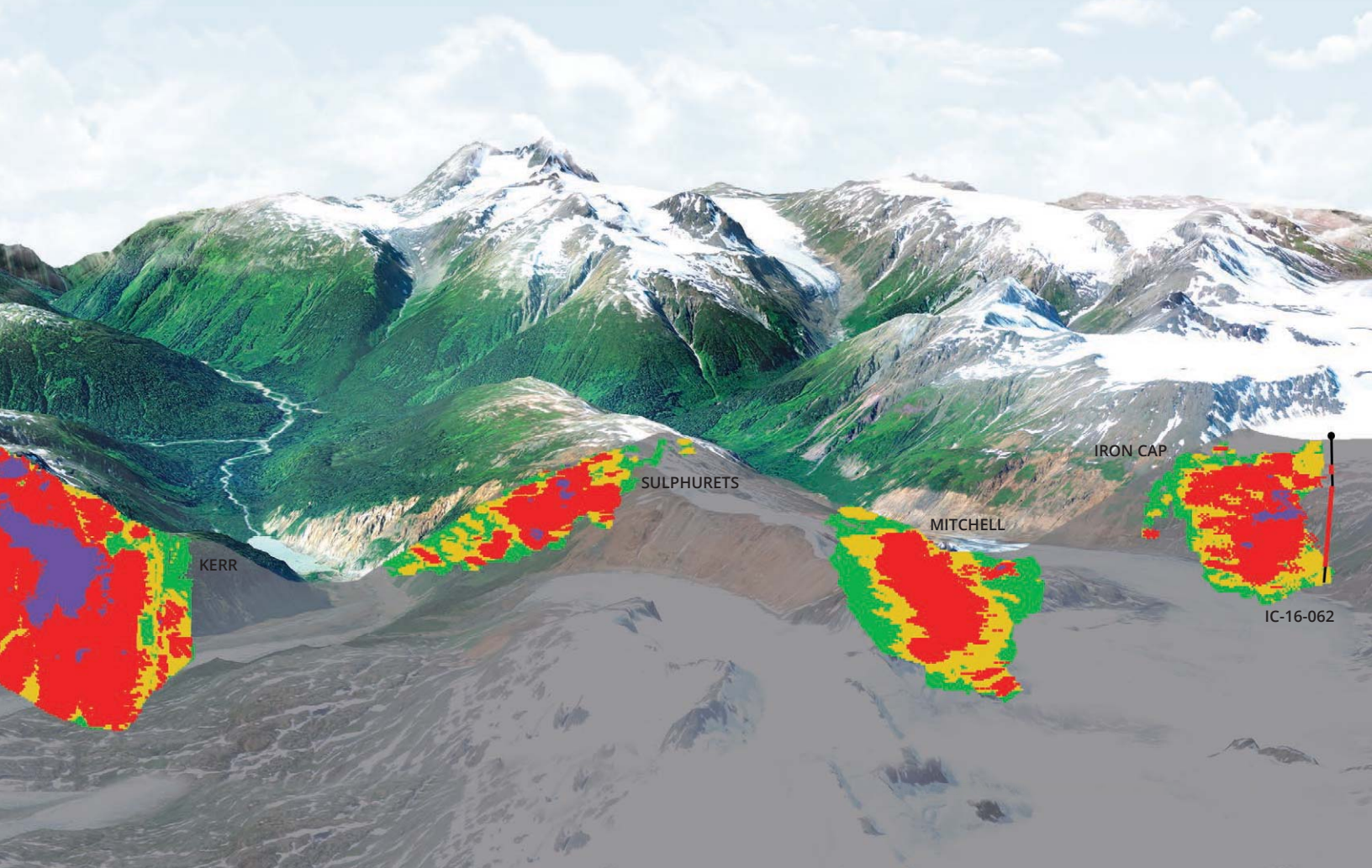
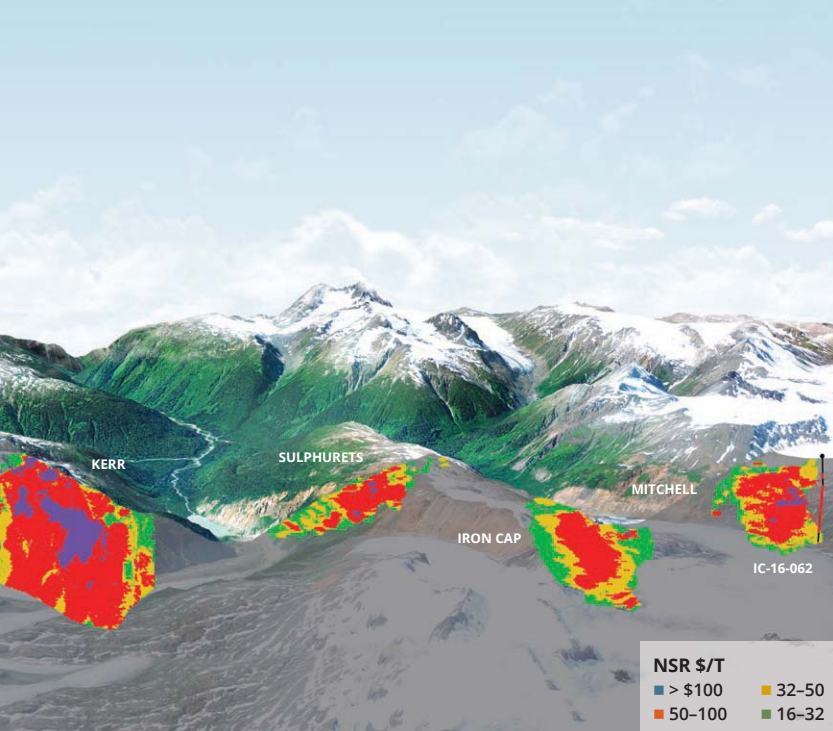


SEABRIDGE GOLD

# Bigger & Better

SEABRIDGE GOLD ANNUAL REPORT 2016





↑ KSM Project Long Section | 2016 NSR Block Model

KSM now consists of four deposits with a total mineral resource of 5.9 billion tonnes. 2016 was a transformative year for the project. The inclusion of the Deep Kerr and Lower Iron Cap zones in the project's mine plans significantly improved KSM's projected economics.

The front cover illustrates KSM's updated resource model depicting net smelter return ("NSR") values for the four different deposits included in our mine plans. NSR is the value that would be recovered per tonne of material mined after deducting smelting, refining, transportation and insurance costs. NSR values in the updated KSM resource model are based on US\$1,300 per ounce gold, US\$3.00 per pound copper and US\$20 per ounce silver. For a breakdown of Seabridge's mineral reserves and resources, please see page 14.

## 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](http://www.sedar.com) and our Annual Report on Form 40-F filed on EDGAR at [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml).

## CONTENTS

Chief Executive Officer's Report to Shareholders	2
KSM: Bigger & Better	6
Social Responsibility: Investing in	
Tomorrow's Leaders	12
Mineral Reserves and Resources	14
Management's Discussion and Analysis	17
Management's Responsibility for	
Financial Statements	26
Independent Auditors' Report of Registered	
Public Accounting Firm	27
Report of Independent Registered Public Accounting	
Firm on Internal Control over Financial Reporting	28
Consolidated Statements of Financial Position	29
Consolidated Statements of Operations and	
Comprehensive Loss	30
Consolidated Statements of Changes in	
Shareholders' Equity	31
Consolidated Statements of Cash Flows	32
Notes to the Consolidated Financial Statements	33
Corporate Information	inside back cover

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

---

**Stock Exchange Trading Symbols**

"SEA" on Toronto Stock Exchange

"SA" on New York Stock Exchange

**Annual General Meeting of Shareholders**

Tuesday, June 27, 2017

4:30 p.m. EDT

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

## CHIEF EXECUTIVE OFFICER'S

# Report to Shareholders

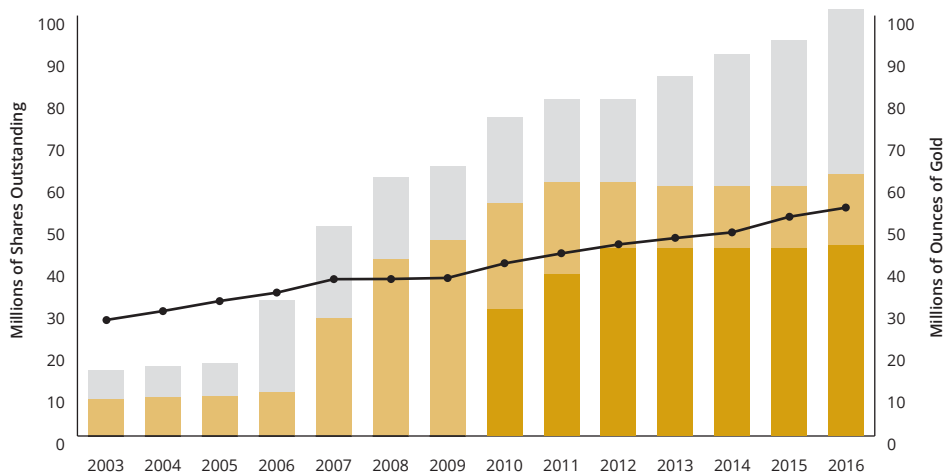
Has the gold bear market that has engulfed our industry since 2011 finally come to an end? We think so. Share prices are on the rise and, for the first time in years, the major gold companies are now acquiring new development projects. Industry balance sheets are stronger and operating costs are down. At the same time, reserves have been depleted after years of lower exploration spending and fewer discoveries. All things considered, we think this is a time when Seabridge's projects and expertise are likely to attract investor attention.

In our view, smart companies never waste a bear market. Such a market is often the best time to grow a company's asset base. In 2016, we grew through acquisition and aggressive exploration when other companies were cutting back. We continued our unique founding strategy of improving shareholder leverage to gold by growing our resource base faster than our shares

outstanding. As illustrated in the following graph, this corporate discipline over the past 18 years has allowed us to develop one of the world's largest inventories of gold reserves and resources with remarkably little share dilution. Because of this, we fully expect to outperform our industry as the gold price rises.

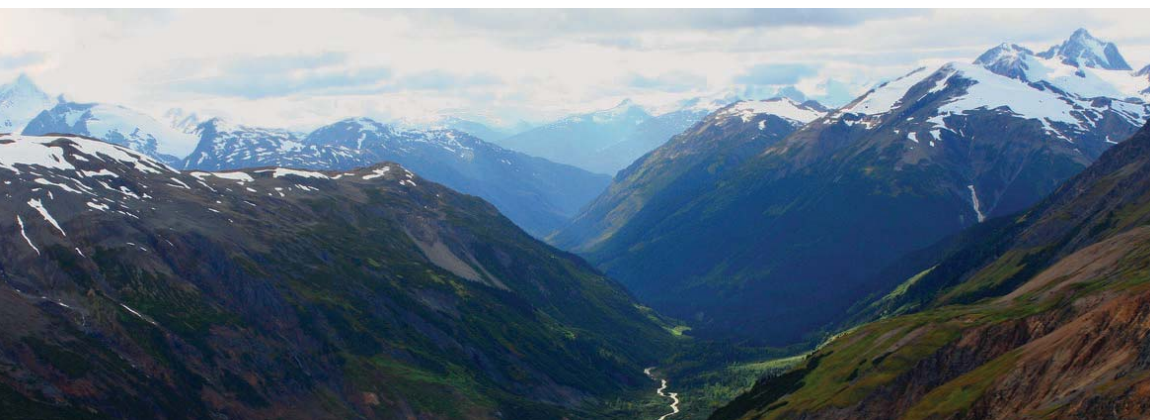
## Smart companies never waste a bear market

In our 2014 Annual Report, our exploration, engineering and permitting teams spoke directly of their work and their critical accomplishments during the year. In last year's report, we focused on the theme "Turning Cash into Gold," highlighting our understanding of the unique role gold plays in our financial system and the influence this understanding has had on our



## Reserve and resource ounces continue to grow faster than shares outstanding

- Proven and Probable Gold Reserves
- Measured plus Indicated Gold Resources
- Inferred Gold Resources
- Shares Outstanding



The improvements we made last year at KSM are outstanding.

corporate strategy, which has distinguished us from other gold companies. This year's theme, "KSM: Bigger and Better," shines a spotlight on the two primary skills we use to add value: targeted exploration and smart project design. We are proud to say that our geologists, scientists and engineers have not only made KSM the largest undeveloped gold project on the planet by reserves, but they have also created an environmentally sound design using the best available technologies to effectively manage costs.

## REPORT CARD ON 2016 OBJECTIVES

At Seabridge, we begin each year with a set of clear, published objectives designed to enhance shareholder value. At year-end, our Board evaluates how we performed against those objectives. Last year's Annual Report set out seven objectives:

### 1. Complete a joint venture agreement on the KSM Project with a suitable partner on terms advantageous to Seabridge.

This key corporate objective has not yet been met. However, for the first time in years, the major mining companies are being forced to consider large, new development projects to replace declining reserves. Goldcorp Inc.'s and Barrick Gold's recent announcement of their plans to advance the large Cerro Casale project in Chile under a 50/50 joint venture arrangement supports this view. We are currently seeing far more activity by the major companies we have under confidentiality agreements than we have seen in years.

The improvements we made last year at KSM are outstanding. Four years ago, the Deep Kerr deposit was a gleam in the eyes of our exploration team. Today, it is a 2.0 billion tonne deposit of superior grade. Including Deep Kerr in the KSM mine plan last year has significantly strengthened our hand in joint venture discussions. The market environment may need even more improvement for us to transact with a major company on terms

acceptable to us. We shall see. We believe, however, that with further improvement in metal prices, the major gold and base metals companies' need for large new projects with robust economics, combined with the scarcity of these assets in good jurisdictions, will work in our favour. For us, terms are more important than timing. As noted last year, we only get to do this once. Meanwhile, we are enhancing the project every year.

### 2. Continue to strengthen our social licence for KSM by entering into further agreements with Treaty, First Nations and local communities in response to their needs and concerns.

In 2014, we earned provincial and federal approval of our KSM Environmental Assessment in large part because of the relationships we developed over a seven-year period with the peoples and communities of northwestern British Columbia. However, the social licence these approvals represent must be renewed every day, by listening and responding to the needs of our neighbours as well as to the concerns of the larger Canadian polity.

Our company's efforts to strengthen our social licence involve every area of our operations: employing local people, sourcing supplies locally and developing agreements with aboriginal groups for their participation in the economic opportunities offered by our projects. In 2016, we set up a system for identifying and tracking work assignments for aboriginal workers. We ensured that our contractors registered members of the Treaty and First Nations with which we already have agreements so they could qualify for environmental contracting work at KSM and Iskut. As a result, aboriginal workers were hired for a total of 1,095 person days in 2016. For more information on social licence initiatives, see the Social Responsibility section later in this report.



The inclusion of the Deep Kerr and Lower Iron Cap zones in the KSM Project's mine plans significantly improved the projected economics.

- The total estimated cost of gold production is reduced by more than \$300 per ounce.
- 2.4 billion tonnes of waste rock are eliminated by converting the majority of mining from open pit to underground block caving.

Although KSM is permitted, our environmental initiatives continue. In 2016, we publicly released our first Independent Geotechnical Review Board ("IGRB") report. The leading experts working for the IGRB reviewed our design of KSM and concluded that it met the standards required for environmental integrity. We also financed an independent Best Available Tailings Technology ("BATT") study and released the report, which endorsed the KSM design. Both the IGRB and BATT studies were voluntary initiatives Seabridge undertook as part of our ongoing obligation to ensure that KSM is a safe and environmentally responsible project. Following the release of each report, the company held a series of meetings with aboriginal groups and Canadian and Alaskan regulators to explain the results and receive their input.

## Increased block caving radically transforms the project

### 3. Complete an updated Preliminary Feasibility Study ("PFS") for KSM that incorporates current metal prices and revised capital and operating costs.

This objective was completed. A new National Instrument 43-101 Technical Report was filed in November 2016 that included an updated PFS prepared by Tetra Tech, Inc. The new PFS incorporates commitments we made during the Environmental Assessment process. It also updates capital and operating cost estimates, commodity prices and exchange rates since 2012. The net impact compared with the 2012 PFS is a slight increase in reported reserves, a slight decrease in initial capital and overall economic projections in line with previous estimates.

### 4. Within the updated KSM Technical Report, develop a Preliminary Economic Assessment ("PEA") for Deep Kerr and Lower Iron Cap to show the potential of bringing these higher-grade deposits into KSM's production profile.

This objective was completed. The National Instrument 43-101 Technical Report that was filed in November 2016 included a PEA level study prepared by Amec Foster Wheeler Americas Limited. Including Deep Kerr and Lower Iron Cap in KSM's mine plans has a substantial impact on projected economics and the project's environmental footprint. The total cost of gold production is reduced by more than \$300 per ounce, net present values ("NPVs") and internal rates of return ("IRRs") are greatly enhanced and 2.4 billion tonnes of waste rock are eliminated by converting the majority of mining from open pit to cost-effective underground block caving.

### 5. Obtain permits to construct an exploration adit into the Deep Kerr deposit from the valley floor. The adit would significantly decrease the costs of transforming Deep Kerr's inferred resources into proven and probable reserves.

This objective was achieved. In October 2016, Seabridge received the necessary permits from the B.C. government to develop an exploration adit into the Deep Kerr deposit. The proposed 2,100 metre long adit is designed to facilitate underground exploration drilling of Deep Kerr at depth, which is more cost-effective than surface drilling.

### 6. Take advantage of the current depressed market for junior exploration companies to acquire new North American projects that would be immediately accretive to

**Seabridge in terms of ounces of gold resources per share while also providing substantial new exploration upside.**

This objective was achieved. In June 2016, Seabridge completed the acquisition of SnipGold for an upfront cost of approximately 700,000 common shares. Along with the acquisition came (i) a 100% interest in the National Instrument 43-101 compliant 2.2 million ounce Measured and Indicated gold resource at the Bronson Slope deposit (thus satisfying the accretive test), and (ii) what our exploration team believes is a large, under-explored copper/gold porphyry system. Subsequent to year-end, we also announced our intention to acquire a 100% interest in the Snowstorm Project, located at the intersection of three prolific Nevada gold belts.

**7. Increase gold ownership per common share by way of accretive resource additions from acquisitions and/or continued exploration at KSM.**

This objective was realized. In December 2015, we issued 1.8 million shares (\$8.10 per share for gross proceeds of \$14.6 million). In the second quarter of 2016, we issued 1 million shares (500,000 shares at \$17.40 and 500,000 shares at \$24.08 for gross proceeds of \$20.7 million). In June 2016, we closed the acquisition of SnipGold for approximately 700,000 common shares of Seabridge. Thus, in total we issued 3.5 million shares. To offset this dilution, we needed to add 6.5 million ounces of gold resources to maintain our gold ownership per share. As stated in the new PFS, gold resources from the previous year's drilling at KSM increased by 0.8 million ounces in the Measured and Indicated categories, plus an additional 1.4 million ounces in the Inferred category. The SnipGold acquisition brought in an additional 2.2 million ounces of Measured and Indicated gold resources. Finally, in 2016, drilling at Deep Kerr increased Inferred gold resources by 3.0 million ounces.

## **Social licence must be renewed every day**

### **OUR 2017 OBJECTIVES**

Our primary objective continues to be completing a joint venture agreement on the KSM Project with a suitable partner on terms advantageous to Seabridge. Our goal is to retain a significant interest in the project while minimizing Seabridge's capital exposure. We have commented in the past that owing to the size and complexity of the KSM Project, we think the landscape of potential partners is limited to no more than 10 major gold and base metal companies. Our ability to attract a partner for KSM on terms acceptable to Seabridge may require improved market conditions.

### **We have set six additional objectives for 2017:**

1. Continue to strengthen our social licence by entering into further agreements with Treaty and First Nations and local communities in response to their needs and concerns. Earning social licence is never completed – it is an ongoing necessity that we are proud to continue.
2. Complete a drilling program on the down-dip extension of Iron Cap. In our view, this is an exceptional target that offers the potential for sizeable additions of better-grade material.
3. Follow up on the new higher-grade discovery made last year above Iron Cap to determine its potential size and orientation.
4. Complete a drill program at our newly acquired Iskut Project, focusing on the high-grade potential at the Quartz Rise target.
5. In cooperation with the Tahltan Nation and B.C. regulators, begin implementation of the reclamation and closure plan for Johnny Mountain, a small historical underground mine located on the Iskut Project.
6. Increase gold ownership per common share by way of accretive resource additions from acquisitions and/or continued exploration at KSM.

We approach every year with optimism, knowing there is work ahead of us that can enhance the value of our assets. 2017 is no exception. The difference this year is that we think gold has the wind at its back. Geopolitical risks are rising while the global economy appears to be struggling. We believe the bear market in gold is finally over. If we are correct, this should prove to be a very good year for our shareholders.

On behalf of the Board of Directors,



**Rudi P. Fronk**  
*Chairman and Chief Executive Officer*  
April 7, 2017

## KSM:

# Bigger & Better

In 2012, Seabridge completed its second Preliminary Feasibility Study on the massive KSM Project. The PFS was an important document as it restated reserves based on an updated economic analysis, which demonstrated that the project could be profitable at reasonable metal price assumptions. But most importantly, the PFS formed the basis for the preparation of our Environmental Assessment Application ("EAA"), which is the centrepiece of the permitting process.

Essentially, the PFS provides the project design that regulators review and consider for approval. The 2012 PFS was based on the work we had done to that point, which was more than six years of exploration, engineering and environmental work. The 2012 PFS envisaged a combined open pit (70%) and underground (30%) block cave mining operation scheduled to operate for 55 years. During the initial 25 years of mine life, all ore would be mined by open pit methods with the mill scheduled to operate at an average of 130,000 metric tonnes per day ("tpd"). As mining at the Mitchell deposit switched to block caving in Year 26, daily production would decline to an average of approximately 90,000 tpd over the remaining 30 years of mine life.

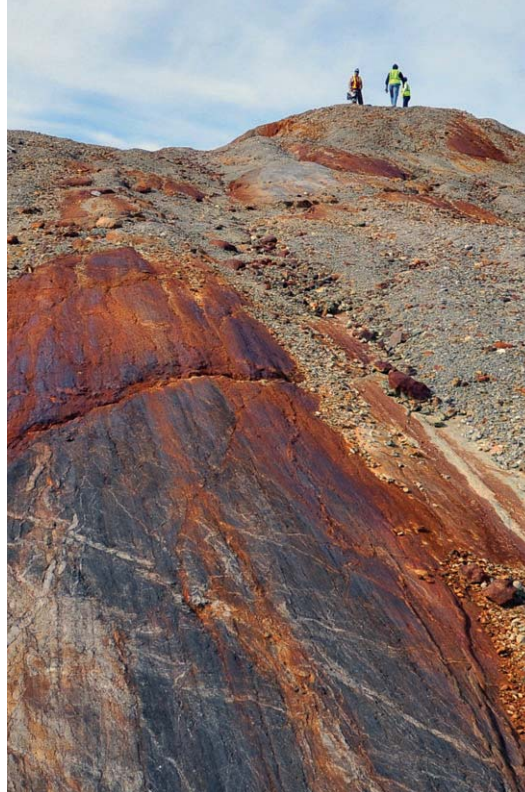
However, even as the EAA wound its way through the highly detailed and time-consuming approval process, Seabridge personnel were continuing to look for ways to improve the design based on two important observations. First, our geology team was becoming convinced that they had not found the best deposits on the property. They believed that higher-grade material could be found below the four known deposits. Second, our engineering team was becoming convinced that large projects like KSM could make more extensive use of an underground

mining technology called block caving – emerging developments were demonstrating that it could be more cost-effective than open pit extraction with far less environmental impact.

With amendments required by the regulators and changes that we agreed to make to accommodate the requests of Treaty and First Nations, the 2012 project design received provincial and federal approvals in 2014. These revisions improved the project while adding an estimated \$350 million to capital costs.

## Optimization of the KSM Project is ongoing

Not resting on its laurels, Seabridge continued its optimization work, including four more years of exploration drilling and a thorough assessment of block caving technology using the world's foremost experts. This was a cooperative effort. The exploration team was successfully making higher-grade discoveries, so-called core zones, as they had theorized. To facilitate project redesign, however, this mineralization could not be just anywhere. To be classified as resources, the new material had to conform to the needs of the block caving process in terms of location, size, shape and orientation. These requirements dictated a highly targeted exploration approach using expensive navigational technology that would enable drilling to be steered precisely to the required location. This exploration endeavour was highly successful and resulted in the delineation of the Deep Kerr and the Iron Cap Lower Zone.



The 50+ year mine life will provide jobs and economic activity for multiple generations.

The KSM Project is located 65 km northwest of Stewart, B.C., and approximately 35 km northeast of the Alaska border.

KSM is the largest undeveloped gold project in the world by reserves:

**38.8 million**  
ounces of gold

**10.2 billion**  
pounds of copper

**183 million**  
ounces of silver

**207 million**  
pounds of molybdenum



KSM is a combined open pit and underground operation.

PEA Mine Design:

- Kerr and Iron Cap deposits – underground block caving only
- Mitchell deposit – combined open pit and underground block caving
- Sulphurets deposit – open pit only



### A SMARTER IDEA

Our redesign work culminated in November 2016, when Seabridge filed a new National Instrument 43-101 Technical Report (see [www.sedar.com](http://www.sedar.com)) that included an updated PFS and a new PEA. The PFS was prepared by Tetra Tech, Inc. and the PEA was prepared by Amec Foster Wheeler Americas Limited. Both studies estimate operating and total costs per ounce for KSM that are well below industry averages for producing mines.

### Our intention is to improve KSM every year

The PFS incorporates KSM's Measured and Indicated Mineral Resources into mine plans generating Proven and Probable Mineral Reserves of 2.2 billion tonnes grading 0.55 grams per tonne ("g/T") gold, 0.21% copper and 2.6 g/T silver (38.8 million ounces of gold, 10.2 billion pounds of copper and 183 million ounces of silver). The project design is similar to the one in the EAA but includes the revisions that emerged from the permitting process. The 2016 PFS does not include the higher-grade resources delineated at Deep Kerr and the Iron Cap Lower Zone because they are in the Inferred Mineral Resources category, which cannot be considered as Mineral Reserves required for inclusion in a PFS.

The project design in the PEA includes the higher-grade inferred resources from Deep Kerr and the Iron Cap Lower Zone, enabling the mining method to shift from predominantly open pit, as described in the PFS, to primarily low-cost block cave mining (70%) as described in the PEA. The impact of increased block caving radically transforms the project. This design significantly reduces the number and size of the open pits and the project's environmental impact. By including block caving at Deep Kerr, the annual average maximum throughput of 130,000 tpd envisioned in the PFS increases to 170,000 tpd in the PEA without significant redesign of facilities. The net result is a substantial improvement in estimated economic returns.

### KSM's full potential is still to be determined

The plan outlined in the PFS remains a viable option for developing KSM. The approach described in the PEA, however, is a more creative response to Seabridge's recent higher-grade discoveries and the industry's successful development of more efficient and cost-effective underground mining techniques. Although the PEA is more preliminary and conceptual in nature than the PFS and includes Inferred Mineral Resources, Seabridge believes its approach is an important step forward for KSM, offering the potential for greater economic and environmental rewards.

Production under both the PFS and the PEA exceeds 50 years, but the PEA design produces far more metal. Here is how the outputs under the two plans compare:

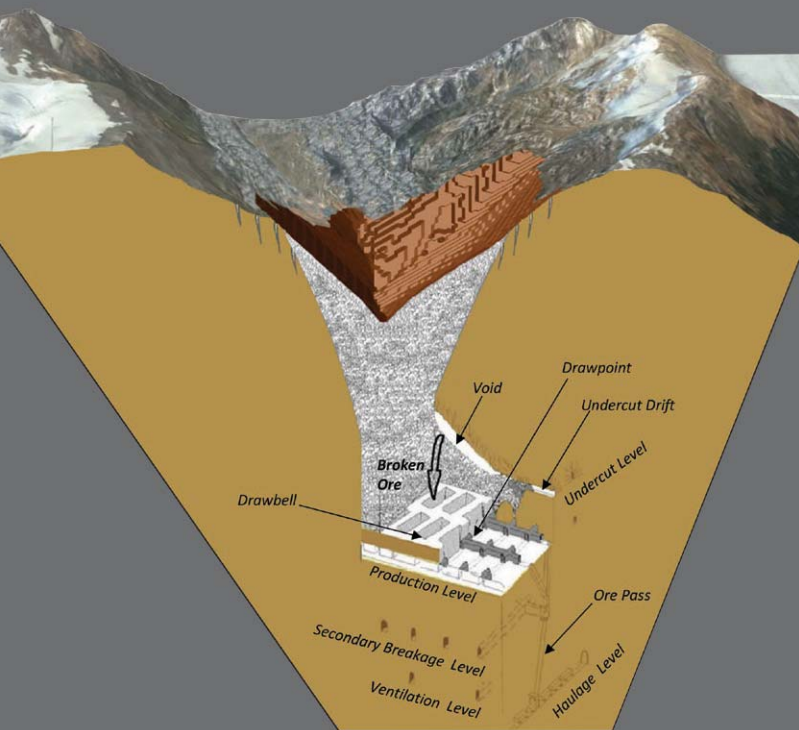
	PRELIMINARY FEASIBILITY STUDY		PRELIMINARY ECONOMIC ASSESSMENT	
	Years 1–7 average	Life of mine average	Years 1–7 average	Life of mine average
<b>Average grades</b>				
Gold (grams per tonne)	0.82	0.55	0.78	0.52
Copper (%)	0.24	0.21	0.26	0.32
Silver (grams per tonne)	2.8	2.6	2.7	2.7
<b>Annual production</b>				
Gold (ounces)	933,000	540,000	1,150,000	592,000
Copper (pounds)	205 million	156 million	306 million	286 million
Silver (ounces)	2.6 million	2.2 million	3.3 million	2.8 million

To compare the economic projections of the PFS and the PEA, two cases are presented below. A base case economic evaluation was undertaken, incorporating historical three-year trailing averages for metal prices as of July 31, 2016. This approach adheres to United States Securities and Exchange Commission policy and is consistent with industry practice. An alternate case is also shown, incorporating higher metal prices to demonstrate the project's sensitivity to rising prices. Seabridge is designed to provide leverage to the gold price. The alternate case demonstrates greater embedded leverage to higher metal prices.

The pre-tax and post-tax estimated economic results in U.S. dollars for the two cases are as follows:

	BASE CASE		ALTERNATE	
	PEA	PFS	PEA	PFS
<b>Metal prices</b>				
Gold (\$/ounce)	1,230		1,500	
Copper (\$/pound)	2.75		3.00	
Silver (\$/ounce)	17.75		25.00	
<b>US\$/C\$ exchange rate</b>				
	0.80		0.80	
<b>Cost summary</b>				
Operating costs per ounce of gold (life of mine)	–\$179	\$277	–\$319	\$183
Total cost per ounce of gold produced	\$358	\$673	\$218	\$580
Initial capital (includes pre-production mining)	\$5.5 billion	\$5.0 billion	\$5.5 billion	\$5.0 billion
Sustaining capital	\$10.0 billion	\$5.5 billion	\$10.0 billion	\$5.5 billion
Unit operating cost on-site (US\$/tonne)	\$11.61	\$12.36	\$11.61	\$12.36
<b>Pre-tax results</b>				
Net cash flow	\$26.3 billion	\$15.9 billion	\$38.7 billion	\$26.3 billion
Net present value @ 5% discount rate	\$6.1 billion	\$3.3 billion	\$10.2 billion	\$6.5 billion
Internal rate of return	12.7%	10.4%	16.9%	14.6%
Payback period (years)	5.6	6.0	3.9	4.1
<b>Post-tax results</b>				
Net cash flow	\$16.7 billion	\$10.0 billion	\$24.7 billion	\$16.7 billion
Net present value @ 5% discount rate	\$3.4 billion	\$1.5 billion	\$6.0 billion	\$3.7 billion
Internal rate of return	10.0%	8.0%	13.4%	11.4%
Payback period (years)	6.4	6.8	4.7	4.9

*Note: Operating and total cost per ounce of gold are after copper and silver credits. Total cost per ounce includes all start-up capital, sustaining capital and reclamation/closure costs. The post-tax results include the British Columbia Mineral Tax and corporate provincial and federal taxes. Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the results of the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.*



The above graphic\* is a schematic that shows the relationship between the different underground horizons used in a block cave mine. Block caving terms used in the graphic above are defined as follows:

**Drawbell:** the blasted area between the undercut level and the extraction level. The drawbell guides the broken ore to the individual drawpoints.

**Drawpoint:** the drawpoint is located in an extraction drift and provides access to the caved material to allow for removal with mechanized equipment.

**Ventilation level:** this ensures proper ventilation flow to all areas of the mine.

## WHAT IS BLOCK CAVING?

Block caving is a low-cost method of bulk underground mining that uses gravity to access, break and move ore. The block of ore to be mined is undercut by drilling and blasting. Some of the blasted material is progressively removed to create a void. This causes the rock mass above the undercut to fail and the failed material displaces and dilates into the void created by the undercut. Drawbells excavated beneath the undercut are used to extract the broken ore, precipitating further failure of the intact rock and furthering displacement and dilation of the ore. Continued extraction of the ore over a sufficiently large area allows the failure of the rock mass to propagate upward to surface. The vast majority of the ore block is not directly accessed or fragmented by drilling and blasting, which reduces costs.

The three main horizons in a block cave mine are the undercut level, the extraction or production level, and the haulage level. A fourth level, the "pre-conditioning" level, may also be developed if geotechnical assessments indicate that the natural cavability of the mineralized material will produce material at the drawpoints that is too large to handle. Typically, this level is located above the undercut.

Block caving is a generic term for the mining method described above. There are variations within block caving, such as panel caving, which is normally applied to deposits with large footprints, such as KSM's Mitchell, Deep Kerr and Iron Cap deposits. While operating procedures vary somewhat, the basic principles remain the same.

## THE IMPROVEMENTS CONTINUE

Optimization is ongoing and our intention is to improve KSM every year. Since we founded Seabridge in 1999, our overall goal has been to create the industry's best leverage to a rising gold price. To accomplish this, we work hard to offset equity dilution with accretion to gold ounces in all of our acquisition and exploration activities. The CEO's Report to Shareholders describes our success in meeting this objective.

Growing ounces for the sake of making a project like KSM bigger does not in itself move the needle on shareholder value. Adding more of the same ore at the back end of a 50+ year project has little impact on NPVs and IRRs. The plan outlined in the 2016 Technical Report achieves better economics through the addition of higher-grade material. The improvements continue. 2016 drilling at Deep Kerr added another 300 million tonnes of block caving inferred resources to KSM's mine plans which, based on their grades, should have a further positive impact on economics.

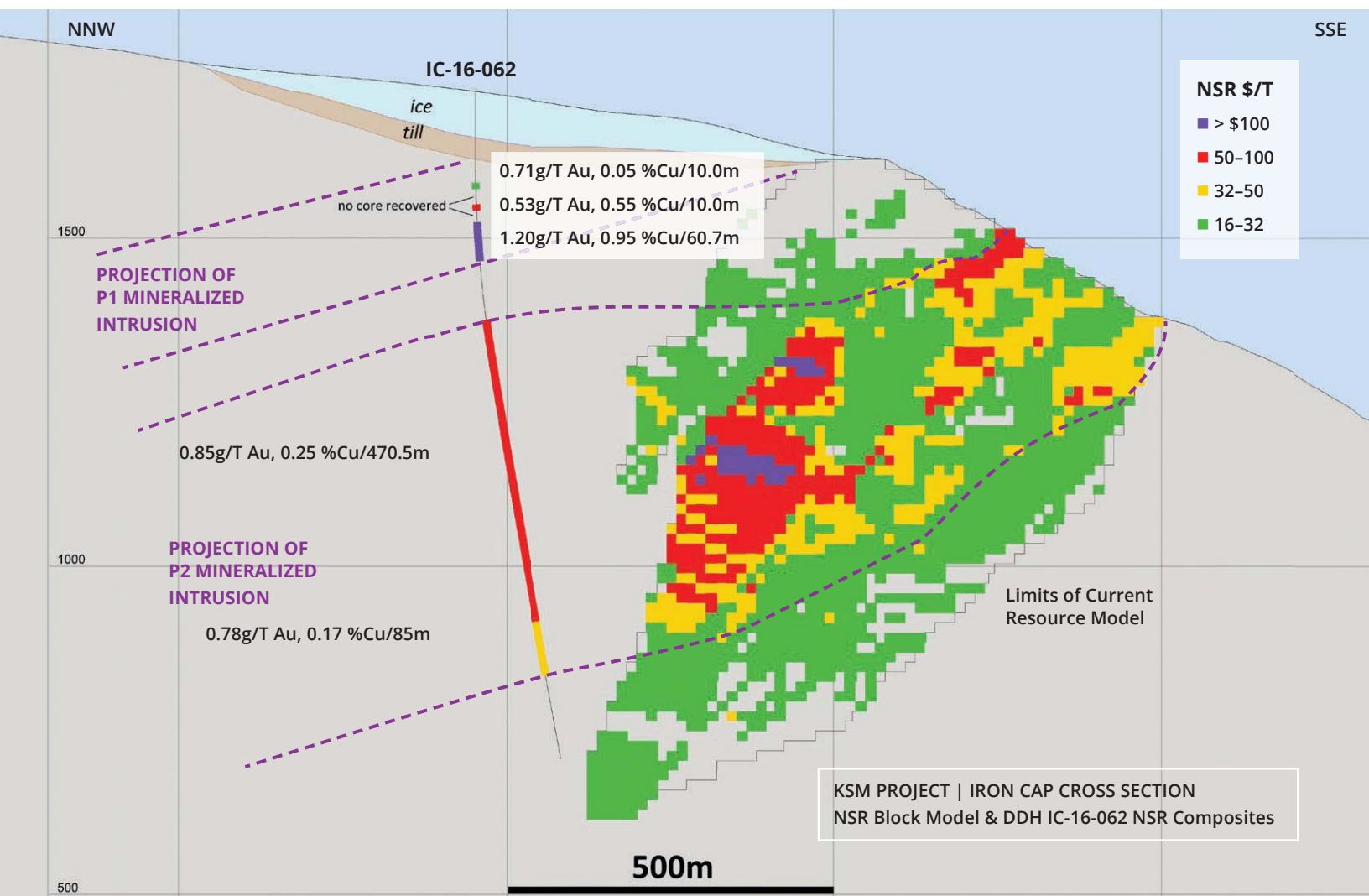
In 2016, we also drilled one new hole at Iron Cap (IC-16-62) that made two important discoveries. First, it found the down-plunge extension of Iron Cap's higher-grade core zone. IC-16-62 was collared well north of previous drilling in an area covered by rubble and ice, which had prevented surface mapping and geophysical surveys. The hole was "steered" into the target zone using proprietary down-hole navigation drilling tools to obtain an intersection below the existing resource of the Iron Cap Lower Zone. The result was an extraordinary interval of 555 metres at 0.83 g/T gold and 0.24% copper, both above KSM's reserve grade.

Secondly, IC-16-62 discovered a distinctly separate mineralized zone near surface yielding a 61-metre interval averaging 1.2 g/T gold and 0.95% copper. This zone consists of an intensely veined porphyritic intrusive rock similar to KSM's Mitchell deposit, juxtaposed against the disseminated silica-potassic alteration of Iron Cap along a normal fault. Although the scale of this discovery is not yet known, it rests below the Sulphurets Thrust Fault, as do the other major deposits at KSM, and it bears evidence of a powerful mineralizing system with mineralogy closely resembling the other higher-grade core zones found on the KSM property.

In 2017, we will drill additional holes at Iron Cap designed to (i) fill in and expand the down-dip extension found in hole IC-16-62, and (ii) obtain additional pierce points into the exciting new discovery made at the top of IC-16-62 to determine whether it could be KSM's fifth major deposit. We expect to add new resources at grades above our reserve grade which, at the same time, should offset the 2 million share equity financing announced in March 2017 to fund our ongoing programs.

KSM is already the world's largest undeveloped gold project measured by reserves. But we believe its full potential is still to be determined.

\* Graphic adjusted from Flores 2004, "Geotechnical Challenges of Chuquicamata"



IC-16-62, the latest hole drilled in the 2016 program, opens up potential for further higher-grade reserve additions.



## SOCIAL RESPONSIBILITY

# Investing in Tomorrow's Leaders

Seabridge has proven itself to be a pioneer in the development of social licence for mining projects. Many of our initiatives have arisen from listening to and learning about the communities in which we live and operate.

Before we submitted our first KSM Project description to begin the permit approval process in 2008, we met with Treaty and First Nations and local communities to discover what they wanted from the development of their natural resources. We listened. As we moved into project design, we focused on how our neighbours could benefit from our efforts and how we could assure them that their environment and their needs as a community were being considered and respected. Once the KSM Project enters the construction/operation phase, it will generate enormous support for the economic and social development of the wider community.

Many of our social licence initiatives are organizational in nature, involving agreements with governments, Treaty and First Nations, local businesses and institutions. But we believe that the catalyst for positive social development often depends on the cultivation and support of individuals who have the capacity to become leaders in their communities. We have, therefore, made education of local young people a focus of our social licence programming.

In 2012, Seabridge contributed \$100,000 to the Aboriginal Mine Training Program in support of its High School Equivalency Program. We made similar contributions in 2013, 2014 and 2015

to the Northwest Community College Mobile Trade Training Centre to enable the purchase and operation of a mobile training centre serving local communities throughout northwest B.C.

## Education is a catalyst for positive social development

In 2016, Seabridge changed its focus from program support to promoting long-term investment by funding individual students in their selected field of study. Last year, we awarded bursaries totalling \$57,000 to 38 students from nine communities in northwest B.C. Eighteen of those students were members of local First or Treaty Nations. Bursaries were awarded for a wide-array of academic and non-academic studies ranging from environmental science and civil engineering to nursing, welding and cooking.

Virginia Russell and Nathan Skubovius are two inspiring examples of Seabridge's success with its bursary program and the wide ranging impact that support of young adults can have on their communities. Ms. Russell is a former resident of Terrace, B.C., now living in Prince George, B.C. In addition to her local volunteer work, Ms. Russell is pursuing a PhD in health sciences with a focus on the role of health policy and planning in early interventions for women living with HIV and best practices for screening and preventing cervical cancer. She plans to stay in northwest B.C. upon completion of her schooling to use her education for the

“It is a pivotal time in global cervical cancer prevention, particularly for young women in South Africa. I would like to sincerely thank Seabridge Gold for their generous sponsorship. Without investments from private sponsors, my work would not be possible”

*Virginia Russell (centre), student and bursary recipient →*



“Education enables students to take control of their lives and to travel the land with intention.”

*←Nathan Skubovius, student and bursary recipient*

benefit of the local community, particularly marginalized women. Seabridge helped Ms. Russell to attend a three-week Field School in Durban, South Africa, to learn about HIV programs and best practices in HIV and integrated care.

Nathan Skubovius is a member of the Tahltan Nation, currently residing in Smithers, B.C. His maturity and leadership skills have played an important role in the development of a Tahltan Youth Council, which teaches young Tahltan the value of education. Mr. Skubovius is a mining engineering student at the University of British Columbia, where he received the Sandy Laird Service Award in mining engineering in 2015. Upon graduation,

Mr. Skubovius intends to seek employment with an innovative company that values his experience with First Nations and that respects and supports responsible development of the land. He also intends to continue serving the needs of Tahltan youth. Seabridge provided funding to support Mr. Skubovius's attendance at the UBC Mining Engineering Program.

In 2017, Seabridge has committed \$100,000 in funding to its 2017 bursary program.

# 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)	Molybdenum (ppm)	Gold (million ounces)	Copper (million pounds)	Silver (million ounces)	Molybdenum (million pounds)
KSM	Mitchell	Proven	460	0.68	0.17	3.1	59.2	10.1	1,767	45	60
		Probable	934	0.58	0.16	3.1	50.2	17.4	3,325	95	104
	Iron Cap	Probable	224	0.49	0.20	3.6	13.0	3.5	983	26	6
	Sulphurets	Probable	304	0.59	0.22	0.8	51.6	5.8	1,495	8	35
	Kerr	Probable	276	0.22	0.43	1.0	3.4	2.0	2,586	9	2
KSM Totals		Proven	460	0.68	0.17	3.1	59.2	10.1	1,767	45	60
		Probable	1,738	0.51	0.22	2.5	38.2	28.7	8,388	138	147
		Total	2,198	0.55	0.21	2.6	42.6	38.8	10,155	183	207
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								45.3	10,155	183	207

## MINERAL RESOURCES (includes Mineral Reserves as stated above)

Project	Cut-off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM: Mitchell	C\$9/16 NSR	750,100	0.63	15,127	0.17	2,844	3.2	77,399	58	96
Bronson Slope	C\$9 NSR	84,150	0.42	1,140	0.15	280	2.2	6,010	n/a	n/a
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
<b>Total Measured Resources</b>			<b>17,866</b>		<b>3,124</b>		<b>83,409</b>		<b>96</b>	

\*As of December 31, 2016, the Red Mountain and Quartz Mountain projects were subject to option 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. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

### INDICATED RESOURCES

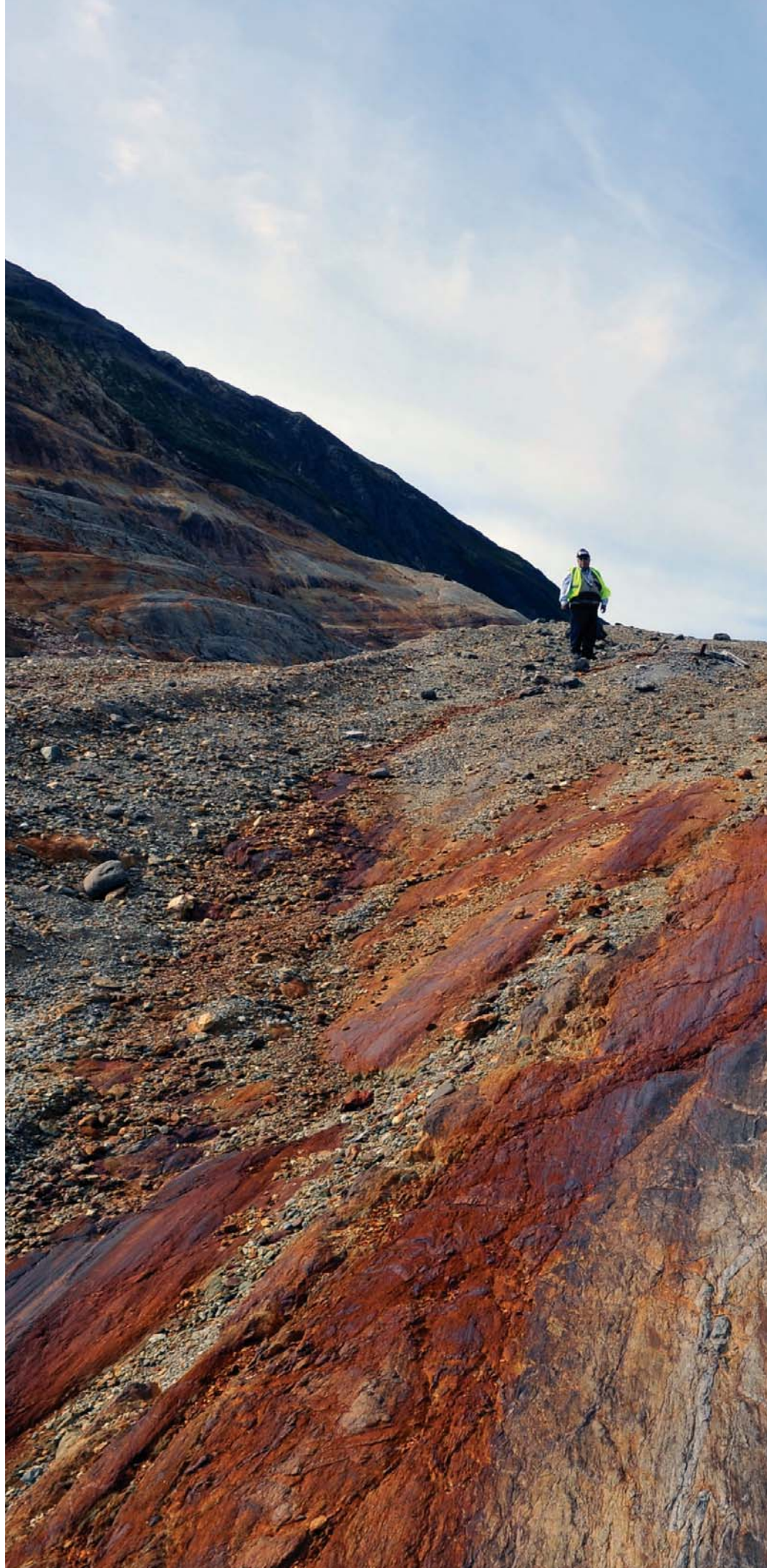
Project	Cut-off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:	C\$9									
Mitchell	NSR	1,044,600	0.57	19,183	0.16	3,794	3.0	101,654	58	134
Sulphurets	pits	381,600	0.58	7,116	0.21	1,766	0.8	9,815	48	40
Kerr	C\$16	378,400	0.22	2,692	0.41	3,445	1.1	13,909	5	4
Iron Cap	NSR	346,800	0.51	5,686	0.23	1,758	4.5	50,174	14	11
KSM Total	UG	2,151,400	0.50	34,677	0.23	10,763	2.5	175,552	40	189
Bronson Slope	C\$9 NSR	102,740	0.31	1,020	0.10	222	2.2	7,160	n/a	n/a
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
<b>Total Indicated Resources</b>			<b>44,388</b>		<b>10,985</b>		<b>182,712</b>		<b>189</b>	

### MEASURED PLUS INDICATED RESOURCES

Project	Cut-off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:	C\$9									
Mitchell	NSR	1,794,700	0.60	34,310	0.16	6,638	3.1	179,053	58	230
Sulphurets	pits	381,600	0.58	7,116	0.21	1,766	0.8	9,815	48	40
Kerr	C\$16	378,400	0.22	2,692	0.41	3,445	1.1	13,909	5	4
Iron Cap	NSR	346,800	0.51	5,686	0.23	1,758	4.5	50,174	14	11
KSM Total	UG	2,901,500	0.54	49,804	0.21	13,607	2.7	252,951	44	285
Bronson Slope	C\$9 NSR	186,890	0.36	2,160	0.12	503	2.2	13,170	n/a	n/a
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
<b>Total Measured plus Indicated Resources</b>			<b>62,254</b>		<b>14,110</b>		<b>266,121</b>		<b>285</b>	

### INFERRED RESOURCES

Project	Cut-off Grade (g/T)	Tonnes (000)	Gold		Copper		Silver		Molybdenum	
			Grade (g/T)	Ounces (000)	Grade (%)	Pounds (millions)	Grade (g/T)	Ounces (000)	Grade (ppm)	Pounds (millions)
KSM:	C\$9									
Mitchell	NSR	478,400	0.38	6,414	0.10	1,232	3.0	48,723	55	55
Sulphurets	pits	182,300	0.46	2,696	0.14	563	1.3	7,619	28	11
Kerr	C\$16	2,001,500	0.31	19,746	0.41	17,672	2.1	133,689	23	103
Iron Cap	NSR	369,300	0.42	4,987	0.22	1,791	2.2	26,121	21	17
KSM Total	UG	3,031,500	0.35	33,843	0.31	21,258	2.2	216,152	30	186
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
<b>Total Inferred Resources</b>			<b>39,141</b>		<b>21,258</b>		<b>216,152</b>		<b>186</b>	



# Management's Discussion and Analysis

For the year ended December 31, 2016

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, 2016 and 2015. This report is dated March 29, 2017 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015, the Company's Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com), and the Annual Report on Form 40-F filed on EDGAR at [www.sec.gov/edgar.shtml](http://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](http://www.seabridgegold.net). As the Company has no operating projects 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 consolidated financial statements for the year ended December 31, 2016, and the comparative year ended December 31, 2015, 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, and in the current fiscal year, the Company acquired 100% of the common shares of SnipGold Corp. ("SnipGold") and its 100% owned Iskut Project in British Columbia. Seabridge's common shares trade in Canada on the Toronto Stock Exchange under the symbol "SEA" and in the United States on the New York Stock Exchange under the symbol "SA".

## SELECTED ANNUAL INFORMATION

### Summary Operating Results

(\$000s – except per share amounts)	2016	2015	2014
Corporate and administrative costs	(9,679)	(9,410)	(14,091)
Other income – flow-through shares	4,321	2,907	7,489
Gain on investments	866	266	–
Gain on disposition of mineral properties	–	1,000	2,489
Impairment of mineral interests	–	(350)	(2,437)
Impairment of investments	–	(891)	(1,236)
Income taxes	(2,974)	(2,700)	(5,899)
Other	177	112	662
Net loss	(7,289)	(9,066)	(13,023)
Basic loss per share	(0.14)	(0.18)	(0.27)
Diluted loss per share	(0.14)	(0.18)	(0.27)

### Summary Statements of Financial Position

(\$000s)	2016	2015	2014
Current assets	13,064	20,134	16,282
Non-current assets	324,921	280,393	262,074
Total assets	337,985	300,527	278,356
Current liabilities	5,721	2,373	4,743
Non-current liabilities	20,906	16,170	13,779
Equity	311,358	281,984	259,834
Total liabilities and equity	337,985	300,527	278,356

## RESULTS OF OPERATIONS, 2016 COMPARED TO 2015

The Company incurred a \$7.3 million net loss for the year ended December 31, 2016 or \$0.14 per share compared to a net loss of \$9.1 million or \$0.18 per share, in 2015.

Corporate and administrative expenses, including stock-based compensation, were the most significant items contributing to losses in both fiscal 2016 and the comparative 2015 years. In the previous year, impairments of investments and mineral interests contributed to losses in that year, but no comparable impairments were recognized in the current year. Offsetting expenses in both years were gains recorded on the Company's investments and the recognition of other income relating to flow-through share premiums. These items are discussed further below.

In 2016, corporate and administrative expenses increased marginally from \$9.4 million in 2015 to \$9.7 million in the current year, representing a 3% increase. Cash compensation decreased

by 3% from \$3.5 million in 2015 to \$3.3 million in 2016, reflecting a net of increases in annual salaries and an offsetting decrease in bonus compensation. Stock-based compensation increased less than 1%; however the 2016 expense of \$3.7 million was largely a result of stock options (\$2.7 million) and the remainder related to restricted share units ("RSUs"). In 2015, the expense related to an even split of \$1.8 million each of stock option and RSU costs. Corporate, non-project related staffing levels remained consistent between the fiscal years, as did the level of stock option and RSU compensation awarded to management. Cash compensation is not expected to vary significantly from current levels as no new additions to staffing levels are anticipated. Stock-based compensation however, is expected to increase in 2017 as the remaining fair value of stock options granted late in 2016 is amortized over the remaining vesting period.

The Company's stock-based compensation expenses related to stock options and RSUs are illustrated on the following tables:

### Options Granted

(\$000s except number of options and exercise prices)	Number of options	Exercise price (\$)	Grant date fair value	Expensed prior to 2015	Expensed in 2015	Expensed in 2016	Remaining balance to be expensed
March 3, 2013	705,000	12.60	2,577	2,561	16	–	–
June 5, 2013	100,000	12.91	724	618	106	–	–
April 27, 2015	475,000	9.00	1,414	–	895	519	–
December 21, 2015	365,000	11.13	1,959	–	803	953	203
March 24, 2016	100,000	13.52	684	–	–	493	191
May 13, 2016	50,000	17.16	499	–	–	499	–
August 11, 2016	50,000	17.14	438	–	–	114	324
December 19, 2016	890,833	10.45	4,860	–	–	149	4,711
					1,820	2,727	5,429

### RSUs Granted

(\$000s except number of RSUs)	Number of RSUs	Grant date fair value	Expensed prior to 2015	Cancelled in 2015	Expensed in 2015	Expensed in 2016	Remaining balance to be expensed
December 19, 2013	235,000	2,267	2,167	(24)	124	–	–
December 9, 2014	272,500	2,624	1,099	–	1,184	341	–
December 31, 2015	94,000	1,046	–	–	542	504	–
December 19, 2016	125,500	1,311	–	–	–	98	1,213
			3,266	(24)	1,850	943	1,213

Other corporate and administrative costs increased marginally over the comparative year as the Company continued to source a joint venture partner for KSM. Professional fees paid to advisors increased marginally (4%) and general and administrative costs increased 23%, from \$1.4 million to \$1.7 million as the Company absorbed the acquisition of SnipGold into its operations. It is anticipated that corporate and administrative expenses overall are to remain comparable to 2016 levels.

The Company recognized \$4.3 million of other income in 2016 (2015 – \$2.9 million) related to the recovery of flow-through share premiums recorded on financings completed in April 2015 and May 2016. In April 2015, the Company issued 1,610,000 flow-through common shares and in May 2016, the Company issued 500,000 flow-through shares, both at premium prices to the market value of the Company's shares at the time of issuance. Based on qualifying expenditures made in 2016, \$1 million of the remaining premium as at December 31, 2015, for the April 2015 financing and the full \$3.3 million premium related to the May 2016 financing was recorded as income. In the comparative year, similar recoveries were recorded for a flow-through financing completed in 2014 and the April 2015 financing.

In the current year, the Company recognized a \$0.9 million (2015 – \$0.3 million) net gain on investments it holds. The gain is derived from the recognition of a gain on the disposition of one investment of \$0.3 million (2015 – \$28,000) and the \$0.6 million net gain recorded on an investment in an associate, accounted for on the equity basis.

In 2015, the Company recorded the receipt of \$1 million as a payment on an option IDM Mining ("IDM") has on the Company's Red Mountain Project. As all historical acquisition and exploration costs for the project had been fully recovered through previous option payments and other recoveries, the receipt was recorded as a gain on the disposition of mineral interests in that year. No comparable payments were received in 2016. During 2016, IDM notified the Company of its intent to fully exercise the option on the Red Mountain Project and upon the execution and closing of the option exercise expected early in 2017, the mineral interests will be fully transferred to IDM.

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 2015, the Company determined that the recoverability of some of its available-for-sale investments

was impaired and recorded a \$0.9 million charge in net loss. No impairments related to investments were recorded in 2016.

Also in 2015 the Company was notified that the remaining option on one of its projects in Nevada would be foregone. The Company determined that the recoverability of the carrying costs, at that time, was impaired and recorded an impairment loss equal to the remaining carrying cost of \$0.4 million. No impairments to mineral interests were recognized in 2016.

In 2016, the Company recognized income tax expense of \$3.0 million (2015 – \$2.7 million) primarily related to a deferred tax expense arising due to the renouncement of expenditures related to 2015 and 2016 flow-through shares, which are capitalized for accounting purposes, offset partially by a deferred tax recovery arising from the loss in the current year.

## RESULTS OF OPERATIONS 2015 COMPARED TO 2014

The net loss for the year ended December 31, 2015 was \$9.1 million or \$0.18 per share compared to a net loss of \$13 million or \$0.27 per share for 2014.

In both 2015 and 2014, the most significant expenses contributing to net loss were corporate and administrative costs, and in particular, stock-based compensation. Impairment of investments and mineral properties and income taxes also contributed to the loss but to a lesser degree in 2015 than in 2014. Offsetting some of these expenses were the recognition of gains on the disposition of mineral properties and other income relating to the amortization of flow-through share premiums, obtained in financings completed in 2014 and the current year. These items are discussed further below.

In 2015, corporate and administrative expenses decreased significantly from \$14.1 million in 2014 to \$9.4 million in 2015, representing a 33% decline. The majority of the decline resulted from a \$6.0 million (62%) decrease in non-cash stock-based compensation. The fair value of stock options, granted in 2014, and RSUs, granted at the end of 2013 and in 2014, were amortized over a shorter service period and the majority of those costs were recognized in 2014, prior to the start of 2015, resulting in a higher expense in 2014. Cash compensation, however, increased from \$2.5 million, in 2014 to \$3.5 million or 40% in 2015, reflecting the award of bonuses to management and the impact of a strengthened U.S. versus Canadian dollar on U.S. denominated salaries. Other corporate and administrative costs increased marginally in 2015 over 2014 as the Company continued to source a joint venture partner for KSM.

## QUARTERLY INFORMATION

Selected financial information for the last eight quarters ending December 31, 2016 is as follows:

(Unaudited)

### Quarterly Operating Results

(\$000s)	4 <sup>th</sup> Quarter ended December 31, 2016	3 <sup>rd</sup> Quarter ended September 30, 2016	2 <sup>nd</sup> Quarter ended June 30, 2016	1 <sup>st</sup> Quarter ended March 31, 2016
Revenue	–	–	–	–
Loss for period	(2,598)	(300)	(1,917)	(2,474)
Basic loss per share	(0.04)	(0.01)	(0.04)	(0.05)
Diluted loss per share	(0.04)	(0.01)	(0.04)	(0.05)

(\$000s)	4 <sup>th</sup> Quarter ended December 31, 2015	3 <sup>rd</sup> Quarter ended September 30, 2015	2 <sup>nd</sup> Quarter ended June 30, 2015	1 <sup>st</sup> Quarter ended March 31, 2015
Revenue	–	–	–	–
Loss for period	(2,373)	(2,629)	(1,590)	(2,474)
Basic loss per share	(0.05)	(0.05)	(0.03)	(0.05)
Diluted loss per share	(0.05)	(0.05)	(0.03)	(0.05)

In all four quarters of 2016, corporate and administrative expenses remained comparable. In the third quarter of 2016, the Company recorded \$2.7 million of other income related to flow-through shares versus approximately \$1.6 million in the first two quarters and nil in the fourth quarter. In addition the Company recognized \$0.8 million of gains on investments. These two factors resulted in the reduction in loss for the period and basic and diluted loss per share.

Significant activities in 2016 included the acquisition of SnipGold, evaluating the results of the 2015 exploration and drill program at KSM, planning and completing the 2016 exploration and drilling programs at KSM and Iskut projects, finalizing the NI 43-101 technical report for KSM, including the results from an updated Preliminary Feasibility Study (the "2016 PFS") and a new Preliminary Economic Assessment (the "PEA") and supporting an independent geotechnical review board ("IGRB") to review and consider the project's tailings management facility and water storage dam.

### MINERAL INTEREST ACTIVITIES

During 2016, the Company added an aggregate of \$44.1 million to mineral interests. Expenditures associated with the Company's two main exploration projects, KSM and Courageous Lake, collectively amounted to \$24.3 million, with the acquisition of SnipGold and exploration costs at the Iskut Project, \$16.4 million and \$3.4 million respectively, making up the difference.

At the KSM Project, the Company incurred \$20.1 million of costs in 2016, excluding the capitalization of a \$3.6 million tax re-assessment accrued and further described below. Spending related to executing the 2016 exploration and drilling programs. The program confirmed continuity of mineralization in Deep Kerr over considerable distances south of the existing resource and subsequent to the year-end, the Company announced an updated mineral resource estimate for Deep Kerr that represented an increase of 3.0 million ounces of gold and 2.1 billion pounds of copper over the previous estimate. The new inferred resource totals 1.92 billion tonnes grading 0.41% copper and 0.31 g/T gold (containing 19.0 million ounces of gold and 17.3 billion pounds of copper) constrained by conceptual block cave shapes. The drill program also found the down plunge extension of Iron Cap's higher-grade core while also discovering a previously unknown deposit with initial gold and copper grades among the best found to date at KSM. It is thought that the new discovery could represent a core zone which could potentially have a positive impact on the project. The discovery is currently being evaluated and additional drill testing is planned in 2017.

In addition to the exploration program, the Company filed an NI 43-101 technical report for KSM, which includes the results from the 2016 PFS and the PEA.

The 2016 PFS incorporates KSM's measured and indicated mineral resources into mine plans generating proven

and probable mineral reserves of 2.2 billion tonnes grading 0.55 g/T gold, 0.21% copper and 2.6 g/T silver (38.8 million ounces of gold, 10.2 billion pounds of copper and 183 million ounces of silver). The 2016 PFS does not include the higher-grade resources delineated at Deep Kerr and the Iron Cap Lower Zone as they are in the inferred mineral resources category, which cannot be considered as mineral reserves required for inclusion in a PFS.

The project design in the PEA includes the higher-grade resources, from Deep Kerr and the Iron Cap Lower Zone, enabling the mining method to shift from predominantly open pit in the PFS to primarily low-cost block cave mining. This design significantly reduces the number and size of the open pits and the project's environmental impact. By including Deep Kerr, annual average maximum throughput of 130,000 tonnes per day envisioned in the 2016 PFS has been increased to 170,000 tonnes per day in the PEA without significant redesign of facilities. The net result is a substantial improvement in estimated economic returns. The inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and therefore, there is no certainty that the results of the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The PEA does not override the 2016 PFS but instead represents an alternative viable option for developing the KSM Project. The PEA demonstrates the potential for significant project improvements over the 2016 PFS and demonstrates the potential value of the exploration discoveries the Company has made at Deep Kerr and Lower Iron Cap over the last several years.

In 2014 and 2015, the Company received \$8.5 million related to the application for refund under the British Columbia Mineral Exploration Tax Credit program, for spending in 2010 and 2011. In 2016 the Company was informed that, upon completion of an audit of the expenditures related to the application by tax authorities, a portion has been categorized as not applicable to the recovery program and a \$3.6 million re-assessment has been delivered to the Company. Subsequent to the year-end, the Company filed an objection to the categorization of these costs and paid \$1.8 million, required by tax authorities while the objection is being reviewed. It is anticipated that the objection will be reviewed at the end of 2017 or early 2018. The Company has recorded the full re-assessment within accounts payable and accrued liabilities on the statement of financial position as at December 31, 2016, with a corresponding charge to mineral properties.

In 2016, the Company incurred \$0.6 million of costs at Courageous Lake (2015 – \$0.6 million) completing analysis over drill target

identification and costs to maintain the project in good standing. Limited resources have been allocated to the project in recent years as the Company focused on advancing KSM and, in 2016, completing the exploration program at Iskut (discussed below).

On June 21, 2016, the Company acquired 100% of the common shares of SnipGold and its 100% owned Iskut Project. The purchase price and associated costs of the SnipGold acquisition amounted to \$14.8 million with \$13.1 million ascribed to the fair value of the Company's common shares and other convertible securities issued and \$1.7 million of expenditures. The total cost of the acquisition of \$14.8 million was allocated to the relative fair values of the assets acquired and liabilities assumed according to the following table:

#### Assets Acquired and Liabilities Assumed

(\$000s)	
Current assets	566
Mineral interests	16,441
Current liabilities	(8)
Provision for reclamation liabilities	(2,224)
	<b>14,775</b>

#### Consideration Paid

(\$000s)	
Share issuance	12,452
Options and warrants	619
Acquisition costs	1,704
	<b>14,775</b>

The Iskut Project is a contiguous block of ground in excess of 286 square kilometres within northwestern British Columbia. A preliminary economic assessment, on a portion of the Iskut Project, was completed by SnipGold in 2010 and outlined a measured and indicated resource of 186 million tonnes of ore with 2.16 million ounces of contained gold and 500 million pounds of copper, among other elements. From an exploration standpoint, the Iskut Project contains two main target types: a high-grade precious metal mineralization, with drill-ready targets; and bulk tonnage gold-copper porphyries with resource expansion potential. In 2016, after the acquisition, the Company executed a multi-pronged exploration program at Iskut spending approximately \$3.4 million on the project. The program resulted in the Company reporting that it had identified a prospective new porphyry copper-gold system with a potentially intact epithermal precious metals zone at its top. The results will be further analyzed and additional drilling and exploration are planned for 2017.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital position at December 31, 2016, was \$7.3 million, down from \$17.8 million at December 31, 2015. Cash and short-term deposits at December 31, 2016 totaled \$7.8 million versus \$15.5 million at December 31, 2015. Cash resources have fluctuated since the 2015 year-end as the Company completed two financings in the current year and conducted its exploration and evaluation programs at KSM and Iskut. The Company acknowledges that additional capital is required in 2017 to maintain title to its assets, undertake its proposed exploration and development programs and cover general and administrative expenses. Accordingly, the Company is in the process of arranging additional funding to be raised from equity financings and the sale of non-core assets.

In April 2016, the Company closed a public offering of 500,000 common shares at a price of \$17.40 per common share raising gross proceeds of \$8.7 million. In May 2016, the Company completed a financing whereby a syndicate of underwriters purchased 500,000 flow-through common shares at a price of \$24.08 per flow-through common share for gross proceeds of \$12 million. The exercise of 303,644 stock options in the year raised an additional \$3.2 million.

During 2016, operating activities, including working capital adjustments, used \$5.2 million compared to \$7.4 million used by operating activities in 2015. Operating activities in the near-term are not expected to deviate significantly from current levels. Cash expenditures on mineral interest activity amounted to \$24.1 million and are up from the \$18.6 million spent in 2015.

The Company has the following commitments:

### Contractual Obligations

(\$000s)	Total	PAYMENTS DUE BY YEARS			
		2017	2018-19	2020-21	2022-23
Mineral interests	4,183	636	1,079	992	1,476
Business premises operating lease	859	139	288	288	144
	5,042	775	1,367	1,280	1,620

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 AND SUBSEQUENT EVENT

The Company announced subsequent to the year-end that it has entered into a letter of intent setting forth the terms under which it has agreed to purchase a private company owned by Paulson Gold Holdings, LP ("Paulson") that holds a 100% interest in the Snowstorm Project. The Snowstorm Project consists of 31 square

It is anticipated that mineral interest spending will approximate the current year's spending but this is contingent on adequate cash resources being sourced.

The Company will continue its objective of advancing its major gold projects, KSM and Courageous Lake, and to further explore its new Iskut Project, to either sell or enter into joint venture arrangements with major mining companies. The Company also continues to dispose of certain non-core mineral interest assets in Canada and the USA as well as various investments deemed no longer strategic to the Company.

In the previous year, the Company issued 1,610,000 flow-through common shares, at \$10.17 per share, raising gross proceeds of \$16.4 million. The purchase price represented a 22% premium over the market price of the Company's shares on that date. Share issuance costs of \$1.0 million were incurred in relation to the offering. The Company had 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. As at December 31, 2015, the Company had a remaining commitment to spend \$5.5 million, on qualifying expenditures, that was fulfilled in 2016. Also in 2015, the Company issued 1,800,000 common shares of the Company, through a non-brokered private placement, at a price of \$8.10 per share raising gross proceeds of \$14.6 million.

The Company will continue to advance its major gold projects, in order to either sell them or joint venture them towards production with major mining companies.

miles of land comprised of 700 mining claims and 5,800 acres of fee lands strategically located at the projected intersection of three of the most important gold trends in Northern Nevada: the Carlin Trend, the Getchell Trend and the Northern Nevada Rift Zone. The transaction currently contemplates that the Company will pay (i) 700,000 common shares; (ii) 500,000 common share

purchase warrants exercisable for four years at \$15.65 per share; (iii) a conditional cash payment of US\$2.5 million if exploration activities at Snowstorm result in defining a minimum of five million ounces of gold resources compliant with National Instrument 43-101; and (iv) a further cash payment of US\$5.0 million on the delineation of an additional five million ounces of gold resources. The letter of intent is non-binding and closing of the transaction is subject to completion of further review of the private company and receipt of stock exchange approvals. Should the transaction be completed, preliminary exploration work will be conducted on the project.

Also subsequent to the year-end, the Company disposed of its leasehold interest in the Castle Black Rock Project and received 1,500,000 common shares of Columbus Gold Corp. with a fair value of \$1.4 million.

In 2017 the Company is planning to conduct additional exploration work at its existing projects, KSM and Iskut.

At KSM exploration will concentrate on advancing the Iron Cap deposit. Drilling in 2016 confirmed the potential to extend the Lower Iron Cap deposit down plunge and encountered a new blind target with high-grade gold and copper. The exploration concept for 2017 is to fill-out the down plunge extension of Lower Iron Cap and define the blind discovery.

At Iskut, plans are to evaluate a target identified in the current year that may be indicative of an intermediate to high sulphidation epithermal occurrence associated with a copper- gold porphyry intrusion and continue to refine targets throughout the project.

Limited work is planned for Courageous Lake as the Company focuses on KSM, Iskut and prospectively Snowstorm projects. The Company is planning to deploy a ground geophysical survey over a limited area of 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 designing adequate internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Management evaluated the effectiveness of the Company's internal controls over financial reporting as of December 31, 2016 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway

Commission (COSO). Based on that evaluation of the internal controls at December 31, 2016, management has concluded that the Company's internal controls and procedures are appropriately designed and operating effectively. The registered public accounting firm that audited the Company's consolidated financial statements has issued its attestation report on management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2016.

### CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company's internal controls over financial reporting that occurred during the period beginning on October 1, 2016 and ending on December 31, 2016 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 ensure that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated to 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 of the disclosure controls and procedures as of December 31, 2016, that they are appropriately designed and effective.

### 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.

### SHARES ISSUED AND OUTSTANDING

At March 29, 2017, the issued and outstanding common shares of the Company totaled 54,460,531. In addition, there were 3,625,611 stock options, 62,750 RSUs and 1,587 warrants outstanding. Assuming the conversion of all of these instruments outstanding, there would be 58,150,479 common shares issued and outstanding.

## RELATED PARTY TRANSACTIONS

The following is a listing of compensation to key management personnel of the Company:

(\$000s)	2016	2015
<b>Compensation of directors:</b>		
Directors' fees	369	363
Services	71	113
Stock-based compensation	693	283
	<b>1,133</b>	<b>759</b>
<b>Compensation of key management personnel:</b>		
Salaries and consulting fees	3,398	3,409
Stock-based compensation	2,838	2,503
	<b>6,236</b>	<b>5,912</b>
Total remuneration of key management personnel	<b>7,369</b>	<b>6,671</b>

## 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, 2017, that have not been applied in preparing the December 31, 2016 consolidated 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. The Company plans to apply IFRS 9 on the effective date. The Company does not expect any reclassification and measurement of financial instruments will have a material impact on the financial statements upon adoption and the Company expects the revised approach to hedge accounting to have no effect on the financial statements.

IFRS 15, Revenue from contracts with customers ("IFRS 15") will replace IAS 18 Revenue, IAS 11 Construction contracts, and some revenue-related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. 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. Given the Company is in the exploration stage, and has no source of revenue, the Company does not expect the standard will have a material impact on the financial statements upon adoption.

IFRS 16, Leases ("IFRS 16") will replace IAS 17 Leases. The new standard requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company plans to apply IFRS 16 on the effective date. The Company does not expect the standard will have a material impact on the financial statements. The Company will evaluate the impact of the changes to its financial statements based on the characteristics of any leases in place before and at the time of adoption.

IFRS 2, Share-based payments amendments ("Amendments to IFRS 2"). The Amendments to IFRS 2 clarify the classification and measurement of share-based payments for cash-settled share-based payment transactions or for share-based payment transactions with net settlement features for withholding tax obligations or for any modifications to the terms and conditions of a share-based payment transaction that changes its classification from cash-settled to equity-settled. The effective date of the amendments is January 1, 2018 and the Company intends to adopt the amendments on the effective date. The Company does not expect the amendments to have a material impact on the financial statements based on current stock-based payment practices but will continue to evaluate the amendments based on any changes to settlement practices.

## 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, 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 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 the Company's estimated deferred tax liabilities. The Company has 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](http://www.sedar.com), and the Annual Report on Form 40-F filed on EDGAR at [www.sec.gov/edgar.html](http://www.sec.gov/edgar.html).

## 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 a policy 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 & CEO*  
March 29, 2017



**Christopher J. Reynolds**  
*Vice President, Finance and Chief Financial Officer*  
March 29, 2017

# Independent Auditors' Report of Registered Public Accounting Firm

To the Shareholders and 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, 2016 and December 31, 2015, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, 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.

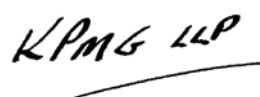
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2016 and December 31, 2015, 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, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 29, 2017 expressed an unmodified (unqualified) opinion on the effectiveness of Seabridge Gold Inc.'s internal control over financial reporting.



**Chartered Professional Accountants,  
Licenced Public Accountants**

March 29, 2017  
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, 2016, based on criteria established in Internal Control – Integrated Framework (2013) 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, 2016. 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, 2016, based on criteria established in Internal Control – Integrated Framework (2013) 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, 2016 and December 31, 2015, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2016 and December 31, 2015, and our report dated March 29, 2017 expressed an unmodified (unqualified) opinion on those consolidated financial statements.



**Chartered Professional Accountants,  
Licenced Public Accountants**

March 29, 2017  
Toronto, Canada

# Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes	December 31, 2016	December 31, 2015
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	1,646	990
Short-term deposits	4	6,120	14,540
Amounts receivable and prepaid expenses	5	637	565
Investments	6	4,661	4,039
		<b>13,064</b>	<b>20,134</b>
<b>Non-current assets</b>			
Mineral interests	7, 8, 10	322,930	278,798
Reclamation deposits	9	1,991	1,595
Total non-current assets		<b>324,921</b>	<b>280,393</b>
<b>Total assets</b>		<b>337,985</b>	<b>300,527</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	5,721	1,392
Flow-through share premium	10	–	981
		<b>5,721</b>	<b>2,373</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	14	17,396	14,841
Provision for reclamation liabilities	9	3,510	1,329
Total non-current liabilities		<b>20,906</b>	<b>16,170</b>
<b>Total liabilities</b>		<b>26,627</b>	<b>18,543</b>
<b>Shareholders' equity</b>	10	<b>311,358</b>	<b>281,984</b>
<b>Total liabilities and shareholders' equity</b>		<b>337,985</b>	<b>300,527</b>

Commitments (Note 15)

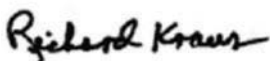
Subsequent events (Notes 7, 8, 10)

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

These financial statements were approved by the Board of Directors and were signed on its behalf:



**Rudi P. Fronk**  
Director



**Richard C. Kraus**  
Director

# Consolidated Statements of Operations and Comprehensive Loss

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

	Notes	December 31, 2016	December 31, 2015
Corporate and administrative expenses	12	(9,679)	(9,410)
Other income – flow-through shares	10	4,321	2,907
Gains on investments	6	866	266
Gain on disposition of mineral interests	7	–	1,000
Impairment of mineral interests	7	–	(350)
Impairment of investments	6	–	(891)
Interest income		149	101
Finance expense and other income		28	11
<b>Loss before income taxes</b>		<b>(4,315)</b>	<b>(6,366)</b>
Income tax expense	14	(2,974)	(2,700)
<b>Loss for the year</b>		<b>(7,289)</b>	<b>(9,066)</b>
<b>Other comprehensive income (loss), net of income taxes:</b>			
Reclassification of previously deferred gains on available-for-sale investments		(278)	–
Unrealized gain on available for sale investments	6	734	97
<b>Total other comprehensive income</b>		<b>456</b>	<b>97</b>
<b>Comprehensive loss for the year</b>		<b>(6,833)</b>	<b>(8,969)</b>
<b>Basic and diluted net loss per Common Share</b>		<b>(0.14)</b>	<b>(0.18)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>		<b>53,328,938</b>	<b>49,825,270</b>

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)

	Number of shares	Share capital	Stock-based compensation	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
As at January 1, 2016	52,139,626	325,624	22,591	22,707	(89,075)	137	281,984
Share issuance	1,000,000	17,400	-	-	-	-	17,400
Share issuance acquisition of SnipGold Corp.	695,277	12,452	-	-	-	-	12,452
Share issuance costs	-	(1,597)	-	-	-	-	(1,597)
Stock-based compensation	-	-	3,670	-	-	-	3,670
Stock options and warrants – acquisition of SnipGold Corp.	-	-	619	-	-	-	619
Exercised options	303,644	4,517	(1,273)	-	-	-	3,244
Expired options	-	-	(9,021)	9,021	-	-	-
Shares – RSUs	183,250	1,835	(1,835)	-	-	-	-
Deferred tax	-	419	-	-	-	-	419
Other comprehensive income	-	-	-	-	-	456	456
Net loss for the year	-	-	-	-	(7,289)	-	(7,289)
<b>As at December 31, 2016</b>	<b>54,321,797</b>	<b>360,650</b>	<b>14,751</b>	<b>31,728</b>	<b>(96,364)</b>	<b>593</b>	<b>311,358</b>
As at January 1, 2015	48,438,876	295,545	29,197	15,061	(80,009)	40	259,834
Share issuance	3,437,500	28,284	-	-	-	-	28,284
Share issuance costs	-	(1,101)	-	-	-	-	(1,101)
Stock-based compensation	-	-	3,647	-	-	-	3,647
Shares – RSUs	263,250	2,607	(2,607)	-	-	-	-
Expired options	-	-	(7,646)	7,646	-	-	-
Deferred tax	-	289	-	-	-	-	289
Other comprehensive income	-	-	-	-	-	97	97
Net loss for the year	-	-	-	-	(9,066)	-	(9,066)
<b>As at December 31, 2015</b>	<b>52,139,626</b>	<b>325,624</b>	<b>22,591</b>	<b>22,707</b>	<b>(89,075)</b>	<b>137</b>	<b>281,984</b>

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

# Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	2016	2015
<b>Operating activities</b>		
Net loss	(7,289)	(9,066)
Items not affecting cash:		
Stock-based compensation	3,670	3,647
Other income – flow-through shares	(4,321)	(2,907)
Income tax expense	2,974	2,700
Gain on investments	(866)	(300)
Impairment of mineral interests	–	350
Gain on disposition of mineral interests	–	(1,000)
Impairment of investments	–	891
Finance expense and other income	(33)	20
Taxes paid	–	(58)
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(3)	408
Accounts payable and accrued liabilities	690	(2,111)
<b>Net cash used in operating activities</b>	<b>(5,178)</b>	<b>(7,426)</b>
<b>Investing activities</b>		
Mineral interests	(24,070)	(18,602)
Acquisition of SnipGold Corp., net of cash acquired	(1,602)	–
Mineral exploration tax credits	–	4,119
Purchase of short-term deposits	(18,000)	(30,000)
Redemption of short-term deposits	26,420	21,497
Disposition of mineral interests	–	1,000
Cash proceeds from sale of investments	700	294
<b>Net cash used in investing activities</b>	<b>(16,552)</b>	<b>(21,692)</b>
<b>Financing activities</b>		
Issue of share capital (net of transaction costs)	22,386	29,852
<b>Net increase in cash and cash equivalents during the year</b>	<b>656</b>	<b>734</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>990</b>	<b>256</b>
<b>Cash and cash equivalents, end of the year</b>	<b>1,646</b>	<b>990</b>

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

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

## 1. REPORTING ENTITY

Seabridge Gold Inc. is comprised of Seabridge Gold Inc. ("Seabridge" or the "Company") and its subsidiaries (Seabridge Gold (NWT) Inc., Seabridge Gold Corp. and SnipGold Corp.) 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 29, 2017.

## 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 available-for-sale financial instruments, 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 and comprehensive loss.

Where a business combination is achieved in stages, previously held equity interests in the acquiree are remeasured at acquisition-date fair value and any resulting gain or loss is recognized in the consolidated statement of operations and comprehensive loss. 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 Company 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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of operations and comprehensive loss.

Monetary assets and liabilities of the Company denominated in a foreign currency are translated into Canadian dollars at the rate

of exchange at the statement of financial position 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 consolidated 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 geotechnical considerations 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 or other similar investments 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 and comprehensive loss. 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 RSUs 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 uses historical data to determine volatility in accordance with appropriate fair value methodology. However, future volatility is uncertain and the model has its limitations.

**(d) Deferred income taxes**

The Company has operations 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 estimated deferred tax liabilities. The Company has deferred tax assets related to non-capital losses and other deductible temporary differences. Deferred tax assets are only recognized to the degree that they shelter 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 and comprehensive loss.

#### **(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 and equipment and, as such, the Company capitalizes all exploration costs, which include licence 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 statement of financial position 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 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 comprehensive loss within the statement of operations and comprehensive loss so as to reduce the carrying amount to its recoverable amount.

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 assets 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; and (iii) the amount can be reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

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 and comprehensive loss 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 RSUs 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 and comprehensive loss.

#### (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 and RSUs 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:

<b>Financial Assets:</b>	<b>Classification:</b>
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
<b>Financial Liabilities:</b>	<b>Classification:</b>
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 and comprehensive loss 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 and comprehensive loss.

**(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;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

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) New Accounting Standards Not Yet Adopted**

New standards and amendments to standards that have been issued and that are relevant to the Company and are not yet effective and have therefore not been applied in preparing these consolidated 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. The Company plans to apply IFRS 9 on the effective date. The Company does not expect any reclassification and measurement of financial instruments will have a material impact on the

financial statements upon adoption and the Company expects the revised approach to hedge accounting to have no effect on the financial statements.

IFRS 15, Revenue from contracts with customers ("IFRS 15") will replace IAS 18 Revenue, IAS 11 Construction contracts, and some revenue-related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. 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. Given the Company is in the exploration stage, and has no foreseeable source of revenue, the Company does not expect the standard will have a material impact on the financial statements upon adoption.

IFRS 16, Leases ("IFRS 16") will replace IAS 17 Leases. The new standard requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company plans to apply IFRS 16 on the effective date. The Company does not expect the standard will have a material impact on the financial statements. The Company will evaluate the impact of the changes to its financial statements based on the characteristics of any leases in place before and at the time of adoption.

IFRS 2, Share-based payments amendments ("Amendments to IFRS 2"). The Amendments to IFRS 2 clarify the classification and measurement of share-based payments for cash-settled

share-based payment transactions or for share-based payment transactions with net settlement features for withholding tax obligations or for any modifications to the terms and conditions of a share-based payment transaction that changes its classification from cash-settled to equity-settled. The effective date of the amendments is January 1, 2018 and the Company intends to adopt the amendments on the effective date. The Company does not expect the amendments to have a material impact on the financial statements based on current stock-based payment practices but will continue to evaluate the amendments based on any changes to settlement practices.

#### 4. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

(\$000s)	December 31, 2016	December 31, 2015
Cash and cash equivalents	1,646	990
Short-term deposits	6,120	14,540
	<b>7,766</b>	<b>15,530</b>

All of the cash and cash equivalents are held in a Canadian Schedule I bank. Short-term deposits consist of Canadian Schedule I bank guaranteed deposits and are cashable in whole or in part with interest at any time to maturity.

#### 5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

(\$000s)	December 31, 2016	December 31, 2015
HST	250	249
Prepaid expenses	387	316
	<b>637</b>	<b>565</b>

#### 6. INVESTMENTS

(\$000s)	January 1, 2016	Dispositions	Gain on disposition	Gain of associates	Impairment	Other comprehensive income	December 31, 2016
Available-for-sale investments	2,731	(700)	278	-	-	456	2,765
Investments in associate	1,308	-	-	588	-	-	1,896
	<b>4,039</b>	<b>(700)</b>	<b>278</b>	<b>588</b>	<b>-</b>	<b>456</b>	<b>4,661</b>

(\$000s)	January 1, 2015	Dispositions	Gain on disposition	Gain of associates	Impairment	Other comprehensive income	December 31, 2015
Available-for-sale investments	3,246	(294)	28	-	(346)	97	2,731
Investments in associate	1,651	-	-	202	(545)	-	1,308
	<b>4,897</b>	<b>(294)</b>	<b>28</b>	<b>202</b>	<b>(891)</b>	<b>97</b>	<b>4,039</b>

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 \$2.8 million (2015 – \$2.7 million) on the consolidated statements of financial position. During 2016 the Company disposed of a portion of its holdings in one of these investments with a carrying value of \$0.5 million and recorded a gain of \$0.3 million on its available-for-sale investments.

During the year ended December 31, 2016, the Company recorded its proportionate share of the net income of an investment in an associate accounted for on the equity basis

of \$0.7 million (2015 – \$0.2 million) within gains on investments on the consolidated statement of operations and comprehensive income. In 2016, the associate was acquired by a third party through a plan of arrangement and from July 7, 2016, the acquirer has been classified as an associate and the Company has continued to account for the investment on the equity basis. The transaction resulted in a net gain of \$0.8 million principally related to the Company's additional interest in the net assets of the associate. At December 31, 2016 the carrying value of the Company's investment in the associate was \$1.9 million (2015 – \$1.3 million) on the statement of financial position.

## 7. MINERAL INTERESTS

Mineral interest expenditures on projects are considered as exploration and evaluation and their related costs consist of the following:

(\$000s)	Balance, January 1, 2016	Expenditures/ acquisitions 2016	Impairment 2016	Balance, December 31, 2016
KSM	209,929	23,733	–	233,662
Courageous Lake	68,098	604	–	68,702
Iskut	–	19,795	–	19,795
Grassy Mountain	771	–	–	771
	278,798	44,132	–	322,930

(\$000s)	Balance, January 1, 2015	Expenditures 2015	Impairment 2015	Balance, December 31, 2015
KSM	191,929	18,000	–	209,929
Courageous Lake	67,471	627	–	68,098
Nevada Projects	350	–	(350)	–
Grassy Mountain	771	–	–	771
	260,521	18,627	(350)	278,798

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 million warrants were exercised in 2007 and proceeds of \$27 million 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 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 was credited to mineral properties in 2014 and in 2015 the Company collected the funds.

In 2014, approval of an environmental assessment application, submitted to provincial and federal regulators in 2013, was obtained.

In 2015, \$18 million of expenditures were incurred on the KSM Project as the Company finalized the analysis of the resource update on Deep Kerr and Iron Cap Lower Zone from the 2014 exploration drilling and executed the 2015 exploration and drilling program.

In 2016, the Company charged \$23.7 million to mineral interests while completing its 2016 exploration program and completing and filing a National Instrument 43-101 Technical Report that included an updated Preliminary Feasibility Study and a new Preliminary Economic Assessment. Included in the total is \$3.6 million in respect of refundable provincial tax credits as described in note 8.

#### **(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 for US\$2.5 million. The Courageous Lake gold project consists of mining leases located in Northwest Territories, 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 \$1,150,000 in payments and will make the final annual payments in 2017. The property may be purchased outright at any time with the accelerated payment of the remaining balance.

In each of 2015 and 2016, the Company incurred \$0.6 million of exploration and other costs completing a limited exploration program while the Company continued its primary focus on exploration programs at KSM in 2015 and KSM and Iskut in 2016.

#### **(c) Iskut**

On June 21, 2016, the Company purchased 100% of the common shares of SnipGold Corp. ("SnipGold") which owned the Iskut Project, located in northwestern British Columbia. On the acquisition date, the Company issued 695,277 common shares, 54,968 stock options and 1,587 warrants with a combined fair value of \$13.1 million. The Company also incurred \$1.7 million of acquisition costs. Based on the relative fair values of the net assets acquired, \$16.4 million was attributed to the Iskut Project. Since the acquisition date, the Company commenced and substantially completed an exploration program at Iskut, spending approximately \$3.4 million on the project. A full description of the allocation of the purchase price of SnipGold is contained in note 10.

#### **(d) Grassy Mountain**

In 2000, the Company acquired an option on a 100% interest in mineral claims located in Malheur County, Oregon, U.S.A. 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. Following the derecognition of the Grassy Mountain net assets in 2013, a value of \$771,000 has been retained within mineral properties.

In July 2016, Calico was acquired by Paramount Gold Nevada Corp. ("Paramount") through a plan of arrangement. In addition to the shares and special warrants received as consideration for the Grassy Mountain Project, after the delivery of a National Instrument 43-101 compliant feasibility study on the project, Paramount 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.

#### (e) 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.

In 2014 and 2015, the Company was notified that the options to purchase three Nevada based projects would be discontinued. 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 fully charged the statement of operations for the capitalized costs at the time of notification. By December 31, 2015, the Company had impaired all the carrying costs of the Nevada projects.

The Company announced subsequent to December 31, 2016, that it has entered into a letter of intent setting forth the terms under which it has agreed to purchase a private company owned by Paulson Gold Holdings, LP ("Paulson") that holds a 100% interest in the Snowstorm Project. The Snowstorm Project consists of 31 square miles of land comprising of 700 mining claims and 5,800 acres of fee lands strategically located at the projected intersection of three of the most important gold trends in Northern Nevada: the Carlin Trend, the Getchell Trend and the Northern Nevada Rift Zone. The transaction currently contemplates that the Company will pay (i) 700,000 common shares; (ii) 500,000 common share purchase warrants exercisable for four years at \$15.65 per share; (iii) a conditional cash payment of US\$2.5 million if exploration activities at the Snowstorm Project result in defining a minimum of five million ounces of gold resources compliant with National Instrument 43-101; and (iv) a further cash payment of US\$5.0 million on the delineation of

an additional five million ounces of gold resources. The letter of intent is non-binding and closing of the transaction is subject to completion of further review of the private company and receipt of stock exchange approvals.

Also subsequent to December 31, 2016, the Company disposed of its leasehold interest in the Castle Black Rock Project and received 1,500,000 common shares of Columbus Gold Corp. at a fair value of \$1.4 million.

#### (f) 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 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 in 2014 and another \$1 million in 2015. 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 had been fully recovered through option payments and other recoveries and as such, the \$1 million received in 2015 and the combined value of the cash and shares of \$2.5 million received in 2014 has been recorded on the statement of operations and comprehensive loss as a gain on the disposition of mineral properties in the respective years.

Upon commencing commercial production IDM must pay the Company an additional \$1.5 million and either an additional \$4 million or sell to the Company up to 50,000 ounces of gold at a pre-determined price.

In 2016, the Company was informed that IDM intends to exercise its option to acquire the Red Mountain Project. Upon completion of the exercise, the Company will derecognize approximately \$1.1 million of accrued reclamation liabilities

and the Company will either release a reclamation deposit of \$1 million into cash or receive \$1 million from IDM upon the transfer of the security in their name. Closing of the option exercise is expected in the first half of 2017.

#### (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 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 an adjacent peripheral property. 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 make staged payments of \$5 million in cash or common shares of Orsa, at the discretion of the Company. 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. 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.

Upon the completion 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.

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(\$000s)	December 31, 2016	December 31, 2015
Trade payables	1,637	1,104
Trade and other payables due to related parties	148	88
Non-trade payables and accrued expenses	3,936	200
	<b>5,721</b>	<b>1,392</b>

In 2014 and 2015, the Company received \$8.5 million related to the application for refund under the British Columbia Mineral Exploration Tax Credit program, for spending in 2010 and 2011. During 2016, upon the completion of an audit of the application by tax authorities, the Company was reassessed \$3.6 million, including accrued interest, for expenditures related to the application that the tax authority has categorized as not applicable to the recovery program. The Company has recorded a \$3.6 million provision within accounts payable and accrued

liabilities on the consolidated statement of financial position as at December 31, 2016, with a corresponding increase to mineral interests. Subsequent to the year-end, the Company filed an objection to the reassessment and paid one-half of the accrued balance.

### 9. PROVISION FOR RECLAMATION LIABILITIES

(\$000s)	December 31, 2016	December 31, 2015
Beginning of the year	1,329	1,349
Acquisition of SnipGold (Note 10)	2,224	–
Accretion	19	18
Current year adjustment	(62)	(38)
End of the period	<b>3,510</b>	<b>1,329</b>

The Company's policy on reclamation liabilities 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 respective government body for each project using current restoration standards and techniques. The estimate of the asset retirement obligations, as at December 31, 2016, was calculated using the total estimated cash flows of \$3.5 million (December 31, 2015 – \$1.5 million) required to settle estimated obligations and expected timing of cash flow payments required to settle the obligations between 2017 and 2025. The discount rate used to calculate the present value of the reclamation obligations was 1.7% at December 31, 2016 (December 31, 2015 – 1.4%). The Company has placed a total of \$2.0 million (December 31, 2015 – \$1.6 million) on deposit with financial institutions that are pledged as security against the reclamation liability.

### 10. SHAREHOLDERS' EQUITY

(\$000s)	December 31, 2016	December 31, 2015
Share capital	360,650	325,624
Stock-based compensation	14,751	22,591
Contributed surplus	31,728	22,707
Deficit	(96,364)	(89,075)
Accumulated other comprehensive income	593	137
	<b>311,358</b>	<b>281,984</b>

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, 2016 and December 31, 2015.

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, 2016. The Company considers its capital to be share capital, stock-based compensation, contributed surplus and deficit.

On April 29, 2016, the Company issued 500,000 common shares at a price of \$17.40 per common share for aggregate gross proceeds of \$8.7 million. Share issuance costs of \$0.8 million were incurred in relation to the offering and have been included in equity.

On May 19, 2016, the Company issued 500,000 flow-through common shares at a price of \$24.08 per flow-through share for aggregate gross proceeds of \$12.0 million. The purchase price represented a 38% premium over the market price of the Company's shares on that date. Share issuance costs of \$0.7 million were incurred in relation to the offering and have been included in equity. The Company 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 will be December 31, 2016. At the time of issuance of the shares, the \$3.3 million premium was recognized as a liability on the statement of financial position with the balance recorded as share capital. At each reporting period, as qualifying expenditures were incurred, the liability was reduced on a proportionate basis and income was recognized on the statement of operations and comprehensive income. In the period May 20, 2016 to December 31, 2016, the entire premium was recognized through other income on the statement of operations and comprehensive income as qualifying expenditures were incurred.

On June 21, 2016, the Company acquired all of the issued and outstanding common shares of SnipGold by way of a statutory plan of arrangement under the Business Corporations Act (British Columbia). Pursuant to the arrangement agreement, holders of SnipGold common shares received 1/63rd of a common share of the Company in exchange for 1 SnipGold common share held. 695,277 common shares of the Company were issued to existing SnipGold shareholders. The Company also issued 54,968 stock options and 1,587 warrants to existing SnipGold holders of similar securities. The fair value of the shares, stock options and warrants was \$13.1 million. The Company also incurred \$1.7 million of acquisition costs. The total purchase price of \$14.8 million has been allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration at the closing date of the acquisition. All financial assets acquired and financial liabilities assumed were recorded at fair value.

#### Assets Acquired and Liabilities Assumed

(\$000s)	
Current assets	566
Mineral interests	16,441
Current liabilities	(8)
Provision for reclamation liabilities	(2,224)
	<u>14,775</u>

#### Consideration Paid

(\$000s)	
Share issuance	12,452
Options and warrants	619
Acquisition costs	1,704
	<u>14,775</u>

On October 30, 2015, the Company issued 1,800,000 common shares of the Company, through a non-brokered private placement, at a price of \$8.10 per share raising gross proceeds of \$14.6 million.

On April 7, 2015, the Company issued 1,610,000 flow-through common shares, at \$10.17 per share, raising gross proceeds of \$16.4 million. The purchase price represented a 22% premium over the market price of the Company's shares on that date. Share issuance costs of \$1.0 million were incurred in relation to the offering and have been included in equity. The Company 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, 2015. The \$2.9 million premium 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 was recognized on the statement of operations and comprehensive income. In the period April 8, 2015 to December 31, 2015, \$2.0 million of the premium was recognized through other income on the statement of operations and comprehensive income for the proportionate amount of qualifying expenditures made relative to the \$16.4 million commitment.

The Company provides compensation to directors and employees in the form of stock options and an 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			RSUs		TOTAL
		Weighted average exercise price (\$)	Amortized value of options (\$000s)		Amortized value of RSUs (\$000s)	Stock-based compensation (\$000s)
<b>Outstanding January 1, 2016</b>	<b>3,585,000</b>	<b>14.15</b>	<b>21,602</b>	<b>183,250</b>	<b>989</b>	<b>22,591</b>
Granted	1,145,801	12.04	1,873	125,500	98	1,971
Exercised option or vested RSU	(303,644)	10.68	(1,273)	(183,250)	(1,835)	(3,108)
Expired	(725,562)	24.41	(9,021)	-	-	(9,021)
Amortized value of stock-based compensation granted in prior years	-	-	1,472	-	846	2,318
<b>Outstanding December 31, 2016</b>	<b>3,701,595</b>	<b>11.76</b>	<b>14,653</b>	<b>125,500</b>	<b>98</b>	<b>14,751</b>
<b>Exercisable at December 31, 2016</b>	<b>2,115,762</b>					

	OPTIONS			RSUs		TOTAL
		Weighted average exercise price (\$)	Amortized value of options (\$000s)		Amortized value of RSUs (\$000s)	Stock-based compensation (\$000s)
<b>Outstanding January 1, 2015</b>	<b>3,240,000</b>	<b>17.62</b>	<b>27,427</b>	<b>355,000</b>	<b>1,770</b>	<b>29,197</b>
Granted	840,000	9.93	1,698	94,000	1,826	3,524
Exercised option or vested RSU	-	9.90	-	(263,250)	(2,583)	(2,583)
Cancelled	-	9.63	-	(2,500)	(24)	(24)
Expired	(495,000)	29.75	(7,646)	-	-	(7,646)
Amortized value of stock-based compensation granted in prior years	-	-	123	-	-	123
<b>Outstanding December 31, 2015</b>	<b>3,585,000</b>	<b>14.15</b>	<b>21,602</b>	<b>183,250</b>	<b>989</b>	<b>22,591</b>
<b>Exercisable at December 31, 2015</b>	<b>2,888,333</b>					

The outstanding share options at December 31, 2016 expire at various dates between March 2017 and February 2021. A summary of options outstanding, their remaining life and exercise prices as at December 31, 2016 is as follows:

OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
Exercise price	Number outstanding	Remaining contractual life	Number exercisable
\$ 21.54	10,000	2 months	10,000
\$ 14.70	100,000	6 months	100,000
\$ 17.32	180,000	8 months	180,000
\$ 17.52	155,000	11 months	155,000
\$ 12.60	655,000	1 year 2 months	655,000
\$ 12.91	100,000	1 year 5 months	100,000
\$ 8.00	50,000	2 years	50,000
\$ 10.36	450,000	2 years 3 months	450,000
\$ 9.72	50,000	2 years 6 months	50,000
\$ 9.00	450,000	3 years 4 months	–
\$ 11.13	365,000	4 years	286,667
\$ 13.52	100,000	4 years 3 months	33,333
\$ 17.16	50,000	4 years 5 months	–
\$ 17.14	50,000	4 years 8 months	–
\$ 10.45	890,833	5 years	–
\$6.30–\$129.15	45,762	3 months to 4 years 6 months	45,762
	<b>3,701,595</b>		<b>2,115,762</b>

In March 2016, 100,000 five-year options, with an exercise price of \$13.52, and in August 2016, 50,000 options, with an exercise price of \$17.14, to purchase common shares of the Company were granted to members of management. The options had a fair value, at the grant date, of \$0.7 million and \$0.4 million respectively and vest over a two-year period.

In May 2016, 50,000 five-year options, with an exercise price of \$17.16, to purchase common shares of the Company were granted to a new director of the Company. The options had a fair value of \$0.5 million and vest upon the Company entering into a major transaction on one of the Company's two core assets or other transformative transaction.

In December 2016, 890,833 five-year options, with an exercise price of \$10.45, to purchase common shares of the Company, with a fair value, at the date of the grant, of \$4.9 million, were granted to members of the Board of Directors and management. The 575,000 options granted to Board members are subject to shareholder approval and vesting of these options is subject to the Company entering into a major transaction on one of the Company's two core assets or other transformative transaction. The remaining 315,833 options were granted to members of management and vest over a three-year period. The fair value of these options is being amortized over the service life of the options.

Also in 2016, in conjunction with the acquisition of SnipGold, 54,968 stock options and 1,587 warrants with a combined fair value, at the date of the grant, of \$0.6 million has been included in the costs of the net assets acquired.

In December 2015, 365,000 five-year options, with an exercise price of \$11.13, to purchase common shares of the Company were granted to members of management. These options had a fair value, at the date of the grant, of \$2 million. Of the total granted, 235,000 options vest over a two-year period. Of the remaining 130,000 options, one half of them vested on December 31, 2015 and the second half will vest upon the Company entering into a major transaction on one of the Company's two core assets.

In April 2015, 475,000 five-year options to purchase common shares of the Company, with a fair value of \$1.4 million, were granted to members of the Board of Directors. These options have an exercise price of \$9.00 and were subject to shareholder approval, which was obtained in June 2015. Vesting of these options is subject to the Company entering into a major transaction on one of the Company's two core assets. The fair value of these options is being amortized over the service life of the options.

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

	2016	2015
Dividend yield	Nil	Nil
Expected volatility	44–73%	51–57%
Risk free rate of return	0.5–0.1.2%	0.7–1%
Expected life of options	2 months–5 years	5 years

In 2016, the Board granted 125,500 RSUs to members of management. The fair value of the grants, of \$1.3 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 three to eleven months from the date of the grant depending on certain corporate objectives being met. In 2016, 183,250 RSUs vested and were exchanged for common shares of the Company. Subsequent to December 31, 2016, 61,250 RSUs, of the 125,500 RSUs outstanding at the time, vested and were exchanged for common shares of the Company. Also subsequent to December 31, 2016, 75,984 options were exercised.

In 2015, the Board granted 94,000 RSUs to members of management. The fair value of the grants, of \$1.0 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 nine months from the date of the grant depending on certain corporate objectives being met. In 2015, 263,250 RSUs vested and were exchanged for common shares of the Company.

For the years ended December 31, 2016 and 2015, basic and diluted net loss per common share are computed by dividing the net loss for the year by the weighted average number of common shares outstanding for the year. The potential effect of stock options, RSUs and warrants has been excluded from the calculation of diluted loss per common share as the effect would be anti-dilutive. At December 31, 2016 there was a total of 3,828,682 stock options, RSUs and warrants outstanding (2015 – 3,768,250).

## 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, 2016 and December 31, 2015 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 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, 2016, the Company had cash and cash equivalents of \$1.6 million and short-term deposits of \$6.1 million (2015 – \$1 million and \$14.5 million, respectively) for settlement of current financial liabilities of \$5.7 million (2015 – \$1.4 million). In addition, as at December 31, 2016, the Company had commitments of \$0.8 million required to be paid in 2017, including \$0.6 million to maintain its mineral property claims in good standing. The Company will seek additional sources of cash, required in 2017 to cover its proposed exploration and development programs at its key projects, in the form of equity financings and from the sale of non-core assets. The short-term deposits consist of Canadian Schedule I bank guaranteed deposits and are cashable in whole or in part with interest at any time to maturity. The Company's financial liabilities primarily 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.

## Market Risk

### (a) Interest rate risk

The Company has no interest-bearing debt. The Company's current policy is to invest excess cash in Canadian bank guaranteed notes (short-term deposits). 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. As at December 31, 2016 the Company had no foreign currency denominated financial instruments.

### (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 \$2.3 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

(\$000s)	2016	2015
Employee compensation	3,344	3,459
Stock-based compensation	3,670	3,647
Professional fees	929	897
General and administrative	1,736	1,407
	9,679	9,410

## 13. RELATED PARTY DISCLOSURES

Compensation to key management personnel of the Company:

(\$000s)	2016	2015
<b>Compensation of directors:</b>		
Directors' fees	369	363
Services	71	113
Stock-based compensation	693	283
	1,133	759
<b>Compensation of key management personnel:</b>		
Salaries and consulting fees	3,398	3,409
Stock-based compensation	2,838	2,503
	6,236	5,912
Total remuneration of key management personnel	7,369	6,671

## 14. INCOME TAXES

(\$000s)	2016	2015
Current tax expense	–	11
Deferred tax expense	2,974	2,689
	2,974	2,700

## Tax Recovery Organized Directly in Equity

(\$000s)	2016	2015
Share issuance costs	420	289

In 2016, the Company recognized income tax expense of \$3.0 million (2015 – \$2.7 million) primarily related to a deferred tax expense arising due to the renouncement of expenditures related to 2015 and 2016 flow-through shares, which are capitalized for accounting purposes, offset by a deferred tax recovery arising from the losses in the current year and 2015.

**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 26.33% (2015 – 26.29%)

(\$000s)	2016	2015
Loss before income taxes	(4,315)	(6,366)
	26.33%	26.29%
Tax recovery calculated using statutory rates	(1,136)	(1,674)
Non-deductible items	(170)	198
Difference in foreign tax rates	47	(37)
Change in deferred tax rates	21	(65)
Movement in tax benefit not recognized	(1,141)	(191)
Branch tax	-	11
Renouncement of flow-through expenditures	5,027	4,027
Prior period adjustment	311	427
Other	15	3
Income tax expense	2,974	2,700

**Deferred Income Tax**

The following table summarizes the components of deferred income tax:

(\$000s)	December 31, 2016	December 31, 2015
<b>Deferred tax assets</b>		
Property and equipment	64	63
Provision for reclamation liabilities	339	349
Financing costs	667	583
Non-capital loss carry forwards	15,051	13,200
<b>Deferred tax liabilities</b>		
Mineral interests	(33,517)	(29,036)
	(17,396)	(14,841)

**Unrecognized Deferred Tax Assets**

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

(\$000s)	December 31, 2016	December 31, 2015
Investments in subsidiaries	5,029	4,422
Marketable securities	624	1,360
Loss carryforwards	2,787	735
Investment tax credits	1,481	1,481
Foreign tax credits	16	16
Mineral properties	(245)	454

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**

	Amount (\$000s)	Expiry date
Canadian non-capital losses	65,788	2036
Canadian capital losses	1,672	Indefinite
Canadian tax basis of mineral interest	172,909	Indefinite
U.S. non-capital losses	190	2036
U.S. capital losses	738	2021
U.S. tax basis of mineral interest	1,674	Indefinite

**15. COMMITMENTS**

(\$000s)	Total	PAYMENTS DUE BY PERIOD			
		2017	2018–19	2020–21	2022–23
Mineral interests	4,183	636	1,079	992	1,476
Business premises operating lease	859	139	288	288	144
	5,042	775	1,367	1,280	1,620

# Corporate Information

## DIRECTORS

**Rudi P. Fronk**  
*Chairman of the Board*

**A. Frederick Banfield**

**D. Scott Barr\***

**Eliseo Gonzalez-Urien**

**Richard C. Kraus**

**Jay S. Layman**

**John W. Sabine**

**Gary A. Sugar**

## OFFICERS

**Rudi P. Fronk**  
*Chief Executive Officer*

**Jay S. Layman**  
*President and Chief Operating Officer*

**William E. Threlkeld**  
*Senior Vice President, Exploration*

**Peter D. Williams**  
*Senior Vice President, Technical Services*

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

**R. Brent Murphy**  
*Vice President, Environmental Affairs*

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

**Gloria M. Trujillo**  
*Assistant Corporate Secretary*

## STOCK EXCHANGE LISTINGS

Toronto Stock Exchange, symbol: "SEA"  
New York Stock Exchange, symbol: "SA"  
CUSIP Number 811916105

## HEAD OFFICE

**Seabridge Gold Inc.**  
106 Front Street East, Suite 400  
Toronto, Ontario M5A 1E1  
Canada

T: 416 367 9292 F: 416 367 2711  
info@seabridgegold.net  
www.seabridgegold.net  
www.ksmproject.com  
www.iskutproject.com

## INVESTOR RELATIONS

**Rudi P. Fronk**  
T: 416 367 9292  
info@seabridgegold.net

## REGISTRAR AND TRANSFER AGENT

**Computershare Investor Services Inc.**  
100 University Avenue  
8th Floor, North Tower  
Toronto, Ontario M5J 2Y1  
Canada

Toll free (North America): 1 800 564 6253  
International Direct Dial: 514 982 7555

**Computershare Investor Services Inc.**  
250 Royall Street  
Canton, Massachusetts 02021  
USA

Toll free (North America): 1 800 564 6253  
International Direct Dial: 514 982 7555

## AUDITORS

**KPMG LLP**  
333 Bay Street, Suite 4600  
Toronto, Ontario M5H 2S5  
Canada

## LEGAL COUNSEL

**Blake, Cassels & Graydon LLP**  
595 Burrard Street, Suite 2600  
P.O. Box 49314  
Vancouver, British Columbia V7X 1L3  
Canada

**Carter Ledyard & Milburn LLP**  
2 Wall Street  
New York, New York 10005  
USA

**CBCS Law Corporation**  
6063 Blink Bonnie Road  
West Vancouver, British Columbia V7W 1V9  
Canada

**DuMoulin Black LLP**  
595 Howe Street, 10th Floor  
Vancouver, British Columbia V6C 2T5  
Canada

\*Scott Barr, a director and a long-time mentor to many at Seabridge, passed away on April 9, 2017. His imprint on Seabridge's success will be felt for years to come.

# SEABRIDGE GOLD

## SEABRIDGE GOLD INC.

106 Front Street East, Suite 400  
Toronto, Ontario M5A 1E1  
Canada  
T: 416 367 9292 F: 416 367 2711  
[info@seabridgegold.net](mailto:info@seabridgegold.net)

[www.seabridgegold.net](http://www.seabridgegold.net)  
[www.ksmproject.com](http://www.ksmproject.com)  
[www.iskutproject.com](http://www.iskutproject.com)