	6,972	5,898
Prior period adjustment	37	160
Mineral interests	(3)	(250)
Income tax expense	5,899	5,960

Deferred income tax

The following table summarizes the components of deferred income tax:

($000's)	December 31, 2014	December 31, 2013
Deferred tax assets		
Property and equipment	63	58
Provision for reclamation liabilities	362	355
Financing costs	664	1,003
Non-capital loss carryforwards	10,728	9,095
Deferred tax liabilities		
Mineral interests	(24,247)	(17,303)
	(12,430)	(6,792)

Unrecognized deferred tax assets

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

($000's)	December 31, 2014	December 31, 2013
Investment in subsidiaries	4,847	8,512
Marketable securities	1,598	3,621
Loss carry forwards	451	2,277
Investment tax credits	1,898	1,898
Foreign tax credits	16	–
Mineral properties	357	–

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, 2014, the Company had the following Canadian income tax attributes to carry forward:

	Amount (000's)	Expiry date
Canadian non-capital losses	41,713	2034
Canadian capital losses	885	Indefinite
Canadian tax basis of mineral interest	168,488	Indefinite
US non-capital losses	100	2034
US tax basis of mineral interest	1,446	Indefinite

15. COMMITMENTS

		Payments due by period			
($000's)	Total	2015	2016-17	2018-19	After 2019
Mineral interests	10,132	1,076	2,612	2,981	3,463
Flow-through expenditures	4,183	4,183	–	–	–
Business premises operating lease	308	132	176	–	–
	14,623	5,391	2,788	2,981	3,463

The Company is committed to spend $4.2 million on qualifying exploration expenditures in fulfillment of agreements with subscribers of 1,150,000 flow-through shares issued on July 22, 2014 (see note 10).

16. SUBSEQUENT EVENT

Subsequent to the year end the Company entered into an agreement with a syndicate of underwriters whereby they have agreed to purchase 1,400,000 flow-through common shares of the Company at a price of $10.17 per flow-through common share for gross proceeds of $14.2 million. The Company has granted the underwriters an option to purchase from the Company up to an additional 210,000 flow-through common shares, at the same price and is exercisable at least two weeks prior to the closing date. The financing is scheduled to close on April 7, 2015, and is subject to certain conditions including the receipt of all necessary approvals, including the approval of the Toronto Stock Exchange, the NYSE, and the relevant securities regulatory authorities.

CORPORATE INFORMATION

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A. Frederick Banfield

D. Scott Barr

Thomas C. Dawson

Eliseo Gonzalez-Urien

Richard C. Kraus

Jay S. Layman

John W. Sabine

OFFICERS

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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

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