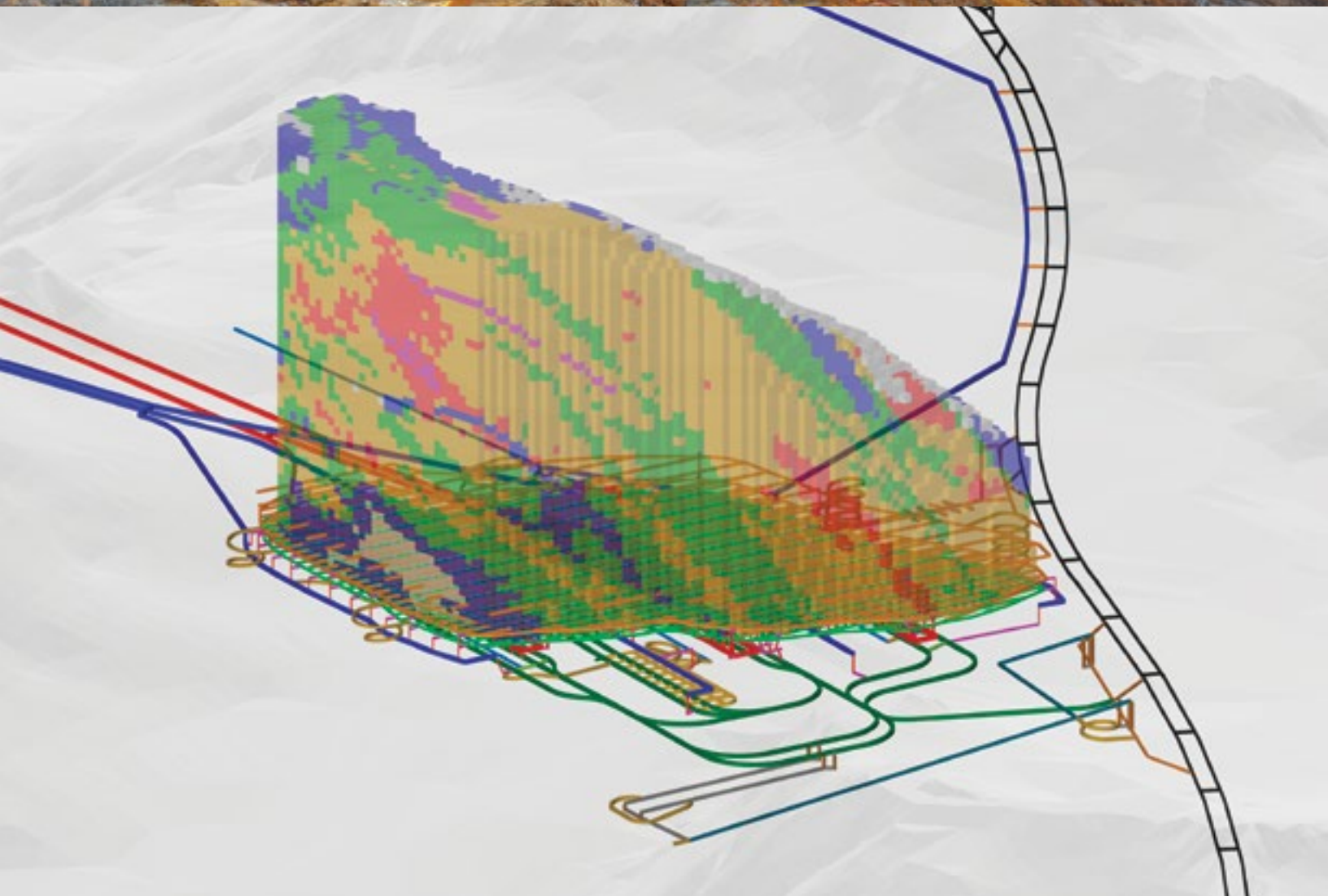


# ENHANCING KSM

Reducing footprint while improving economics



ANNUAL REPORT 2019

SEABRIDGE GOLD



## Contents

---

Chief Executive Officer Report to Shareholders	4
Enhancing KSM: Interview	12
Mineral Reserves and Resources	16
Management's Discussion and Analysis	18
Management's Responsibility for Financial Statements	27
Report of Independent Registered Public Accounting Firm	28
Consolidated Statements of Financial Position	31
Consolidated Statements of Operations and Comprehensive Loss	32
Consolidated Statements of Changes in Shareholders' Equity	33
Consolidated Statements of Cash Flows	34
Notes to the Consolidated Financial Statements	35
Corporate Information	52

## 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 future plans and the timing of them, the proposed production scenarios in respect of our principal projects, anticipated exploration results at our projects and our view of the gold market and financial markets generally. The purpose of these statements is to help the reader understand management's current views of our future prospects and is not intended for other purposes. This information will not necessarily be updated unless required 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 Management's Discussion and Analysis 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).

### Stock Exchange Trading Symbols

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

---

### Annual General Meeting of Shareholders

Thursday, June 25, 2020  
4:30 p.m. EDT

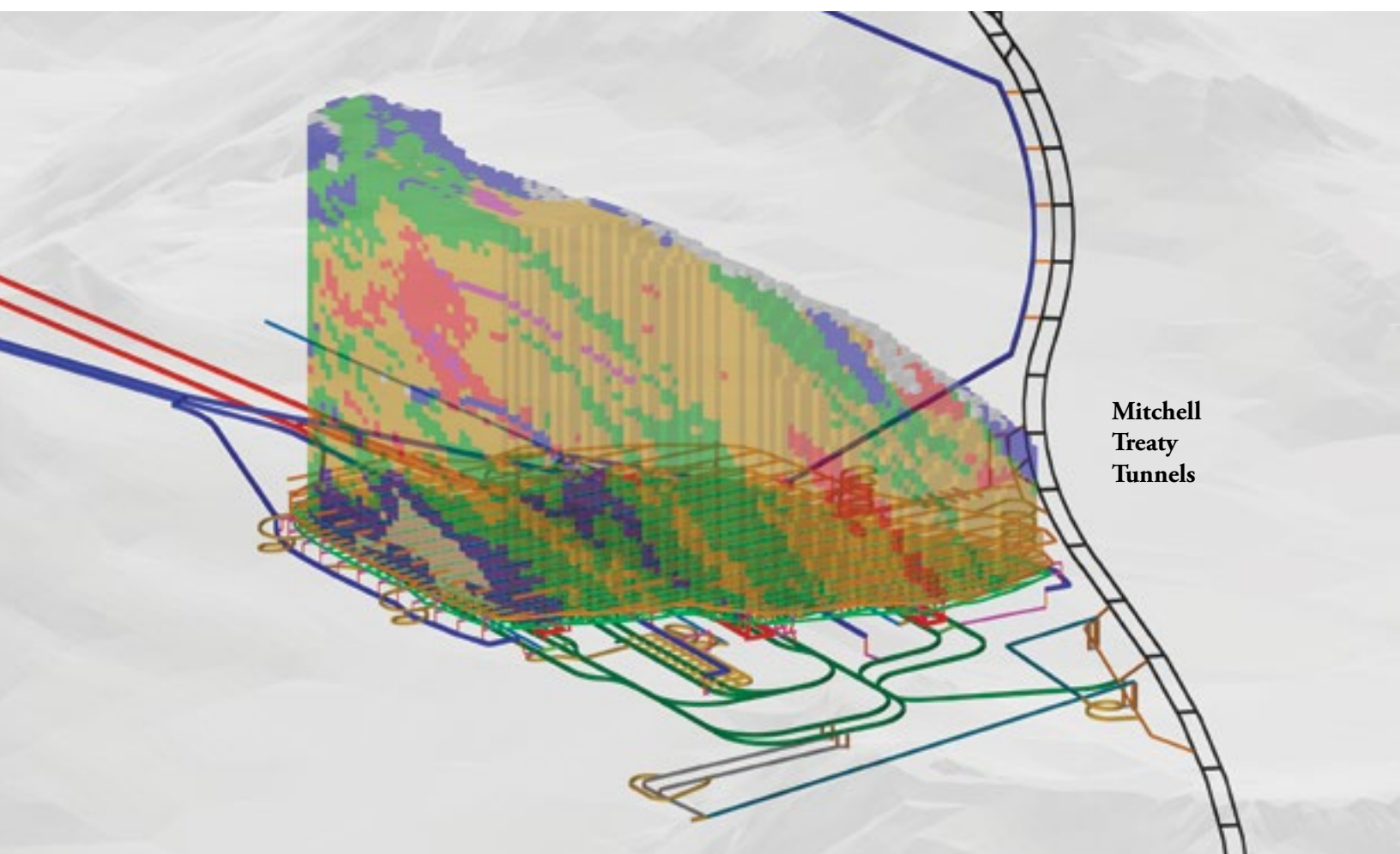
### Virtual AGM

<https://www.issuereirect.com/virtual-event/sea>



# Corporate Overview

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

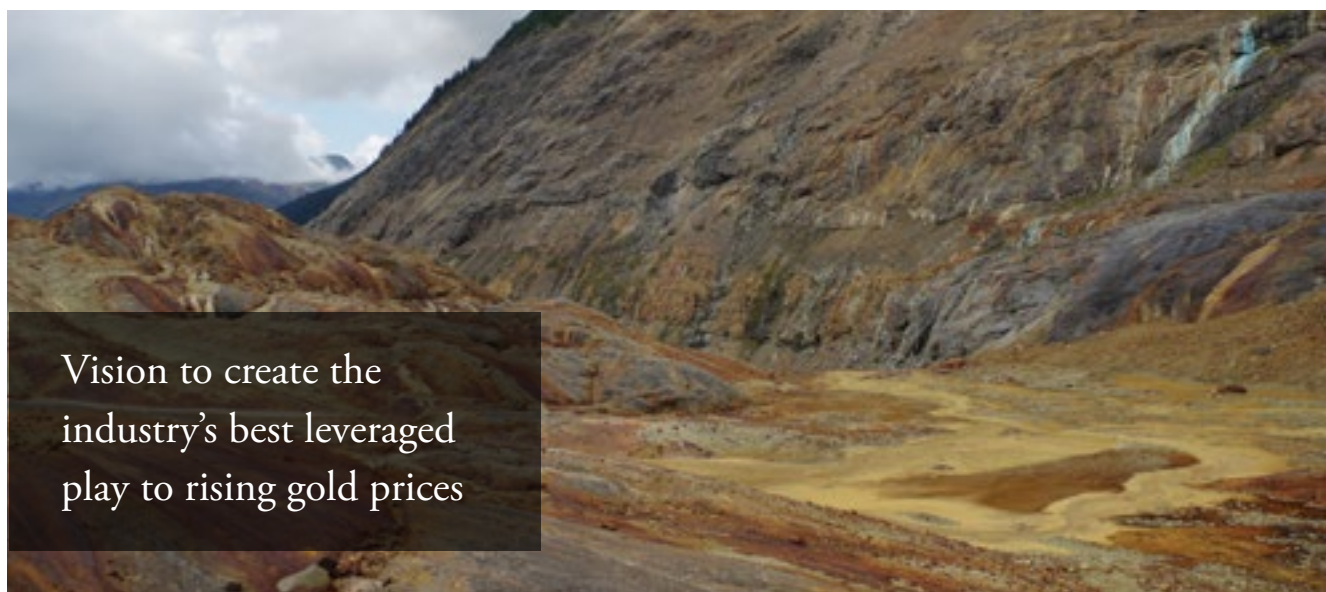


## Schematic of Iron Cap block cave mine as designed in 2020 PEA

The 2020 Preliminary Economic Assessment ("PEA") Iron Cap block cave mine takes four years to develop, six years to ramp-up, achieves seventeen years of steady state production at 32.9 million tonnes per year and takes six years to ramp-down. The new design is roughly three times larger than its predecessor. Iron Cap is located adjacent to the Mitchell Treaty Tunnels, the conduit between mine and mill, making it faster and less expensive to develop than the Deep Kerr block cave.

The 2020 PEA Iron Cap mine design is electrified and partially automated; battery electric vehicles replace diesel loaders on the extraction level and trains replace trucks on the haulage level, resulting in a 76% reduction in diesel consumption from development through operation. Better economics and lower carbon emissions too.

## Report to Shareholders



Vision to create the industry's best leveraged play to rising gold prices

October 25, 2019 marked the 20th anniversary since the launch of Seabridge. Our vision then was to create the industry's best leveraged play to rising gold prices. Since that time, we have witnessed two major tops in the gold price: in 2007 when gold first exceeded \$1,000 per ounce, and again in 2011 when gold rose above \$1,900. During each of these major bull runs in gold, our share price went from single digits to the mid and upper \$30s. Is history about to repeat itself?

In our view, we are now at the beginning of another major bull market in gold that will not only take gold through its all-time high, but to levels that will surprise most investors. If you have followed our essays on the gold market (<https://seabridgegold.net/case4gold.php>), you know our long-standing thesis on why gold prices will go higher is as follows:

1. The world has far too much debt
2. A recession will pop the credit bubble, generating defaults, unemployment and huge government deficits
3. Central banks will try to prevent a collapse by aggressive monetization
4. Currencies will fall hard and gold will soar

We popped our last credit bubble in 2008 and the predictable central bank response was to create another larger bubble, this time in all forms of credit. Since 2008, global debt has ballooned by 80% (from \$142 trillion to \$257 trillion). Global debt to GDP stands at nearly 335% which the global economy cannot support even at record low interest rates because much of the credit has gone to sustaining consumption, corporate buy back of shares

and supporting government expenditures, none of which produce goods and services that contribute to debt service repayment capacity.

A recession is now popping the global credit bubble. Watch for continuing downgrades and defaults, rising unemployment and huge government deficits due to fiscal stimulus and falling tax revenues. Although COVID-19 will be blamed for the recession, we believe it was inevitable as global debts were simply too large in the context of the global economy.

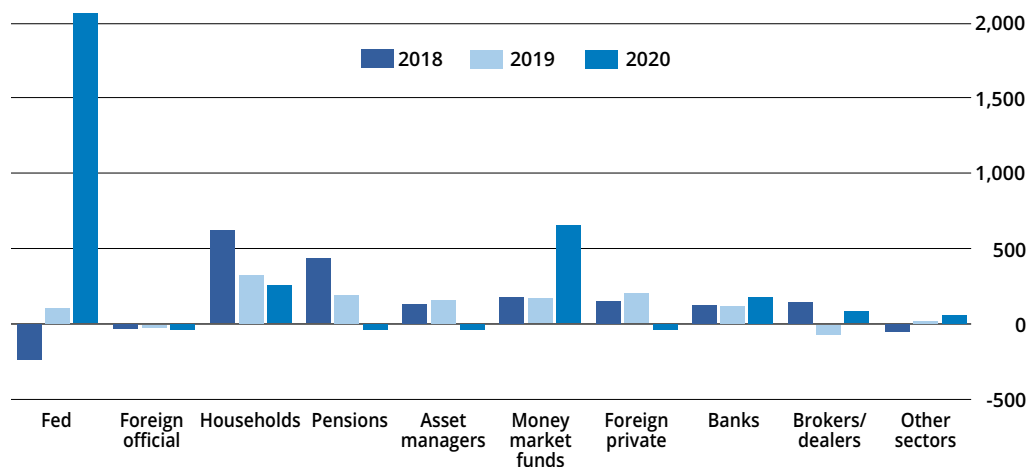
Central banks are now employing the same measures they used in the last financial crisis, however on a much larger scale. Interest rates have already been cut to zero or negative, while new global quantitative easing and stimulus packages already introduced by governments total more than \$6 trillion and to avoid catastrophic collapse will probably go much higher.

Unlike the stimulus of 2008-14, the current monetary stimulus is not going only to the financial markets; thanks to runaway deficits, much of the central bank money-printing is going into the real economy for government purchases of goods and services as well as loans and grants to businesses and individuals. Who is buying the flood of new Treasury securities? Why, the Fed of course. This is helicopter money as Ben Bernanke called it...monetization worthy of banana republic status. Markets are convinced inflation is dead. We think that once economies stabilize, the monetization of massive debt and deficits creates a substantial risk that rapid inflation will rise from the dead. Currencies will then fall when measured against real assets, especially gold.

## WHO WILL BUY \$3tn OF US TREASURIES?

Annual US Treasury purchases by sector, with Goldman Sachs projections for 2020 (\$bn)

Source: Federal Reserve Board;  
Goldman Sachs Investment Research



Finally, as a result of all this, we believe the gold price has broken out from its recent low of \$1,272 in May of last year and is now heading higher. When the 2008 financial crisis hit, gold shot up from below \$700 an ounce to a high of \$1,920, an increase of about 175%. Assuming the same increase in the gold price that occurred during the last financial crisis, gold would reach about \$3,500 per ounce.

A rising gold market is exactly the type of market that Seabridge was built for. Our leverage to the gold price is based on our long-standing corporate objective of growing ounces in the ground faster than our outstanding shares. From 1999 through 2002, we

were in acquisition mode, buying uneconomic gold projects that we believed had exploration upside. Since the commencement of our initial exploration program in 2004 through year end 2019, our share count has increased by about 130% (from 27.6 million shares to 63.5 million). During the same 16 year period, our measured and indicated gold resources have grown by about 610% (from 8.7 million ounces to 62.3 million), while our inferred gold resources have increased by 804% (from 6.8 million ounces to 61.8 million). Gold reserves have grown from zero to 45.3 million ounces. These numbers exclude the huge amount of copper and silver contained in our reserves and resources.

## RESERVES AND RESOURCES CONTINUE TO GROW FASTER THAN SHARES OUTSTANDING



Source: Company data. Data as of December 31, 2019

Note: For a breakdown of Seabridge's mineral reserves and resources by project, tonnes and grade, please visit <http://seabridgegold.net/resources.php>

How has this business plan played out in our share price over the long term? As you can see on the accompanying graph, since we

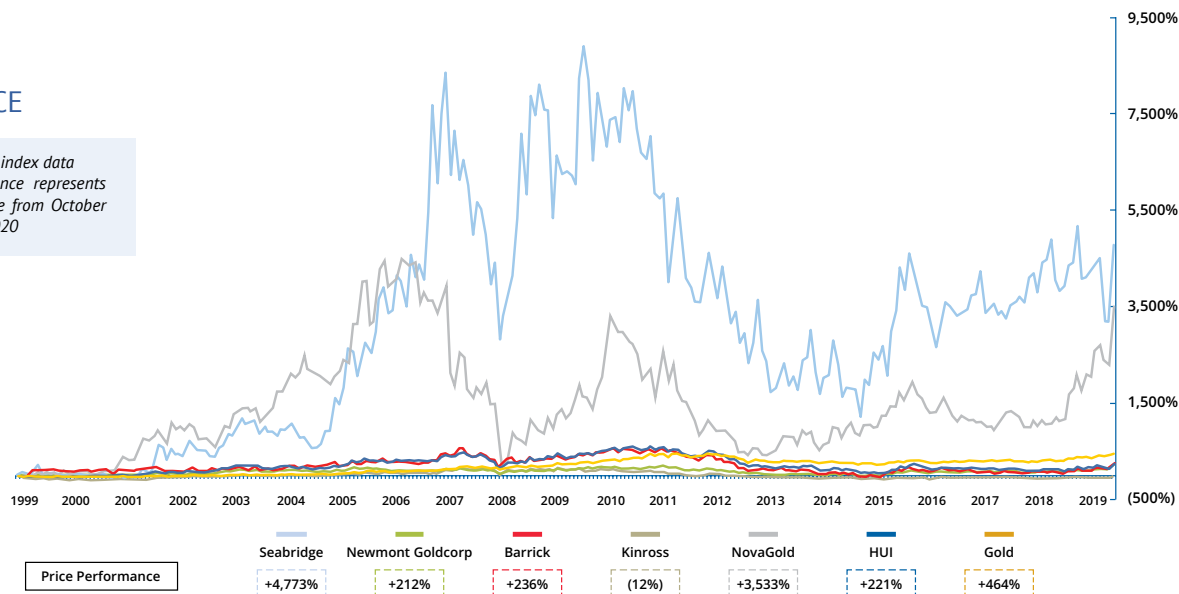
launched Seabridge, our share price has outperformed the gold price and some better known gold companies by a significant margin.

More importantly, consider how our share price performed during the past two bull markets in gold. As shown on the graph, our best performances over the past 20 years occurred during the

gold bull markets from 2004-2007 and again from 2008-2011. If gold is now in the beginning phase of its next bull run, we believe that owning shares of Seabridge may make sense for investors.

## HISTORICAL SHARE PRICE PERFORMANCE

**Source:** Company and index data  
**Note:** Price Performance represents performance over time from October 1999 through April 2020



Last year's annual report theme was **"Finding Gold"**, focusing on our team's ability to recognize exploration opportunities and implement programs designed to grow resources. Since 2006, when we conducted our first exploration program at KSM, the project has grown into the largest undeveloped gold project in the world as measured by proven and probable reserves. However, growing ounces through exploration is only one way of adding value. The combination of intelligent engineering and innovative project design is another.

In 2016, we completed a Technical Report for KSM that included a section on an alternate mine plan that incorporated newly found inferred resources at the Kerr zone. This plan showed a significant improvement over the reserve mine plan with projected total costs of gold production, including all capital, reclamation and closure costs and net of by-product credits, reduced by about \$300 per ounce of gold produced (from \$671 to \$359 per ounce). But we didn't stop there. Subsequent to the 2016 Technical Report, continuing exploration added significant new inferred resources at the Iron Cap zone, with Iron Cap becoming our third +2 billion tonne deposit at KSM. Our engineering team then went back to work.

The theme of this year's annual report is **"Enhancing KSM"**. Here's why: We have just completed a new KSM Technical Report that provides a new alternative mine plan capturing some of the higher grade resources added at KSM since 2016. The results are extremely positive for the project in both economic and environmental terms. For the details, see page 13 where we demonstrate how innovative engineering adds value.

As in years past, the following section provides a self-graded report card on how we did against the corporate objectives set for the past year, as well as the new objectives set for the current year.

We are very enthusiastic about where Seabridge is right now. We believe that going forward, gold will protect wealth more effectively than any other asset, and as a result, investors will turn to gold as an alternative to other market securities, bonds and cash. In our view, owning shares in Seabridge has been and will continue to be an effective way to gain exposure to rising gold prices.

On Behalf of the Board of Directors,

**Rudi P. Fronk**  
**Chairman and Chief Executive Officer**  
**April 30, 2020**

Disclaimer: The statements and information above are provided for information purposes only and are general in scope; it is not investment advice nor is it specific to the needs of any particular investor. Neither Seabridge nor its personnel are registered or qualified to act as investment advisors. We recommend that readers seek professional advice before making investment decisions.



# Our 2019 Corporate Report Card and Our 2020 Objectives

## Reporting on Last Year

We begin each year with a set of clear objectives focused on enhancing shareholder value. At year end, our Board of Directors evaluates how we performed against these objectives. Last year's annual report set out nine objectives, seven of which were achieved. Here is a recap:

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

For the past several years we have had on-going discussions with potential joint venture partners as we recognize that KSM will require the involvement of a major mining company to build and operate the mine. Although we have had several proposals from prospective partners, we have not yet received one we are willing to say yes to. Two years ago, we came close to concluding a deal that met our objectives but the trade wars with China hit the copper price and the deal went on hold. More recently, we were advancing discussions toward a transaction that is now being delayed by uncertainty over COVID-19. So, we wait for better conditions as the gold price rises and a future copper shortage comes into view.

We like where we are. While we wait for a joint venture deal that meets our objectives, we continue to improve the quality of the project by finding better grade material and developing alternative mine plans to enhance the project's economics. We only get to do this once and, in our view, joint venture terms are far more important than timing. Our goal in a joint venture is to maintain a meaningful interest in KSM while minimizing our capital contributions. We believe that our patience will be rewarded.

**As of now, this objective has not been met.**

### **OBJECTIVE #2: Continue to strengthen our social license by responding effectively to the needs and concerns of Treaty and First Nations and local communities.**

We start each year with the view that social license is never earned, but rather needs to be an on-going focus in all our activities. In 2019, we continued the ordinary course efforts we have made for years in areas such as: employing local people and engaging local contractors for work at the Company's projects; responsive engagement on proposed new exploration



and development work; and support for people in the local communities. Environmental clean-up at the Johnny Mountain Mine was also advanced further in 2019 (see Objective #6 below).

In 2019 Seabridge employed Aboriginal persons for 578 person days of work at the KSM Project and 185 person days of work at the Iskut Project. Our contractors for camps and environmental work, for helicopter services and support, logistics and expediting, geo-technician services, equipment and labourers are provided by companies operating as joint ventures with one or both of the Tahltan and the Nisga'a Nations. Direct environmental monitoring contracts with Gitanyow and Tahltan businesses were successful again in 2019. In our dealings with these contractors, we require them to maximize their employment of Aboriginal persons from the area when staffing their work crews.

In July, the Tahltan Nation and Seabridge executed the KSM Project Co-operation and Benefits Agreement (the "IBA") in connection with KSM. In a ratification vote among its membership, the Tahltan Nation voted 77.8% in favour of the IBA. The agreement represents another important milestone for the project and provides a co-operative framework for the parties to continue building the social license of the KSM Project.

At the time of signing, Chad Norman Day, President of the Tahltan Central Government, commented:

*"The Tahltan people have spoken and have ratified the KSM IBA that provides the Tahltan Nation with far reaching economic benefits and strong commitments to the environmental management of the land that we hold sacred. The Tahltan Central Government has worked closely with Seabridge for more than a decade to bring the KSM Project from its early exploration stage through permitting. We have an excellent partnership with Seabridge. At each step of the way, Seabridge has been a respectful and willing partner to work with our people, communities and all levels of government to ensure our Tahltan environmental concerns and economic interests were properly addressed."*

We believe our efforts have helped to make Seabridge more welcome in the communities in the vicinity of our British Columbia projects. And these efforts are being recognized. Seabridge obtained an extension of KSM's Environmental Assessment ("EA") Certificate for another five years. There were minimal comments, no opposition and the Company secured the extension without any new conditions to its EA Certificate when other projects have had many onerous conditions added in connection with their extensions.

At the Courageous Lake project located in Canada's Northwest Territories, we continued our ongoing engagement with impacted First Nations in 2019. We worked towards re-permitting our land and water licenses required to conduct exploration activity. Meetings were held with the North Slave Metis, the NWT Metis Federation, the Yellowknives Dene, the Tli Cho and the Lutsel

K'e. Our focus on initiating and conducting extensive community engagement paid dividends; minimal adverse comments or concerns were received from Indigenous groups during the application for renewal of our permits. As part of our discussions with the Yellowknives Dene, Seabridge entered into an agreement to support and fund a Yellowknives Dene Traditional Knowledge Study for the Courageous Lake area. The results of this study were incorporated into our permit applications and a follow up meeting is planned with the Yellowknives Dene First Nation and their elders in 2020. Seabridge also re-engaged with the larger community with a donation to the NWT Sport Federation that supports events such as the annual Arctic Winter Games.

**This objective was accomplished.**

### **OBJECTIVE #3: Execute an initial drill test at Snowstorm targeting a Getchell/Twin Creeks-style deposit.**

During 2019, Seabridge completed its maiden drill program at its 100% owned Snowstorm Project in Northern Nevada which tested a Getchell-style target at the intersection of a favourable north-south structure and permissive host rocks. The program confirmed the presence of structures and stratigraphy similar to Turquoise Ridge and Twin Creeks, two successful gold mines located just a few kilometers southwest of Snowstorm on the Getchell Trend and our confidence in the potential for a meaningful discovery has been heightened. The next round of drill targets is now being defined based on the data from last year's program.

**This objective was accomplished.**

### **OBJECTIVE #4: Evaluate the potential for blind new porphyry targets at KSM that would enhance the "blue sky" value of the project.**

The 2019 program to address this objective focused on completing an airborne ZTem survey and increasing the coverage of 3D IP surveys. These new surveys were integrated with the previous airborne high resolution magnetic and Spartan MT surveys, resulting in the identification of three priority targets and one potential target.

All of these targets are about 1,000 meters deep and likely represent opportunities in the latter stages of the project plan. At least two of these targets were suspected from previous work, while the other two are new concepts. There is a low probability that these targets could displace existing reserves and resources in current mine plans, so no further work on them is planned. However, the information is being shared with potential partners to drive home the point that there is additional exploration potential beyond the 7.5 billion tonnes of KSM's existing resources.

**This objective was accomplished.**



**OBJECTIVE #5: Confirm a potential porphyry deposit below the Quartz Rise lithocap at Iskut and define drill targets.**

Previous drilling at the Quartz Rise lithocap focused on testing for high-grade epithermal precious metal occurrences associated with the uppermost portion of a porphyry mineral system. Results determined that the Quartz Rise lithocap had been substantially eroded. However, a hydrothermal breccia (diatreme) discovered in 2018 was found to contain clasts of porphyry-style vein fragments which confirmed an underlying porphyry source for the lithocap. This breccia feature is enclosed by an Induced Polarization ("IP") chargeability anomaly coincident with a magnetic high, a porphyry geophysical signature.

This 2019 program at Iskut was designed to define the geophysical limits and assess the geochemical and geological expression of a possible porphyry intrusive system which would account for the mineralization found at Quartz Rise. This work included 1.4 square kilometers of 3D IP surveys, 260-line kilometers of high resolution magnetic surveys and 184 surface geochemical samples. The geophysical surveys, geochemical sampling and detailed mapping programs have identified a large intrusive system at relatively shallow depth that is likely responsible for the Quartz Rise lithocap and elevated gold and copper concentrations within a geological environment remarkably similar to Seabridge's nearby KSM Project.

**This objective was accomplished.**

**OBJECTIVE #6: Continue the reclamation and closure of the Johnny Mountain mine in cooperation with the Tahltan Nation and B.C. regulators.**

In 2016, Seabridge voluntarily committed to clean up and properly close the former Johnny Mountain Mine which had been acquired with our purchase of the Iskut project. We prepared a five year plan to complete this reclamation work at our expense and this plan was approved by regulators and Tahltan representatives. 2019 was the third year of reclamation work which included: (i) in-situ hydrocarbon remediation; (ii) clean-up of the interior of the old mill building; and (iii) excavation and relocation of material from unapproved landfills.

In addition, environmental sampling activities, including water quality, hydrology, and groundwater sampling were completed to meet compliance requirements. A vegetation and soil treatment study was conducted to better inform closure vegetation planting objectives. In order to stop naturally occurring acids from leaching out of any potentially acid generating (PAG) material, and as part of the approved closure plan for the Johnny Mountain Mine, PAG material is being deposited underwater in the tailing impoundment.

**This objective was accomplished.**



Seabridge is voluntarily cleaning up the abandoned Johnny Mountain Mine site in Tahltan territory



Our main KSM camp

**OBJECTIVE #7: Evaluate the potential of incorporating the Iron Cap deposit earlier in the KSM mine plan to further improve project economics.**

An internal concept-level mine plan study was completed in 2019 that incorporated the additional mineral resources from Iron Cap that were found after completing the 2016 PEA. This new drilling and modeling resulted in a much larger and richer Iron Cap deposit. Iron Cap is KSM's third +2 billion tonne porphyry deposit. Based on the positive results generated in the internal study, we immediately commissioned an updated NI-43-101 KSM Technical Report that has now been completed. The results of this study are the main focus of this annual report

**This objective was accomplished.**

**OBJECTIVE #8 Determine if there is a more robust project at Courageous Lake than the one envisaged in the 2012 PFS.**

In 2019, we conducted a thorough review of Courageous Lake to see if there was the potential for a smaller operation with similar or better financial results than the large-scale 2012 Preliminary Feasibility Study ("PFS").

In the review, we targeted the following outcomes:

- Reduce footprint (pit, waste dumps, mill, rate and wind farm)
- Reduce initial capital (strip and mill rate)
- Concentrate on higher early grades
- De-risk the project

The objective was to "start over", think outside the box and come up with a smaller operational layout that achieved these four objectives. The work demonstrated that there is the potential for a smaller initial project with a reduced footprint, less capital, higher grades and reduced operating risks than the larger project envisaged in the 2012 PFS. During 2020, Seabridge will evaluate

the best path forward at Courageous Lake which could include: (i) securing a joint venture partner; (ii) updating the 2012 PFS with a smaller initial project; (iii) conducting additional exploration outside the area of known reserves and resources; or (iv) perhaps an outright sale. As the 2012 PFS demonstrates, the economics at Courageous Lake are highly leveraged to the gold price and exchange rates. Both have moved significantly in favour of the project.

**This objective was accomplished.**

**OBJECTIVE #9: Increase gold ownership per common share by way of accretive resource additions from acquisitions and/or continued exploration at our projects.**

We ended 2019 with 63.5 million shares outstanding, an increase of 2.3 million shares during the year. At KSM we added 745,000 ounces of gold in the measured and indicated categories plus an additional 528,000 ounces in the inferred category, most of which was the result of recent drilling at the Sulphurets deposit. Thus, in 2019 we did not fully offset our equity dilution with additional gold resources.

2019 was a transition year as exploration efforts were not focused on additions to resources but rather on confirming future exploration opportunities outside KSM that could lead to future growth in gold reserves and resources. We continue to be focused on the long-game with future resource expansion to come from Iskut, Snowstorm and 3 Aces. Over the past 16 years, while our share count has increased by about 130% (from 27.6 million shares to 63.5 million), our measured and indicated gold resources have grown by about 610% (from 8.7 million ounces to 62.3 million), while our inferred gold resources have increased by 804% (from 6.8 million ounces to 61.8 million).

**This objective was not met.**



## Now for 2020...

Our primary objective continues to be to complete a joint venture agreement on the KSM Project with a suitable partner on terms advantageous to Seabridge. Our goal in a joint venture is to: (1) retain a significant interest in a producing mine; (2) minimize our capital exposure; and (3) ensure that our partner must build a mine in order to keep its interest.

Due to the size and complexity of the KSM Project, the number of potential partners is probably limited to fewer than 10 major gold and base metal companies. The combination of KSM's size, location, economics and permit status represent one of the most compelling development opportunities on the planet and our work over the past several years has significantly improved the quality of the project. We believe our patience will reap rewards for shareholders who stay the course.

Here are six other objectives we have set for 2020:

1. Continue to strengthen our social license by responding effectively to the needs and concerns of Treaty and First Nations and local communities;
2. Execute our second drill program at Snowstorm, continuing to target a Getchell/Twin Creeks style deposit;
3. Conduct an initial drill test for a gold/copper porphyry deposit below the Quartz Rise lithocap at Iskut;
4. Continue the reclamation and closure of the Johnny Mountain Mine in cooperation with the Tahltan Nation and B.C. regulators;
5. Assemble all of the historic data generated at 3 Aces into a 3D model and identify targets to drill in 2021; and
6. Increase gold ownership per common share by way of accretive resource additions from acquisitions and/or continued exploration at our projects.

All of our work this year is subject to the limitations imposed by COVID-19. We are nonetheless confident that we will continue to add shareholder value this year and in the years ahead.

## OUR RESPONSE TO COVID-19

Seabridge has operated primarily as a 'virtual' company since its inception. The majority of our employees have always worked from home or at our projects during field seasons. As the seriousness of the coronavirus became known, we immediately suspended all business travel and in-person meetings.

These restrictions could have an impact on this year's field work; decisions in this regard will be made in late May. Delays in this year's programs will not have an adverse effect on our land holdings or other corporate obligations. We have committed not to reduce our payroll due to the impact of the virus. For Seabridge, our people are our most important resource.





## ENHANCING KSM

**Q: You have published three Preliminary Feasibility Studies on KSM in 2010, 2012 and 2016. Now you have released results of a new Preliminary Economic Study. Isn't that a step backwards?**

**JL:** Not at all. It's really a big step forward. First, I should say that the 2016 PFS with its reserves remains valid. Our independent consultants reassessed the parameters of the PFS and concluded they haven't changed in any material way. The KSM of 2016 is a good project that deserves to be built. The 2020 PEA outlines a much better project because it incorporates the higher grade we have found at Iron Cap in the past couple of years and moves this material into mine plans much earlier in the project's development.

The Iron Cap resource is inferred so the study had to be a PEA for the resource to be included.

**Q: Why so many studies over the last 10 years? You already have an approved environmental assessment.**

**JL:** Every time you do a serious technical report you learn something. You find dozens of ways to improve the project and every proposed change affects dozens of other variables. New ideas and equipment continually arise. If you only do one or two iterations on a complex, multi-generational project like KSM, you are missing the boat.

**Q: What kind of confidence do you have in Iron Cap's inferred resource?**

**JL:** Not every inferred resource is created equal. At KSM, we have lots of confidence because of the ongoing success we have had upgrading inferred to higher categories. One of the outstanding features of KSM is the relative uniformity of its four main deposits. In our view, spending the money for more drilling to upgrade Iron Cap resources is not the best use of capital at this point in time. All of our stated mine plans start with open pit mining at the Mitchell deposit and then eventually move on to the three other deposits. If construction were to start today, mining at Iron Cap would not commence for at least 10 years so there is plenty of time to upgrade the resources at Iron Cap.

KSM emerges from this study as a potential economic home run

**Q: Give us a sense of the economic improvements in this new report.**

**JL:** KSM emerges from this study as a potential economic home run. Total cost per ounce of gold produced has come down to just US\$4 after deducting by-product credits, compared to US\$358 in the 2016 PEA. The new PEA describes a project that would rank among the best large-scale producing mines in the world. After-Tax Net Present Value at a 5% discount rate has increased by about 80% to US\$6.0B, up from US\$3.4B in the 2016 PEA. After-Tax IRR improves 40% (from 10% to 14%) vs the 2016 PEA.

**Q: Is an IRR of 14% after tax enough to justify a production decision?**

**JL:** IRR isn't the best tool for analyzing long-life projects. Net Present Value isn't much better. KSM is a victim of its own success. With a 44 year mine life, the income in later years contributes very little to the calculated value.

The better way to assess a project like KSM is to compare the time required to get payback of initial capital against mine life. After-tax projected payback for KSM has shrunk from 6.4 years just to 4.0 years which is only about 9% of projected mine life. That's one measure of what the major mining companies refer to as capital efficiency and it positions KSM very favorably. KSM will span many metal price cycles which reduces risk and improves the chances for out-sized returns.

**Q: The economic improvements were not limited to adding new resources from Iron Cap, correct?**

**JL:** Right. Besides adding better material from Iron Cap, the 2020 PEA introduced some engineering enhancements that contribute to the improved economics. The two most important were electrifying the Iron Cap mine plan and reducing the number of block cave lifts from five to three. We are fortunate to have access to some of the cheapest electric power in the world from the new transmission line built by BC Hydro. Replacing diesel production loaders with battery powered loaders cuts operating costs per tonne by 11% at Iron Cap. On the capital cost side, the 2016 PEA had sustaining capital of US\$10 billion over the 51-year mine plan. In the 2020 PEA, life of mine sustaining capital is reduced by 31% to US\$6.9 billion. A significant portion of this reduction is removing a block cave at Mitchell, and reducing the number of block cave lifts at Kerr from three to two.

**Q: What's next for KSM?**

**JL:** Our exploration focus now shifts to new opportunities at Iskut, Snowstorm and 3 Aces. At KSM, we continue to advance towards a final feasibility study while we dance with prospective partners. Every improvement we make gets us closer to acceptable terms with a joint venture partner.

Every improvement we make gets us closer to acceptable terms with a joint venture partner.

### KSM 2020 PEA Overview

- After-Tax NPV at a 5% discount rate of US\$6.0 billion using Base Case three-year average price assumptions of US\$1,340/oz gold, US\$2.80/lb copper and a foreign exchange rate of US\$0.76 per C\$1.00
- 44 year mine production plan capturing 19.6 million ounces of gold and 5.4 billion pounds of copper from the measured and indicated categories plus an additional 20.8 million ounces of gold and 13.8 billion pounds of copper from the inferred category
- Life of mine recovered production of 27.6 million ounces gold and 17.0 billion pounds copper
- 170,000 tonne per day processing rate capturing 2.4 billion tonnes (Bt) of mill feed, or only 30% of the total mineral resource
- 4 year payback on US\$5.2 billion initial capital
- Average annual pre-tax Free Cash Flow of US\$1.45 billion from 1.3 million oz gold and 265 million pounds copper produced during the initial 5 years of production
- Life of mine average operating cost of negative US\$472 per ounce of gold produced, net of copper and silver by-product revenues
- Life of mine total cost of US\$4 per ounces of gold produced, inclusive of all project capital and net of copper and silver by-product revenues
- 57% reduction in mine waste rock compared to the approved Environmental Assessment (EA)
- 33% reduction in greenhouse gas emissions from mine operations compared to the approved EA





## 2020 PEA Improvements

- In the 2020 PEA, open pit mining accounts for a third of production while underground mining comprises the balance. In the 2016 PFS plan, two-thirds of production was derived from open pit mining. Smaller open pits allow the 2020 PEA mine plan to reduce the waste rock storage volume by 57% compared to the 2016 PFS, with a corresponding reduction to environmental impact.
- Initial mill feed is mined exclusively from the Mitchell pit, allowing for a streamlined mine to mill material flow through the payback period. The initial phases of the Mitchell pit mining have been redesigned to integrate recent geotechnical data and improve pit wall designs, improve the variable cut-off strategy, and improve the efficiency of waste pre-stripping from upper pit benches. These changes have resulted in reduced initial mining costs and an improvement in the payback period mill feed grades.
- An improved mining sequence has been achieved by deferring the Sulphurets pit and initiating earlier development of Iron Cap and Deep Kerr block caves. Construction rock sourced from the Sulphurets pit in the 2016 PEA is quarried from within the Mitchell pit in the 2020 PEA, allowing for re-sequencing of open pit mining to only the Mitchell pit until the initial capital payback has been achieved.
- Electrification of the Iron Cap block cave mine equipment with partial automation results in significant diesel consumption reduction replaced by lower cost green power supplied by BC Hydro. The electrified mine design has an 11% higher capital cost versus a conventionally developed and operated mine design but these costs are offset by much lower operating costs, leveraging savings on diesel consumption, ventilation, equipment maintenance and labor, yielding an approximately 11% lower total cost per tonne mined.
- In the 2020 PEA, large footprints of the Iron Cap and Deep Kerr block cave mines support the high production rates required to meet the designed mill throughput rate of 170,000 tonnes per day, the same mill throughput as the 2016 PEA. The 2020 PEA design includes dedicated processing lines to treat Mitchell and Sulphurets mill feed separate from Iron Cap and Kerr mill feed. This design concept reflects recent metallurgical test work that suggests incremental CIL gold production is marginal or sub-economic from the copper rich Iron Cap and Deep Kerr block caves. The 2020 PEA process plan therefore excludes CIL processing of Iron Cap and Deep Kerr mill feeds.
- Mine site water tunnel alignments are revised in the 2020 PEA to incorporate recent field data, avoid mineralized deposits and reflect the mine development plan, resulting in improved constructability and reliability over the 2016 PEA design. One dual bore tunnel has been changed to a single bore, concrete lining was added to multiple tunnels and tunnel system expansions were removed as a result of the reduction in the size of the Rock Storage Facility. Commensurate with these design changes and life of mine plan requirements, the cumulative length of water diversion mine site tunnels has been reduced from 51 km to 20 km.



- In the 2020 PEA, estimated initial capital costs including pre-production mining are 6% improved over the 2016 PEA (from US\$5.5 billion down to US\$5.2 billion), reflecting changes in initial mine design. Sustaining capital shows a significant 31% reduction (from US\$10 billion down to US\$6.9 billion) derived mostly from production plan improvements related to underground mining, focusing on more profitable Iron Cap and Deep Kerr block cave mines, and limiting cave development to three separate cave horizons through the life of mine instead of the five described in the 2016 PEA.
- As a result of mine plan extraction from the larger Iron Cap block cave mine, the life of mine copper grade in the 2020 PEA increased 16% (from 0.32% to 0.37%), delivering 2.5 B lb more copper to the mill (from 16.7 to 19.2 B lb) versus the 2016 PEA.
- Base Case operating cost and total cost per ounce of gold produced (net of copper and silver by-products) dramatically improve in the 2020 PEA. The life of mine estimated average operating cost is reduced from negative US\$179 to negative US\$472 per ounce of gold produced, while the estimated life of mine total cost, inclusive of all capital, is reduced from US\$358 to US\$4 per ounce compared to the 2016 PEA. The change in Base Case operating and total cost is due to higher by-product credits from significantly higher copper production more than offsetting reduced gold production because no incremental gold production is taken from the CIL circuit for two deposits plus the application of an improved price scenario.
- For a primary copper producer reporting costs per pound of copper produced (net of gold and silver by-products) the Base Case total life of mine average operating cost is negative US\$0.14 per pound and total life of mine average cost inclusive of all capital is US\$0.63 per pound.
- For a diversified mining company reporting costs on a co-product basis, the Base Case total life of mine average operating costs are US\$511 per ounce for gold production and \$1.17 per pound for copper production. Total life of mine average costs, inclusive of all capital, are US\$717 per ounce of gold produced and US\$1.59 per pound of copper produced.

## Comparison of KSM Projected Economic Results

	Comparative Case			Base Case 3-Year Average 2020 PEA	Alternative Case 2020 PEA
	2016 PFS	2016 PEA	2020 PEA		
Metal Prices:					
Gold (\$/ounce)		1,230		1,340	1,700
Copper (\$/pound)		2.75		2.80	2.50
Silver (\$/ounce)		17.75		16.25	16.00
US\$/Cdn\$ Exchange Rate:		0.80		0.76	0.72
Cost Summary:					
Operating Costs Per Oz of Gold	\$277	-\$179	-\$410	-\$472	-\$327
Total Cost Per Ounce of Gold Produced	\$673	\$358	\$92	\$4	\$124
Initial Capital	\$5.0 billion	\$5.5 billion	\$5.4 billion	\$5.2 billion	\$4.9 billion
Sustaining Capital (life of mine)	\$5.5 billion	\$10.0 billion	\$7.2 billion	\$6.9 billion	\$6.5 billion
Pre-Tax Results:					
Net Cash Flow	\$15.9 billion	\$26.3 billion	\$31.3 billion	\$36.8 billion	\$43.4 billion
NPV @ 5% Discount Rate	\$3.3 billion	\$6.1 billion	\$8.2 billion	\$10.3 billion	\$13.2 billion
Internal Rate of Return	10.4%	12.7%	14.9%	17.5%	21.9%
Payback Period (years)	6.0 years	5.6 years	4.3 years	3.6 years	2.9 years
Post-Tax Results:					
Net Cash Flow	\$16.7 billion	\$16.7 billion	\$19.6 billion	\$23.0 billion	\$27.2 billion
NPV @ 5% Discount Rate	\$10.0 billion	\$3.4 billion	\$4.7 billion	\$6.0 billion	\$7.9 billion
Internal Rate of Return	8.0%	10.0%	11.9 %	14.0%	17.4%
Payback Period (years)	6.8 years	6.4 years	4.9 years	4.0 years	3.2 years

**Note:** Operating and total cost per ounce of gold are after copper and silver credits. Total cost per ounce include all start-up capital, sustaining capital and reclamation/closure costs. The post-tax results include the B.C. Mineral Tax and corporate provincial and federal taxes.

# Mineral Reserves and Resources

April 2020

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

Project	Zone	Reserve Category	Tonnes (millions)	Average Grades				Contained Metal			
				Gold (gpt)	Copper (%)	Silver (gpt)	Moly (ppm)	Gold (million ounces)	Copper (million pounds)	Silver (million ounces)	Moly (million pounds)
KSM	Mitchell	Proven	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)	Measured Resources							
			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	750,000	0.63	15,125	0.17	2,844	3.2	77,374	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
Total Measured Resources			17,465		3,124		83,384		96	

			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)
<b>KSM:</b>										
Mitchell	C\$9 NSR Pits	1,045,000	0.57	19,191	0.16	3,795	3.0	101,709	58	134
Sulphurets		446,000	0.55	7,887	0.21	2,064	1.0	14,339	53	52
Kerr	C\$16 NSR	374,000	0.22	2,660	0.41	3,405	1.1	13,744	5	4
Iron Cap	UG	423,000	0.41	5,576	0.22	2,051	4.6	62,559	41	38
<b>KSM Total</b>		<b>2,288,000</b>	<b>0.48</b>	<b>35,314</b>	<b>0.22</b>	<b>11,315</b>	<b>2.6</b>	<b>192,351</b>	<b>45</b>	<b>228</b>
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
<b>Total Indicated Resources</b>			<b>44,809</b>		<b>11,537</b>		<b>199,511</b>		<b>228</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)
<b>KSM:</b>										
Mitchell	C\$9 NSR Pits	1,795,000	0.59	34,316	0.17	6,639	3.1	179,083	58	230
Sulphurets		446,000	0.55	7,887	0.21	2,064	1.0	14,339	53	52
Kerr	C\$16 NSR	374,000	0.22	2,660	0.41	3,405	1.1	13,744	5	4
Iron Cap	UG	423,000	0.41	5,576	0.22	2,051	4.6	62,559	41	38
<b>KSM Total</b>		<b>3,038,000</b>	<b>0.52</b>	<b>50,439</b>	<b>0.21</b>	<b>14,159</b>	<b>2.8</b>	<b>269,725</b>	<b>48</b>	<b>324</b>
Bronson Slope	C\$9 NSR	186,890	0.36	2,160	0.12	502	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
<b>Total Measured plus Indicated Resources</b>			<b>62,274</b>		<b>14,661</b>		<b>282,895</b>		<b>324</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)
<b>KSM:</b>										
Mitchell	C\$9 NSR Pits	478,000	0.42	6,406	0.12	1,230	3.2	48,676	52	55
Sulphurets		223,000	0.44	3,155	0.13	639	1.3	9,320	30	15
Kerr	C\$16 NSR	1,999,000	0.31	19,823	0.40	17,720	1.8	114,431	23	103
Iron Cap	UG	1,899,000	0.45	27,474	0.30	12,556	2.6	158,741	30	126
<b>KSM Total</b>		<b>4,599,000</b>	<b>0.38</b>	<b>56,858</b>	<b>0.32</b>	<b>32,145</b>	<b>2.4</b>	<b>331,168</b>	<b>29</b>	<b>299</b>
<b>Courageous Lake:</b>										
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
<b>Total Inferred Resources</b>			<b>61,815</b>		<b>32,145</b>		<b>331,168</b>		<b>299</b>	

\* As of December 31, 2019 the Quartz Mountain project was subject to an option agreement under which a 100% interest in the 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.



# Management's Discussion And Analysis

For the year ended December 31, 2019

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, 2019 and 2018. This report is dated March 26, 2020 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2019 and 2018, 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 project at this time, its ability to carry out its business plan rests with its ability to sell projects or to secure equity and other financings. All amounts contained in this document are stated in Canadian dollars unless otherwise disclosed.

The consolidated financial statements for the year ended December 31, 2019 and the comparative year ended December 31, 2018 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 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 property located in British Columbia and the Courageous Lake property located in the Northwest Territories. In 2016, the Company acquired 100% of the common shares of SnipGold Corp. ("SnipGold") and its 100% owned Iskut Project, both in British Columbia. In 2017, the Company purchased 100% of Snowstorm Exploration LLC and its Snowstorm Project in Nevada. 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)	2019	2018	2017
Corporate and administrative expenses	\$ (13,340)	\$ (12,370)	\$ (13,673)
Environmental rehabilitation expense	-	(7,439)	(2,056)
Other income - flow-through shares	1,218	6,312	5,374
Gain on disposition of mineral interests	-	-	2,183
Impairment of investment in associate	-	(1,336)	-
Equity loss of associate	(200)	(160)	(107)
Impairment of investments in marketable securities	-	-	(680)
Gain on investments in marketable securities	-	-	719
Interest income	279	164	149
Income taxes recovery (expense)	697	(4,967)	(2,164)
Finance expense and other	(267)	(144)	(32)
Net loss	\$ (11,613)	\$ (19,940)	\$ (10,287)
Basic loss per share	\$ (0.19)	\$ (0.34)	\$ (0.18)
Diluted loss per share	\$ (0.19)	\$ (0.34)	\$ (0.18)

Summary statements of financial position (\$000s)	2019	2018	2017
Current assets	\$ 19,213	\$ 24,473	\$ 20,160
Non-current assets	430,159	398,987	362,748
Total assets	\$ 449,372	\$ 423,460	\$ 382,908
Current liabilities	\$ 6,690	\$ 6,502	\$ 6,191
Non-current liabilities	27,659	30,403	21,079
Equity	415,023	386,555	355,638
Total liabilities and equity	\$ 449,372	\$ 423,460	\$ 382,908

## Results of Operations, 2019 Compared to 2018

The Company incurred \$11.6 million net loss or \$0.19 per share for the year ended December 31, 2019 compared to a net loss of a \$19.9 million or \$0.34 per share for the year ended December 31, 2018.

Corporate and administrative expenses, including stock-based compensation, were the most significant items contributing to losses in fiscal 2019. In 2018, corporate and administrative expenses, including stock-based compensation, environmental rehabilitation costs and impairments of investment in associate were the most significant items contributing to losses. In 2019 and 2018 other income reported for flow-through shares offset some of these expenses. These and other items are discussed further below.

Corporate and administrative expenses for 2019 were \$13.3 million, up \$1.0 million or 8% from prior year mainly due to \$0.6

million increase in cash compensation and \$0.2 million increase in stock-based compensation. Stock-based compensation overall remained unchanged at \$5.4 million in 2019 compared to \$5.2 million in 2018.

Cash compensation for 2019 was \$4.6 million, up \$0.6 million or 15% from the prior year. The increase was mainly due to higher headcount. Cash compensation is not expected to vary significantly from current levels as no significant additions to staffing levels are anticipated. Stock-based compensation is also expected to remain at current levels as the \$4.0 million remaining fair value of the 2019, 2018 and 2017 grants of options and RSUs are being recognized through the consolidated statements of operations and comprehensive loss.

The Company's stock-based compensation expense related to stock options and restricted share units are illustrated on the following tables:

(\$000s)								
Options granted	Exercise price (\$)	Number of options	Grant date fair value	Cancelled prior to 2018	Expensed prior to 2018	Expensed in 2018	Expensed in 2019	Balance to be expensed
March 24, 2016	13.52	100,000	684	-	658	26	-	-
August 11, 2016	17.14	50,000	438	-	349	89	-	-
December 19, 2016	10.45	890,833	6,254	94	5,506	469	185	-
December 14, 2017	13.14	605,000	4,303	-	209	3,320	556	218
October 11, 2018	16.94	50,000	421	-	-	96	238	87
December 12, 2018	15.46	568,000	4,719	-	-	276	3,107	1,336
June 26, 2019	17.72	50,000	416	-	-	-	168	248
				<b>94</b>	<b>6,722</b>	<b>4,276</b>	<b>4,254</b>	<b>1,888</b>

(\$000s)						
RSUs granted	Number of RSUs	Grant date fair value	Expensed prior to 2018	Expensed in 2018	Expensed in 2019	Balance to be expensed
December 14, 2017	65,000	854	136	718	-	-
December 12, 2018	68,000	1,051	-	183	868	-
December 12, 2019	140,100	2,359	-	-	274	2,085
			<b>136</b>	<b>901</b>	<b>1,142</b>	<b>2,085</b>

Total professional fees decreased by \$0.3 million from \$1.4 million in 2018 to \$1.1 million in the current year. Higher professional fees in 2018 was mainly related to the fees paid to consulting firms assisting the company in seeking potential joint venture partners and corporate reorganization. Other general and administrative costs increased by \$0.4 million from \$1.8 million in 2018 to \$2.2 million in 2019. The increase was mainly related to investor relations costs, listing fees, and travel and conferences costs. The Company does not anticipate significant increases in general and administrative costs for 2020.

In 2019, the Company recorded \$1.2 million of other income related to recognizing the flow-through share premium recorded on financing completed in December 2018 and September 2019 (discussed below). In the comparative year, the Company recognized other income of \$6.3 million related to the flow-through share premium recorded on larger financings completed in 2017 and 2018.

In the first quarter 2018, the Company charged \$7.4 million of rehabilitation costs to the statement of operations and comprehensive loss related to the filing of a Johnny Mountain Mine reclamation report in British Columbia and the charge was added to the provision for reclamation liabilities on the statement of financial position. The report estimated the full closure at approximately \$9.1 million with costs expected to be incurred over five years. Significant costs include estimates for the closure of all adits and vent raises, removal of the mill and buildings, treatment of landfills and surface water management as well as ongoing logistics, freight and fuel costs. All costs incurred in the current and comparative periods associated with these activities have been charged to the provision for reclamation liabilities.

In 2019, the Company incurred \$1.3 million of environmental rehabilitation expenditures (2018 - \$2.0 million) that were recorded as a reduction to the provision for reclamation liabilities on the consolidated statements of financial position. The 2019 spending was related to excavation and relocation of waste sites, on-situ soil remediation, and deconstruction and relocation of mill process equipment. The 2018 work entailed the demolition of portals and sealing of vent raises, the relocation of certain waste burial sites, overall drainage work and the cleaning and clearing of the mill for future dismantling. All costs incurred in the current and comparative period associated with these activities have been charged to the provision for reclamation liabilities.

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. In 2019, the Company recognized an increase in fair value of investments, net of income taxes of \$0.2 million. During the comparative year, the Company recognized

a decrease in fair value of investments, net of income taxes of \$0.5 million. The change in the fair value of these investments was recorded within comprehensive loss on the consolidated statements of operations and comprehensive loss.

The Company holds one investment in an associate that is accounted for on the equity basis. In 2019, the Company recognized \$0.2 million (2018 - \$0.2 million) loss in the associate. In 2018 the Company determined that the recoverability of the investment in associate was impaired and recorded a \$1.3 million charge to the consolidated statements of operations and comprehensive loss. No impairments related to investment in associate were recorded in 2019.

In 2019, the Company recognized income tax recovery of \$0.7 million resulting from the losses incurred during the period. The tax recovery was partially offset by the deferred tax liabilities arising from exploration expenditures related to the December 2018 and September 2019 flow-through shares issued, that were capitalized for accounting purposes but were renounced to investors for tax purposes. In 2018, the Company recognized income tax expense of \$5.0 million as the renounced exploration expenditures related to the 2017 and 2018 flow-through financings significantly outweighed the losses incurred during the period.

### Results of Operations, 2018 Compared to 2017

The Company incurred a \$19.9 million net loss for the year ended December 31, 2018 or \$0.34 per share compared to a net loss of \$10.3 million or \$0.18 per share for the year in 2017.

Corporate and administrative expenses, including stock-based compensation, environmental rehabilitation costs and impairment of investment in associate were the most significant items contributing to losses in fiscal 2018. In 2017, corporate and administrative expenses, including stock-based compensation, environmental rehabilitation costs and impairments of investments in marketable securities were the most significant items contributing to losses. In 2018 and 2017 other income reported for flow-through shares offset some of these expenses. In 2017, the Company also recognized gains on the disposition of mineral interests and investments in marketable securities.

Corporate and administrative expenses for 2018 were \$12.4 million, down \$1.3 million or 10% from prior year mainly due to a \$2.3 million or 31% decrease in stock-based compensation. Stock-based compensation decreased from \$7.5 million in 2017 to \$5.2 million in 2018. The 2018 expense of \$5.2 million was largely a result of the grant date fair value of stock option expense of \$4.3 million and the remainder related to the grant date fair value of restricted share units. The higher expenses in 2017 was mainly

due to the effect of expensing the grant date fair value of a higher number of options in that year compared to 2018.

Cash compensation for 2018 was \$4.0 million, up \$0.6 million or 17% from the prior year. The increase in cash compensation in 2018 was related to the bonus compensation earned in 2018 by certain senior management personnel that was based on the attainment of previously defined corporate objectives.

In 2018, other corporate and administrative costs were higher than the comparable year of 2017. The professional fees increased by \$0.5 million from \$0.9 million in 2017 to \$1.4 million in 2018. The increase was mainly due to the fees paid to the consulting firms assisting the company in seeking potential joint venture partners.

In 2018, the Company recognized \$6.3 million of other income related to recognizing the remaining balance of the flow-through share premium recorded on a financing completed in April 2017 and recognizing the full flow-through share premium recorded on financings completed in December 2017 and May 2018. In the comparative year, the Company recognized other income of \$5.4 million related to the flow-through share premium recorded on the financing completed in April 2017.

In 2018, the Company recorded \$7.4 million (2017 - \$2.1 million) of environmental rehabilitation expense to the consolidated statements of operations and comprehensive loss related to the remediation and closure planning of the Johnny Mountain Mine site.

## Quarterly Information

Selected financial information for the last eight quarters ending December 31, 2019 is as follows: (unaudited)

(in thousands of Canadian dollars, except per share amounts)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	-	-	-	-	-	-	-	-
Loss for period	(2,963)	(2,526)	(2,036)	(4,088)	(4,030)	(2,831)	(2,403)	(10,676)
Basic loss per share	(0.05)	(0.04)	(0.03)	(0.07)	(0.07)	(0.05)	(0.04)	(0.18)
Diluted loss per share	(0.05)	(0.04)	(0.03)	(0.07)	(0.07)	(0.05)	(0.04)	(0.18)

The quarterly losses, comprised mainly of administrative expenses, were offset by varying income related to the flow-through share premiums. In the first quarter 2018, the loss for the period included a significant increase in the provision for environmental rehabilitation and closure of the Johnny Mountain mine. In the fourth quarter 2018, the loss for the period included a charge related to the impairment of investment in associate. In the first quarter 2019, the loss for the period included higher stock-based compensation expense compared to other quarters as it included a \$0.9 million charge related to amortization of RSUs granted in December 2018 and vested and fully expensed during the quarter.

## Mineral Interest Activities

In 2019, the Company added an aggregate of \$30.5 million of expenditures that were attributed to mineral interests. Of the \$30.5 million expenditures, \$1.7 million related to the fair value of common shares issued to purchase and extinguish a net smelter return that was held on certain claims within the KSM Project, \$0.9 million related to the fair value of common shares issued to Tahltan Nation as part of a cooperative and benefit agreement between the Company and the Tahltan Nation, and

\$0.5 million related to the fair value of common shares issued to purchase additional claims adjacent to but within the Snowstorm project. Cash expenditures of \$27.2 million were made at KSM (64%), Courageous Lake (8%), Iskut (12%), and Snowstorm (17%).

At KSM, based on the drilling program completed in 2018, the Company updated its mineral resource estimate for the Iron Cap deposit in 2019. Iron Cap is one of four large gold/copper porphyry deposits within the KSM Project. The updated resource estimate incorporated all previous drillings plus 20,341 meters of diamond core drilling completed in 18 holes during the 2018 program. The update increased the size of the overall resource and with further study, exploration and evaluation could take a more prominent place in eventual mine planning and has the potential to improve project economics. The 2019 exploration program at KSM included deep penetrating geophysical techniques, west of the known deposits, to refine potential drill targets. Geophysical tools have also focused on improving resolution on deep targets and generating discrete zones for further testing. These studies, combined with the study of waste characterization and geotechnical drilling completed in 2018, led to the decision to commence a drill program to test an area within the Sulphurets



zone over 16 shallow holes. Additional study of the surveys and evaluation of the drilling will continue into 2020. The Company also commenced preparing a technical report including an updated pre-feasibility study (PFS) and updated preliminary economic assessment (PEA) for KSM to be finalized in 2020.

The 2019 exploration programs at Iskut commenced at the end of the second quarter and continued through the fourth quarter and entailed the use of deep penetrating geophysical techniques to define potential drill targets. Results of the studies will be carried out into early 2020. In addition to the exploration work at Iskut, the Company continued with the 2019 portion of the reclamation and closure activities at the Johnny Mountain mine site.

The 2019 exploration program at Snowstorm commenced in the first quarter of 2019 where a ground geophysical study was completed. The results of the study further refined drill targets and the first drill program commenced in the third quarter and continued into the fourth quarter. Results of the studies and drilling will be carried out into 2020.

No field work was carried out at Courageous Lake in 2019, however the Company continues to evaluate the results of the 2018 exploration and the drilling program that identified two new gold zones, Olsen and Marsh Pond, and also found two other target zones that, with additional work, could potentially contribute to the resource base.

### Liquidity and Capital Resources

The Company's working capital position at December 31, 2019, was \$12.5 million, down from \$18.0 million at December 31, 2018. Included in current liabilities at December 31, 2019 is \$0.1 million for flow-through premium liability which is a non-cash item (December 31, 2018 - \$0.8 million) and will be reduced as flow-through expenditures are incurred. Decrease in cash resources, including cash and cash equivalents and short-term deposits, was the net result of cash used in environment and exploration projects and corporate and administrative costs, partially offset by cash raised through financing (discussed below) and exercise of options. In 2019, the Company received \$5.2 million upon exercise of 503,831 stock options. Subsequent to December 31, 2019, the Company received \$0.3 million upon exercise of 30,967 stock options.

During the third quarter 2019, the Company closed a private placement financing and issued 1.2 million common shares of the Company at a price of \$17.02 per common share for gross proceeds of \$20.4 million.

During the third quarter 2019, the Company also issued 100,000 flow-through common shares at \$24.64 per common share for aggregate gross proceeds of \$2.5 million. The Company committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the flow-through financing and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement is December 31, 2019. At the time of issuance of the flow-through shares, \$0.5 million premium was recognized as a liability on the consolidated statements of financial position. During 2019, the Company incurred \$2.0 million of qualifying exploration expenditures and \$0.4 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive loss.

During the second quarter of 2019, the Company filed a short form base shelf prospectus with securities commissions in Canada and a corresponding registration statement on Form F-10 with the United States Securities and Exchange Commission. The shelf prospectus filings will allow the Company to make offerings of common shares up to an aggregate total of C\$100 million until June 2021 and provides flexibility should additional funding be required for general corporate purposes or future exploration and evaluation work on the Company's projects. Common shares may be offered in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more shelf prospectus supplements and, subject to applicable regulations, may include at-the-market transactions, public offerings or strategic investments.

During the fourth quarter of 2019, the Company entered into an agreement with two securities dealers, for an At-The-Market offering program, entitling the Company, at its discretion, and from time to time, to sell up to US\$40 million in value of common shares of the Company directly on the New York Stock Exchange. This program can be in effect until the Company's current C\$100 million Shelf Registration Statement expires in June 2021. Net proceeds from the ATM Facility can be used to advance exploration and development of the Company's projects, potential future acquisitions, and for working capital and general corporate purposes. During the fourth quarter of 2019, the Company issued 231,084 shares, at an average selling price of \$17.58 per share, for net proceeds of \$4.0 million under Company's At-The-Market offering. Subsequent to December 31, 2019, the Company issued 382,807 shares, at an average selling price of \$17.96 per share, for net proceeds of \$6.7 million under the Company's At-The-Market offering.

In December 2018, the Company issued 250,000 flow-through common shares at \$20.50 per share for aggregate gross proceeds of \$5.1 million. Proceeds of this financing were used to fund the 2019 KSM and Iskut programs. The Company committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the flow-through financing and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement was December 31, 2018. A \$0.8 million premium was recognized as a liability on the consolidated statements of financial position with the balance recorded as share capital. During 2019, \$5.1 million of qualifying exploration expenditures were incurred and the entire \$0.8 million premium was recognized through other income on the consolidated statement of operations and comprehensive loss.

In November 2018, the Company closed a non-brokered private placement of one million common shares at a price of \$14.00 per share for gross proceeds of \$14.0 million. As part of the private placement agreement, the Company also granted an option to increase the size of the private placement by an additional 250,000 common shares exercisable until December 24, 2018. The 250,000 options were fully exercised on December 14, 2018 at the price of \$14.00 per share, for additional gross proceeds of \$3.5 million.

In May 2018, the Company closed a flow-through financing and issued 1,150,000 common shares at \$17.16 per share for gross proceeds of \$19.7 million. The Company committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the flow-through financing and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement was December 31, 2018. Since the close of financing and to the end of 2018, the Company incurred qualifying expenditure equal to the gross proceeds of \$19.7 million and fulfilled its commitment. At the time of issuance of the flow-through shares, a \$4.1 million premium was recognized as a liability on the consolidated statements of financial position with the balance recorded as share capital. Since the closing of the financing and to the end of 2018, based on qualifying expenditures incurred, the full \$4.1 million premium was fully recognized through other income on the consolidated statements of operations and comprehensive loss.

During 2019, operating activities, including working capital adjustments, used \$10.9 million cash compared to \$9.4 million cash used by operating activities in 2018. The increase in the year-over-year basis was mainly related to \$1.0 million increase in HST receivable balance (explained below), and \$0.6 million increase in cash compensation, partially offset by \$0.7 million decrease in environmental rehabilitation disbursements. Increase in cash compensation was mainly due to increase in headcount. In 2019, \$1.3 million of rehabilitation expenditures were made compared to \$2.0 million in 2018. Operating activities in the near-term are not expected to deviate significantly from the current year.

As reported in the Company's prior year financial statements, in early 2019 the Company received a notice from the CRA that it proposed to reduce the amount of expenditures reported, as Canadian Exploration Expenses (CEE) for the three-year period ended December 31, 2016. The Company has funded certain of its exploration expenditures, from time-to-time, with the proceeds from the issuance of flow-through shares and renounced, to subscribers, the expenditures which it determined to be CEE. The notice disputes the eligibility of certain types of expenditures previously audited and approved as CEE by the CRA. The Company strongly disagrees with the notice and responded to the CRA auditors with additional information for their consideration. Subsequent to the year end, the CRA auditors responded to the Company's submission and, although accepting additional expenditures as CEE, reiterated that their position remains largely unchanged and subsequently issued reassessments to the Company reflecting the additional CEE expenditures accepted and \$2.15 million of Part XII.6 tax owing. Based on these reassessments, the Company anticipates that the CRA will reassess investors with reduced CEE deductions. The Company's and investors' reassessments can be appealed to the courts. The Company has indemnified the investors that subscribed for the flow-through shares. The potential tax indemnification to the investors is estimated to be \$11.8 million. No provision has been recorded related to the tax nor the potential indemnity as the Company and its advisors do not consider it probable that there will ultimately be an amount payable.

During 2016, upon the completion of an audit of the application by tax authorities of the British Columbia Mineral Exploration Tax Credit ("BCMETC") program, the Company was reassessed \$3.6 million, including accrued interest, for expenditures that the tax authority has categorized as not qualifying for the BCMETC program. The Company recorded a \$3.6 million provision within

non-trade payables and accrued expenses on the consolidated statements of financial position as at December 31, 2016, with a corresponding increase to mineral interests. In 2017 the Company filed an objection to the reassessment with the appeals division of the tax authorities and paid one-half of the accrued balance while the objection is reviewed. In early 2019, the Company received a decision from the appeals division that the Company's objection was denied, and the Company filed a notice of appeal with the British Columbia Supreme Court. The Attorney General of Canada replied to the facts and arguments in the Company's Notice of Appeal and stated its position that the Company's expenditures did not qualify for the BCMETC program. The Company is now

in the discovery process with the Department of Justice and will continue to move the appeal process forward as expeditiously as possible. The Company intends to continue to fully defend its position. The Canada Revenue Agency (CRA) has withheld HST credits due to the Company that would fully cover the residual balance, including interest, should the Company be unsuccessful in its challenge.

The Company will continue its objective of advancing its major gold projects, KSM and Courageous Lake, and to further explore the Iskut and Snowstorm Projects to either sell or enter into joint venture arrangements with major mining companies.

## Contractual Obligations

The Company has the following commitments:

(\$000s)	Total	Payments due by years			
		2020	2021-22	2023-24	2025-26
Mineral interests	9,715	826	1,992	3,372	3,525
Flow-through share expenditures	441	441	-	-	-
	<b>10,156</b>	<b>1,267</b>	<b>1,992</b>	<b>3,372</b>	<b>3,525</b>

## Outlook

In 2020 at KSM, the Company will complete an updated resource statement as well as an updated PFS and PEA for the project. Results are expected in the second quarter of 2020. Environmental monitoring and technical studies that support the overall project will be undertaken and the Company will commence funding certain bonding requirements related to Fisheries Act permit applications. Limited exploration at KSM will be undertaken but will include complete three-dimensional models, utilizing machine learning modules, of the KSM mining district.

At Iskut, the Company will carry out an exploration program to complete the initial evaluation of a gold-copper porphyry deposit at the Quartz Rise target. The program is designed to aggressively test the Quartz Rise target below a mineralized diatreme and along the chargeability anomaly identified during the 2018 and 2019 exploration programs. The exploration program will operate two diamond drill rigs to initially test if porphyry mineralization continues beneath the Quartz Rise diatreme and if the east-west trending chargeability anomaly identified in 2019 is indicative of a porphyry system.

At Snowstorm, the Company plans to conduct an exploration program to complete drill testing of two targets with the objective of refining the potential for a discovery in the southwest part of the property.

The Company continues to evaluate the results of the 2018 exploration and drill program at Courageous Lake and will evaluate the merits of various future work programs.

Given the special challenges posed by the COVID-19 virus, the Company has taken steps to accentuate its operation as a virtual company by eliminating in-person meetings and business travel and encouraging work from home. Additionally, management is evaluating whether or not the exploration programs at Iskut and Snowstorm mentioned above can achieve their objectives given the difficult operating requirements imposed by the virus and the need to protect personnel and contractors. The Company expects to make decisions on these programs in May once more is known about the evolution of the virus. Delaying these programs by a year would not impact the Company's land holdings obligations and management remains hopeful that the programs can proceed this year as planned. Ongoing compliance with existing permits and regulatory authorizations will continue as required.



## Internal Controls Over Financial Reporting

The Company's management under the supervision of the Chief Executive Officer and Chief Financial Officer are 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, 2019 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, 2019, 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 their attestation report on management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2019.

## 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, 2019 and ended on December 31, 2019 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, 2019, that they are appropriately designed and effective.

## Limitations of Controls and Procedures

The Company's management, including the 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 26, 2020, the issued and outstanding common shares of the Company totaled 63,924,261. In addition, there were 2,972,183 stock options, 140,100 RSUs and 500,000 warrants outstanding. Assuming the conversion of all of these instruments outstanding, there would be 67,536,544 common shares issued and outstanding.

## Related Party Transactions

During 2019, there were no payments to related parties other than compensation paid to key management personnel. During 2018, a private company controlled by an officer was paid \$200,400 for legal services rendered. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Recent Accounting Pronouncements

Refer to Note 3 (M) in the Company's audited consolidated financial statements for the year ended December 31, 2019.

## 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, deferred income tax, and potential tax contingencies. All of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

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

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

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

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

## Risks and Uncertainties

***The risks and uncertainties are discussed within the Company's most recent Annual Information Form filed on SEDAR at [www.sedar.com](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).***

## Forward Looking Statements

The consolidated financial statements and management's discussion and analysis and any other materials included with them, 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, estimates, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates and expected changes to them, estimates of future production and related financial analysis, 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' reports, 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 26, 2020



**Christopher J. Reynolds**  
*Vice President, Finance and Chief Financial Officer*  
March 26, 2020



# Report of Independent Registered Public Accounting Firm

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

## Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Seabridge Gold Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for each of the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for each of the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 26, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

## Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## Canadian Exploration Expenditures Dispute

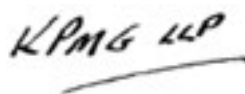
As discussed in Note 18 to the consolidated financial statements, the Company has received a notice of reassessment from the Canada Revenue Agency (“tax authority”) that it proposes to reduce the amount of expenditures reported as Canadian Exploration Expenditures (“CEE”) for the tax years 2014 to 2016. In connection with the issuance of flow-through shares which financed the CEE, the Company has provided an indemnification to investors for any disallowed renunciations of CEE. In addition, the Company is subject to additional tax relating to any disallowed CEE. The tax laws governing what qualifies as acceptable CEE are complex and the interpretation and application of these tax laws by the tax authority or the courts may vary from the Company’s interpretation and prior application. The Company has not recorded any expense relating to this uncertain tax position as the Company believes it is probable its tax position will be upheld.

We identified the Company’s evaluation of the CEE dispute as a critical audit matter. This critical audit matter required a high degree of auditor judgment to evaluate the Company’s interpretation of, and compliance with the income tax laws and the estimate of the ultimate resolution of its CEE filing positions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company’s process relating to identifying CEE,

including controls related to the interpretation of tax law and the assessment of the uncertain tax position. We involved tax professionals with specialized skills and knowledge who assisted in evaluating the Company’s interpretations of tax legislation and case law by:

- reading the notice and other correspondence with the tax authority in connection with the audit,
- evaluating conclusions obtained by the Company from external counsel,
- evaluating the Company’s analysis and conclusions regarding its assertion, which included an assessment of the Company’s analysis of tax laws and regulations, and
- performing an independent assessment of the Company’s uncertain tax position based on our understanding and interpretation of tax laws and comparing it to the Company’s assessment.



**Chartered Professional Accountants,  
Licensed Public Accountants**

We have served as the Company’s auditor since 2002.  
Toronto, Canada  
March 26, 2020

# Report of Independent Registered Public Accounting Firm

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

## Opinion on Internal Control Over Financial Reporting

We have audited Seabridge Gold Inc.'s (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for each of the years then ended, and the related notes (collectively, the consolidated financial statements), and our report dated March 26, 2020 expressed an unqualified opinion on those consolidated financial statements.

## Basis for Opinion

The Company'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, appearing under the heading Internal Control over Financial Reporting in Management's Discussion and Analysis for the year ended December 31, 2019. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

## Definition and Limitations of Internal Control Over Financial Reporting

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.



**Chartered Professional Accountants,  
Licensed Public Accountants**

Toronto, Canada  
March 26, 2020



# Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Note	December 31, 2019	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 8,793	\$ 2,928
Short-term deposits	4	4,114	17,068
Amounts receivable and prepaid expenses	5	3,274	1,619
Investment in marketable securities	6	3,032	2,858
		<b>19,213</b>	<b>24,473</b>
<b>Non-current assets</b>			
Convertible notes receivable	7	529	-
Investment in associate	6	2,361	2,460
Mineral interests	8	425,671	395,304
Right to use asset	9	271	-
Reclamation deposits	12	1,327	1,223
		<b>430,159</b>	<b>398,987</b>
<b>Total assets</b>		<b>\$ 449,372</b>	<b>\$ 423,460</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 4,692	\$ 4,749
Flow-through share premium	13	92	798
Lease obligations	11	46	-
Provision for reclamation liabilities	12	1,860	955
		<b>6,690</b>	<b>6,502</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	17	22,426	23,289
Lease obligations	11	228	-
Provision for reclamation liabilities	12	5,005	7,114
		<b>27,659</b>	<b>30,403</b>
<b>Total liabilities</b>		<b>34,349</b>	<b>36,905</b>
<b>Shareholders' equity</b>	13	<b>415,023</b>	<b>386,555</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 449,372</b>	<b>\$ 423,460</b>

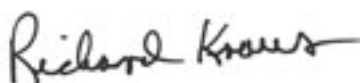
Subsequent events (Notes 13, and 18), Commitments and contingencies (Note 18)

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)

	Note	Year Ended December 31, 2019	Year Ended December 31, 2018
Corporate and administrative expenses	15	\$ (13,340)	\$ (12,370)
Environmental rehabilitation expense	12	-	(7,439)
Other income - flow-through shares	13	1,218	6,312
Impairment of investment in associate	6	-	(1,336)
Equity loss of associate	6	(200)	(160)
Interest income		279	164
Finance expense and other income		(267)	(144)
<b>Loss before income taxes</b>		<b>(12,310)</b>	<b>(14,973)</b>
Income tax recovery (expense)	17	697	(4,967)
<b>Loss for the year</b>		<b>\$ (11,613)</b>	<b>\$ (19,940)</b>
<b>Other comprehensive income (loss)</b>			
<b>Items that will not be reclassified to net income or loss</b>			
Change in fair value of marketable securities, net of income taxes	6	\$ 284	\$ (577)
<b>Comprehensive loss for the year</b>		<b>\$ (11,329)</b>	<b>\$ (20,517)</b>
<b>Basic and diluted net loss per common share</b>	<b>13</b>	<b>\$ (0.19)</b>	<b>\$ (0.34)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>13</b>	<b>62,359,725</b>	<b>59,104,624</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	Warrants	Stock-based compensation	Contributed surplus	Deficit	Accumulated other comprehensive gain (loss)	Total equity
<b>As at December 31, 2018</b>	<b>61,232,572</b>	<b>\$ 457,073</b>	<b>\$ 3,275</b>	<b>\$ 16,840</b>	<b>\$ 36,040</b>	<b>\$ (124,323)</b>	<b>\$ (2,350)</b>	<b>\$ 386,555</b>
Share issuance - Private placement	1,300,000	22,376	-	-	-	-	-	22,376
Share issuance - At-The-Market offering	231,084	4,063	-	-	-	-	-	4,063
Share issuance - Other	175,000	3,189	-	-	-	-	-	3,189
Share issuance - Options exercised	503,831	7,561	-	(2,333)	-	-	-	5,228
Share issuance - RSUs vested	68,000	1,051	-	(1,051)	-	-	-	-
Share issuance costs	-	(622)	-	-	-	-	-	(622)
Deferred tax on share issuance costs	-	166	-	-	-	-	-	166
Stock-based compensation	-	-	-	5,397	-	-	-	5,397
Expired options	-	-	-	(33)	33	-	-	-
Other comprehensive income	-	-	-	-	-	-	284	284
Net loss for the year	-	-	-	-	-	(11,613)	-	(11,613)
<b>As at December 31, 2019</b>	<b>63,510,487</b>	<b>\$ 494,857</b>	<b>\$ 3,275</b>	<b>\$ 18,820</b>	<b>\$ 36,073</b>	<b>\$ (135,936)</b>	<b>\$ (2,066)</b>	<b>\$ 415,023</b>
<b>As at December 31, 2017</b>	<b>57,677,118</b>	<b>\$ 405,930</b>	<b>\$ 3,275</b>	<b>\$ 16,549</b>	<b>\$ 36,040</b>	<b>\$ (104,383)</b>	<b>\$ (1,773)</b>	<b>\$ 355,638</b>
Share issuance - Private placement	2,650,000	37,479	-	-	-	-	-	37,479
Share issuance - Options exercised	777,704	12,713	-	(3,377)	-	-	-	9,336
Share issuance - RSUs vested	127,750	1,510	-	(1,510)	-	-	-	-
Share issuance costs	-	(763)	-	-	-	-	-	(763)
Deferred tax on share issuance costs	-	204	-	-	-	-	-	204
Stock-based compensation	-	-	-	5,178	-	-	-	5,178
Other comprehensive loss	-	-	-	-	-	-	(577)	(577)
Net loss for the year	-	-	-	-	-	(19,940)	-	(19,940)
<b>As at December 31, 2018</b>	<b>61,232,572</b>	<b>\$ 457,073</b>	<b>\$ 3,275</b>	<b>\$ 16,840</b>	<b>\$ 36,040</b>	<b>\$ (124,323)</b>	<b>\$ (2,350)</b>	<b>\$ 386,555</b>

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



# Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
<b>Operating Activities</b>		
Net loss	\$ (11,613)	\$ (19,940)
Adjustment for non-cash items:		
Stock-based compensation	5,397	5,178
Provision for environmental rehabilitation	-	7,439
Other income - flow-through shares	(1,218)	(6,312)
Income tax (recovery) expense	(697)	4,967
Impairment of investment in associate	-	1,336
Equity loss of associate	200	160
Finance costs	122	167
Depreciation charge on right-of-use assets	36	-
Adjustment for cash items:		
Environmental rehabilitation disbursements	(1,325)	(2,022)
Changes in working capital items:		
Amounts receivable and prepaid expenses	(1,664)	(997)
Accounts payable and accrued liabilities	(134)	947
Net cash used in operating activities before income taxes recovered	(10,896)	(9,077)
Income taxes recovered	-	(328)
<b>Net cash used in operating activities</b>	<b>(10,896)</b>	<b>(9,405)</b>
<b>Investing Activities</b>		
Mineral interests	(27,201)	(37,068)
Investment of short-term deposits	(18,133)	(28,000)
Redemption of short-term deposits	31,087	22,988
Investment in convertible notes receivable	(529)	-
Investment in associate	(101)	(530)
Investment in reclamation deposits	(4)	(38)
Cash proceeds from sale of investments	110	-
<b>Net cash used in investing activities</b>	<b>(14,771)</b>	<b>(42,648)</b>
<b>Financing Activities</b>		
Share issuance net of costs	26,328	41,596
Exercise of options	5,228	9,336
Payment of lease liabilities	(24)	-
<b>Net cash from financial activities</b>	<b>31,532</b>	<b>50,932</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>5,865</b>	<b>(1,121)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>2,928</b>	<b>4,049</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 8,793</b>	<b>\$ 2,928</b>

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and 2018

## 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., SnipGold Corp. and Snowstorm Exploration LLC) 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. Basis of preparation

### A. Statement of compliance

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 26, 2020.

### B. Basis of consolidation

#### (i) 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 non-controlling equity interests in the acquiree are re-measured at acquisition-date fair value and any resulting gain or loss is recognized in the consolidated statement of operations and comprehensive loss or other comprehensive income, as appropriate. 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.

#### (ii) Associates

An associate is an entity over which the Company has significant influence but not control nor joint control. 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.

## 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 certain financial instruments described in note "K", which are measured at fair value.

### B. Translation of foreign currencies

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

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

## C. 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).

#### *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.

#### *Impairment of assets*

When the Company has judged that an indication of impairment exists, such as a significant or prolonged decline in the fair value of an investment in marketable securities or an indication that the carrying amount of the mineral interest exceeds its estimated recoverable amount, the investment value or carrying value is written down to fair value or recoverable amount and the loss is recognized in the statement of operations and comprehensive loss.

#### *Asset retirement obligations*

When the Company has judged that a constructive or legal obligation exists for reclamation and rehabilitation activities on mineral claims disturbed, an estimate of future costs is recognized as an expense on the statement of operations and comprehensive loss.

### (ii) Key sources of estimation uncertainty

#### *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.

#### *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 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, and changes in discount rates are charged directly to the consolidated statement of operations and comprehensive loss. The periodic unwinding of the discount is recognized in earnings as accretion expense included in finance costs in the consolidated statement of operations and comprehensive loss.

#### *Share based payments*

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

#### *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 our estimated deferred tax liabilities. We have deferred tax assets related to non-capital losses and other deductible temporary differences. Deferred tax assets are only recognized to the degree that it shelters tax liabilities or when it is probable that there will be sufficient taxable income in the future to recover them.

*Contingencies*

The Company funds certain of its exploration expenditures, from time-to-time, with the proceeds from the issuance of flow-through shares and renounces, to subscribers, the expenditures which it determines to be Canadian Exploration Expenses ("CEE"). The Canada Revenue Agency ("CRA"), has disputed the eligibility of certain types of expenditures within the years 2014 to 2016. The Company strongly disagrees with their position and intends to fully defend the Company's tax filings. No provision is recorded related to the contingent taxes if the Company does not consider it probable that there will ultimately be an amount payable.

**D. 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 license acquisition costs, advance royalties, holding costs, field exploration and field supervisory costs and all costs associated with exploration and evaluation activities relating to specific properties as incurred, until those properties are determined to be economically viable for mineral production. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to activities in a particular area of interest. The fair value of any recoveries from the disposition or optioning of a mineral property is credited to the carrying value of mineral properties.

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

The actual recoverable 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.

**E. Leasing arrangements**

Effective January 1, 2019 upon the adoption of IFRS 16, Leases ("IFRS 16") as described in Note 3(M), the Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases

of low-value assets. For short-term leases and leases of low-value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company computes this rate by using a rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, and any initial direct costs and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in right to use asset in the Consolidated Statements of Financial Position. The Company applies IAS 36, *Impairment of Assets*, to determine whether right-of-use assets are impaired.



## F. Impairment and reversal of impairment

### (i) Financial assets

Financial assets measured at amortized cost are reviewed for impairment at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence, that can be estimated reliably, indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment charge in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

A prior period impairment charge is reviewed for possible reversal of impairment whenever an event or change in circumstance indicates the impairment may have reversed. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying amount that would have been determined had no impairment charge been recognized in prior periods. Impairment charge reversals are recognized in the Consolidated Statement of Operations and Comprehensive Loss.

### (ii) Non-financial assets

The carrying value of the Company's mineral interests is assessed for impairment when indicators of such impairment exist. Indicators may include; the loss of the right to explore in the area; the Company deciding not to continue exploring or incur substantial additional expenditures on the project; or it is determined that the carrying amount of the project is unlikely to be recovered by its development or sale. 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 of disposal 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 asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations and comprehensive loss.

## G. Reclamation liabilities

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

**H. 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 substantively 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 where the timing of the reversal of the temporary differences can be controlled by the parent. 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.

**I. Stock-based compensation (options and restricted share units)**

The Company applies the fair value method for stock-based compensation and other stock-based payments. The fair value of options is valued using the Black Scholes option-pricing model and other models for the two-tiered options and restricted share units as may be appropriate. The grant date fair value of stock-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related

service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that 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.

**J. 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.

**K. 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 (loss) per share as the effect is anti-dilutive.

**L. Financial instruments**

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, canceled or expired. Certain financial instruments are recorded at fair value in the consolidated statement of financial position. Refer to note 11 on fair value measurements.

*Non-derivative financial instruments*

Non-derivative financial instruments are recognized initially at fair value plus attributable transaction costs, where applicable for financial instruments not classified as fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below.

*Financial assets at fair value through profit or loss*

Cash and cash equivalents and short-term deposits are classified as financial assets at fair value through profit or loss and are measured at fair value. Cash equivalents are short-term deposits 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.

*Financial assets at amortized cost*

Trade and other receivables are classified as and measured at amortized cost using the effective interest rate method, less impairment losses, if any.

*Financial assets at fair value through other comprehensive income*

The Company's investments in equity marketable securities are designated as financial assets at fair value through other comprehensive income and are recorded at fair value on the trade date with directly attributable transaction costs included in the recorded amount. Subsequent changes in fair value are recognized in other comprehensive income.

*Non-derivative financial liabilities*

Accounts payable and accrued liabilities are accounted for at amortized cost, using the effective interest rate method.

**M. Accounting pronouncements**

New and amended standards and interpretations issued and effective:

**a) IFRS 16, Leases ("IFRS 16")**

The Company adopted IFRS 16, Leases, effective January 1, 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. IFRS 16 introduced significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement date for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Company is the lessee in contractual arrangements that contain a lease.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the Company has not restated prior period comparative information.

*Impact of the new definition of a lease*

The new definition of a lease mainly relates to the incorporation of the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time, in exchange for consideration. The Company reassessed relevant contractual arrangements that existed at January 1, 2019 to determine if they contain a lease.

Impact of the adoption of the new standard:

*Former operating leases*

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, Leases ("IAS 17"), which were previously off-balance sheet. Applying IFRS 16, for all leases (excepted as noted below), the Company:

- i. Recognizes "right-of-use" assets and lease liabilities in the Consolidated Statements of Financial Position, initially measured at the present value of future lease payments;
- ii. Recognizes depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statements of Operations and Comprehensive Income; and
- iii. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Consolidated Statements of Cash Flows.

On transition, the Company elected to measure all right-of-use assets at an amount equal to the lease liability.

*Former finance leases*

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognize as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's consolidated financial statements.

*Practical expedients*

The Company has elected to use the following practical expedients:

- Apply IFRS 16 to a portfolio of leases with similar characteristics as opposed to an individual lease and the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- The accounting for lease payments on leases for which the underlying asset is of a low dollar value on a straight-line basis over the term of the lease;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Not to separate non-lease from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. This expedient was elected on an asset-class by asset-class basis.

Using an incremental borrowing rate of 11.09%, adoption of the new standard resulted in the recognition of additional right-of-use assets and leases liabilities of \$0.3 million as of January 1, 2019 and no cumulative adjustment to opening deficit.

**b) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC Interpretation 23")**

The Company adopted IFRIC Interpretation 23 with a date of initial application of January 1, 2019. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The adoption of this interpretation did not impact the Company's consolidated financial statements.

New accounting standards issued but not yet effective:

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2019. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

**4. Cash and cash equivalents and short-term deposits**

(\$000s)	December 31, 2019	December 31, 2018
Cash and cash equivalents	8,793	2,928
Short-term deposits	4,114	17,068
	12,907	19,996

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, 2019	December 31, 2018
HST	2,212	1,196
Prepaid expenses and other receivables	1,062	423
	3,274	1,619

**6. Investments**

(\$000s)	January 1, 2019	Dispositions	Fair value through other comprehensive loss	Loss of associates	Impairment	Additions	Other comprehensive loss	December 31, 2019
<b>Current assets:</b>								
Investment in marketable securities	2,858	(110)	284	-	-	-	-	3,032
<b>Non-current assets:</b>								
Investment in associate	2,460	-	-	(200)	-	101	-	2,361

(\$000s)	January 1, 2018	Dispositions	Fair value through other comprehensive loss	Loss of associates	Impairment	Additions	Other comprehensive loss	December 31, 2018
<b>Current assets:</b>								
Investment in marketable securities	3,435	-	(577)	-	-	-	-	2,858
<b>Non-current assets:</b>								
Investment in associate	3,426	-	-	(160)	(1,336)	530	-	2,460

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 financial assets are recorded at fair value of \$3.0 million (December 31, 2018 - \$2.9 million) in the

consolidated statements of financial position. At December 31, 2019, the Company revalued its holdings in its investments and recorded a fair value increase of \$0.3 million on the statement of comprehensive loss. During 2019, the Company disposed its holdings in one investment with a fair value of \$0.1 million.



Investment in associate relates to Paramount Gold Nevada Corp ("Paramount"). As at December 31, 2019, the Company holds 8.16% (December 31, 2018 – 8.53%) interest in Paramount for which it accounts using the equity method on the basis that the Company has the ability to exert significant influence through its representation on Paramount's board of directors. During 2019 the Company recorded its proportionate share of Paramount's net loss of \$0.2 million (2018 – \$0.2 million) within equity loss of associate on the consolidated statements of operations and comprehensive loss. During 2018 the Company reviewed the recoverability of the investment in Paramount and recorded an impairment of \$1.3 million on the consolidated statements of operations and comprehensive loss. As at December 31, 2019, the carrying value of the Company's investment in Paramount was \$2.4 million (December 31, 2018 - \$2.5 million).

In 2017, the Company purchased 883,200 common shares and 51,600 warrants of Paramount for \$1.6 million. Each warrant allowed the Company to purchase one common share of Paramount for US\$2.00 per share until February 14, 2018 and allowed for the same purchase at US\$2.25 per share within the period February 15, 2018 to February 13, 2019. On February 14, 2018, the option to purchase the common shares at US\$2.00 per share lapsed. In first quarter of 2019, the warrants to purchase 51,600 common shares at US\$2.25 per share were repriced by Paramount to US\$0.93 per share and the Company exercised these warrants in addition to warrants to purchase 28,600

common shares, transferred to the Company at no additional cost, from parties not wishing to exercise. The purchase price of the combined 80,200 shares of Paramount was \$0.1 million.

In the third quarter of 2018, the Company purchased 320,000 units of Paramount for US\$1.25 per unit. Each unit consists of one common share and one warrant to purchase one-half of a common share of Paramount. Each warrant has a two-year term and is exercisable at US\$1.30 in the first twelve months and US\$1.50 in the following twelve months. As at December 31, 2019, the Company has not exercised these warrants.

## 7. Convertible notes receivable

In September 2019, the Company participated in a private placement to purchase US\$410,000, at face value, of secured convertible notes issued by Paramount. Each convertible note has an issue price of US\$975 per US\$1,000 face amount with a four-year maturity. The Company purchased 410 convertible notes for a total of \$0.5 million (US\$399,750). The convertible notes bear interest at a rate of 7.5% per annum, payable semi-annually. At any time after the issuance of the convertible notes, the Company can convert all or any portion of the outstanding and unpaid amount into common shares of Paramount at a price of US\$1.00 per common share. The Convertible notes receivable are recorded at fair value through profit or loss ("FVTPL").

## 8. 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, 2019	Expenditures / Acquisitions 2019	Balance December 31, 2019
KSM	276,586	19,923	296,509
Courageous Lake	73,647	2,074	75,721
Iskut	29,031	3,184	32,215
Snowstorm	15,269	5,186	20,455
Grassy Mountain	771	-	771
	<b>395,304</b>	<b>30,367</b>	<b>425,671</b>

(\$'000s)	Balance January 1, 2018	Expenditures / Acquisitions 2018	Balance December 31, 2018
KSM	248,561	28,025	276,586
Courageous Lake	69,587	4,060	73,647
Iskut	25,221	3,810	29,031
Snowstorm	13,995	1,274	15,269
Grassy Mountain	771	-	771
	<b>358,135</b>	<b>37,169</b>	<b>395,304</b>

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 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 acquired claims were subject to a 4.5% net smelter royalty. In January 2019, the Company issued 100,000 common shares at \$17.30 per common share, for total fair value of \$1.7 million, to the holder of the net smelter return royalty on the claims and fully extinguished the royalties on those claims. The total fair value of the common shares was recorded to the mineral interest at KSM Project.

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.

During 2019, as part of a cooperative and benefit agreement between the Company and the Tahltan Nation, the Company issued 50,000 common shares with a fair value of \$18.63 per common share, for a total fair value of \$0.9 million.

**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 of Canada.

**C. Iskut**

On June 21, 2016, the Company purchased 100% of the common shares of SnipGold Corp. ("SnipGold") which owns the Iskut Project, located in northwestern British Columbia.

**D. Snowstorm**

In 2017, the Company purchased 100% of the common shares of Snowstorm Exploration LLC ("Snowstorm") which owns the Snowstorm Project, located in northern Nevada. On the acquisition date, the Company issued 700,000 common shares, with a fair value of \$14.39 per share and 500,000 common share purchase warrants with a fair value of \$6.55 per common share purchase warrant for a combined fair value of \$13.3 million. The common

share purchase warrants are exercisable for four years from the date of acquisition, at \$15.65 per share. In addition, the Company has agreed to make 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 a further cash payment of US\$5.0 million on the delineation of an additional five million ounces of gold resources.

On August 29, 2019, the Company purchased certain mining claims and lease agreements (the "Goldstorm Project") in northern Nevada from Mountain View Gold Corp. in exchange for 25,000 common shares of the Company. On the acquisition date, the Company issued the common shares at a fair value of \$21.11 per common share for a total fair value of \$0.5 million.

**E. Grassy Mountain**

In 2013, the Company sold 100% of interest in the Grassy Mountain Project with a net book value of \$771,000 retained within mineral properties, related to the option to either receive a non-controlling interest of 10% or a \$10 million cash payment, following the delivery of a National Instrument 43-101 feasibility study on the project, at the discretion of the company.

**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 was associated with a cash reclamation deposit of \$1 million.

In 2014, the Company entered into an agreement with IDM Mining ("IDM") to option the Red Mountain Project.

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 2017, IDM exercised its option to acquire the Red Mountain Project and the Company derecognized approximately \$1.0 million of accrued reclamation liabilities. The Company released a reclamation deposit of \$1.0 million into cash and pursuant to purchase agreements, made a third-party payment of \$0.3 million. The derecognition of the reclamation liability net with the third-party payment resulted in a \$0.8 million gain on the consolidated statements of operations and comprehensive loss.

**(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.

## 9. Right to use asset

Right to use asset balance represents the asset recognized on the adoption of IFRS 16 on January 1, 2019.

(\$000s)	2019
<b>Right-of-use assets - properties</b>	
Opening balance December 31, 2018	-
Adoption of IFRS 16 on January 1, 2019	307
Less: depreciation	(36)
<b>Net book value December 31, 2019</b>	<b>271</b>

(\$000s)	December 31, 2019
Current	46
Non-current	225
<b>Total Right to use asset</b>	<b>271</b>

## 10. Accounts payable and accrued liabilities

(\$000s)	December 31, 2019	December 31, 2018
Trade payables	2,191	2,360
Trade and other payables due to related parties	61	112
Non-trade payables and accrued expenses	2,440	2,277
	<b>4,692</b>	<b>4,749</b>

During 2016, upon the completion of an audit of the application by tax authorities of the British Columbia Mineral Exploration Tax Credit ("BCMETC") program, the Company was reassessed

\$3.6 million, including accrued interest, for expenditures that the tax authority has categorized as not qualifying for the BCMETC program. The Company recorded a \$3.6 million provision within non-trade payables and accrued expenses on the consolidated statements of financial position as at December 31, 2016. In 2017, the Company filed an objection to the reassessment with the appeals division of the tax authorities and paid one-half of the accrued balance while the objection is reviewed. In early 2019, the Company received a decision from the appeals division that the Company's objection was denied, and the Company filed a notice of appeal with the British Columbia Supreme Court. The Attorney General of Canada replied to the facts and arguments in the Company's Notice of Appeal and stated its position that the Company's expenditures did not qualify for the BCMETC program. As at December 31, 2019, the Company is in the discovery process with the Department of Justice and will continue to move the appeal process forward as expeditiously as possible. The Company intends to continue to fully defend its position. As at December 31, 2019, the Canada Revenue Agency (CRA) has withheld \$1.8 million (2018 - \$1.1 million) of HST credits due to the Company that would fully cover the residual balance, including interest, should the Company be unsuccessful in its challenge.

## 11. Leases obligations

The Company did not have a finance lease liability as at December 31, 2018. The below table is a reconciliation of the lease commitments disclosed at December 31, 2018 in the Company's consolidated financial statements and the lease liability recognized as a result of the adoption of IFRS 16 on January 1, 2019. When measuring the value of the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 11.09%.

(\$000s)	2019
Operating lease commitment at December 31, 2018	246
Operating leases deemed not to be leases under IFRS 16	(68)
	178
Lease extension options reasonably certain to be exercised	267
Leases at January 1, 2019	445
<b>Discounted value to January 1, 2019</b>	<b>297</b>

As at December 31, 2019, the total lease liabilities are as follows:

(\$000s)	December 31, 2019
Current	46
Non-current	228
<b>Total discounted lease liabilities</b>	<b>274</b>

The Company applied the exemption not to recognize ROU assets and liabilities for leases with low value and less than 12 months of lease term. As at December 31, 2019, total value of such leases amounted to \$0.1 million.

## 12. Provision for reclamation liabilities

(\$000s)	December 31, 2019	December 31, 2018
Beginning of the period	8,069	2,481
Revised Johnny Mountain Mine closure	-	7,439
Disbursements	(1,325)	(2,022)
Accretion	121	169
End of the period	6,865	8,069
Provision for reclamation liabilities - current	1,860	955
Provision for reclamation liabilities - long-term	5,005	7,114
	6,865	8,069

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 provision for reclamation obligation, as at December 31, 2019, was calculated using the estimated discounted cash flows of future reclamation costs of \$6.9 million (December 31, 2018 - \$8.1 million) and the expected timing of cash flow payments required to settle the obligations between 2020 and 2026. As at December 31, 2019, the undiscounted future cash outflows are estimated at \$7.0 million (December 31, 2018 - \$8.5 million) primarily over the next three years. The discount rate used to calculate the present value of the reclamation obligations was 1.7% at December 31, 2019 (2% - December 31, 2018). The Company has placed a total of \$1.2 million (December 31, 2018 - \$1.2 million) on deposit with financial institutions that are pledged as security against reclamation liabilities.

In 2018, the Company filed an updated reclamation and closure plan for the Johnny Mountain mine site and charged \$7.4 million of rehabilitation expenses to the consolidated statements of operations and comprehensive loss. The Johnny Mountain Mine site was acquired, along with the Iskut Project, during the Snip Gold acquisition in 2016. Expenditures are expected to be incurred between 2018 and 2022 and include the estimated costs for the closure of all adits and vent raises, removal of the mill and buildings, treatment of landfills and surface water management as well as ongoing logistics, freight and fuel costs. For the year ended December 31, 2019, reclamation disbursements amounted to \$1.3 million (2018 - \$2.0 million).

## 13. Shareholders' equity

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, 2019 or December 31, 2018.

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. 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 2019. The Company considers its capital to be share capital, stock-based compensation, contributed surplus and deficit. The Company is not subject to externally imposed capital requirements.

### A. Equity financings

During the fourth quarter of 2019, the Company entered into an agreement with two securities dealers, for an At-The-Market offering program, entitling the Company, at its discretion, and from time to time, to sell up to US\$40 million in value of common shares of the Company. This program can be in effect until the Company's Shelf Registration Statement expires in June 2021. During the fourth quarter of 2019, the Company issued 231,084 shares, at an average selling price of \$17.58 per share, for net proceeds of \$4.0 million under the offering.

Subsequent to the year end, the Company issued 382,807 shares, at an average selling price of \$17.96 per share, for net proceeds of \$6.7 million under Company's At-The-Market offering.

In September 2019, the Company closed a non-brokered private placement flow-through financing and issued 100,000 common shares at \$24.64 per common share for gross proceeds of \$2.5 million. The Company committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the flow-through financing and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement is December 31, 2019. At the time of issuance of the flow-through shares, \$0.5 million premium was recognized as a liability on the consolidated statements of financial position. As at December 31, 2019, \$2.0



million of qualifying exploration expenditures were incurred and \$0.4 million of the premium was recognized through other income on the consolidated statement of operations and comprehensive loss.

In August 2019, the Company closed a private placement of 1.2 million common shares, at a price of \$17.02 per common share, for gross proceeds of \$20.4 million.

In December 2018, the Company closed a non-brokered private placement flow-through financing and issued 250,000 common shares at \$20.50 per share for gross proceeds of \$5.1 million. The Company committed to renounce its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the flow-through financing and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement was December 31, 2018. At the time of issuance of the flow-through shares, \$0.8 million premium was recognized as a liability on the consolidated statements of financial position. As at December 31, 2019, \$5.1 million of qualifying exploration expenditures were incurred and the full \$0.8 million of the premium was recognized through other income on the consolidated statement of operations and comprehensive loss.

In November 2018, the Company closed a non-brokered private placement of one million common shares, at a price of \$14.00 per share, for gross proceeds of \$14.0 million. As part of the private placement agreement, the Company also granted an option to increase the size of the private placement by an additional 250,000 common shares exercisable until December 24, 2018. The 250,000 options were fully exercised on December 14, 2018 at a price of \$14.00 per share, for gross proceeds of \$3.5 million.

In May 2018, the Company closed a flow-through financing and issued 1,150,000 common shares at \$17.16 per share for gross proceeds of \$19.7 million. The Company committed to renounce

its ability to deduct qualifying exploration expenditures for the equivalent value of the gross proceeds of the flow-through financing and transfer the deductibility to the purchasers of the flow-through shares. The effective date of the renouncement was December 31, 2018. At the time of issuance of the flow-through shares, a \$4.1 million premium was recognized as a liability on the consolidated statements of financial position with the balance recorded as share capital. Since the close of financing and to the end of 2018, \$19.7 million of qualifying exploration expenditures were incurred and the full \$4.1 million premium was recognized through other income on the consolidated statements of operations and comprehensive loss.

## B. Warrants

As part of the acquisition agreement of Snowstorm Exploration LLC in June 2017, the Company issued 500,000 common share purchase warrants exercisable for four years at \$15.65 per share, which are still outstanding as at December 31, 2019.

## C. Stock options and restricted share units

The Company provides compensation to directors and employees in the form of stock options and Restricted Share Units ("RSUs").

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
	Number of options	Weighted average exercise price (\$)	Amortized value of options (\$'000s)	Number of RSUs	Amortized value of RSUs (\$'000s)	Stock-based compensation (\$'000s)
<b>Outstanding January 1, 2019</b>	3,458,805	11.95	16,657	68,000	183	16,840
Granted	50,000	17.72	168	140,100	274	442
Exercised option or vested RSU	(503,831)	10.38	(2,333)	(68,000)	(1,051)	(3,384)
Expired	(1,824)	6.30	(33)	-	-	(33)
Amortized value of stock-based compensation	-	-	4,087	-	868	4,955
<b>Outstanding at December 31, 2019</b>	<b>3,003,150</b>	<b>12.32</b>	<b>18,546</b>	<b>140,100</b>	<b>274</b>	<b>18,820</b>
<b>Exercisable at December 31, 2019</b>	<b>911,816</b>					

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Options			RSUs		Total
	Number of options	Weighted average exercise price (\$)	Amortized value of options (\$000s)	Number of RSUs	Amortized value of RSUs (\$000s)	Stock-based compensation (\$000s)
Outstanding January 1, 2018	3,618,509	11.34	15,758	127,750	791	16,549
Granted	618,000	15.58	372	68,000	183	555
Exercised option or vested RSU	(777,704)	12.00	(3,377)	(127,750)	(1,510)	(4,887)
Amortized value of stock-based compensation	-	-	3,904	-	719	4,623
Outstanding at December 31, 2018	3,458,805	11.95	16,657	68,000	183	16,840
Exercisable at December 31, 2018	1,208,306					

The outstanding share options at December 31, 2019 expire at various dates between February 2020 and June 2024. A summary of options outstanding, their remaining life and exercise prices as at December 31, 2019 is as follows:

Options outstanding		Options exercisable	
Exercise price	Number outstanding	Remaining contractual life	Number exercisable
\$9.00	425,000	4 months	-
\$11.13	245,000	1 year	245,000
\$13.52	100,000	1 year 3 months	100,000
\$17.16	50,000	1 year 5 months	-
\$17.14	50,000	1 year 5 months	50,000
\$10.45	849,164	2 years	299,164
\$13.14	600,001	3 years	198,334
\$16.94	50,000	3 years 10 months	-
\$15.46	568,000	4 years	3,333
\$17.72	50,000	4 years 6 months	-
\$6.30	15,985	2 months to 1 year 2 months	15,985
	3,003,150		911,816

During the year ended December 31, 2019, 503,831 options were exercised for proceeds of \$5.2 million and 68,000 RSUs vested. In total, 571,831 common shares were issued.

In December 2018, 568,000 five-year options with an exercise price of \$15.46, to purchase common shares of the Company, with a grant-date fair value of \$4.3 million, were granted. Of these, 408,000 options were granted to board members that were subject to shareholder approval. 150,000 options were granted to members of senior management. The remaining 10,000 options were granted to a member of management and vest over a three-year period. At the end of the second quarter of 2019, shareholders approved the 408,000 options granted to the board members, and the fair value was re-estimated, at the time, resulting in an additional \$0.4 million fair value that will be recognized over the

estimated service period. During the second quarter of 2019, the shareholders also approved the grant of 50,000 five-year options to a new Board member, with an exercise price of \$17.72 and fair value of \$0.4 million. Vesting of the options to the Board members and senior management is subject to the Company entering into a major transaction on one of the Company's two core assets or other transformative transaction. The fair value of these new options, and the additional fair value, is being amortized over the estimated service period.

In October 2018, 50,000 five-year options with an exercise price of \$16.94, to purchase common shares of the Company, with a grant-date fair value of \$0.4 million, were granted to a new Board member. Vesting of these options is subject to the Company entering into a major transaction on one of the Company's two

core exploration properties or other transformative transaction. 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:

	2019	2018
Dividend yield	Nil	Nil
Expected volatility	54%	55 - 57%
Risk-free rate of return	1.40%	1.40 - 2.38%
Expected life of options	5 year	4.5 - 5 year

In 2019, the Board granted 140,100 RSUs. Of these, 32,500 RSUs were granted to the board members, 74,200 RSUs were granted to members of senior management, and the remaining 33,400 RSUs were granted to other employees of the Company. The fair value of the grants, of \$2.4 million, was estimated as at the grant date and will be amortized over the expected service period of the grants. The expected service period of approximately six months from the date of the grant was dependent on certain corporate objectives being met. As at December 31, 2019, \$0.3 million of the fair value of the grants was amortized.

In 2018, the Board granted 68,000 RSUs to members of management. The fair value of the grants, of \$1.1 million, was estimated at the grant date and was amortized over the expected service period of the grants. The expected service period of three and a half months from the date of the grant was dependent on certain corporate objectives being met. In 2019, the fair value of the grants was fully amortized and all 68,000 RSUs were vested and were exchanged for common shares of the Company.

Subsequent to December 31, 2019, 30,967 options were exercised for proceeds of \$0.3 million.

#### D. Basic and diluted net loss per common share

For the years ended December 31, 2019 and 2018, basic and diluted net loss per common share are computed by dividing the net loss for the period 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, 2019 there was a total of 3,003,150 stock options and 140,100 RSUs outstanding (December 31, 2018 – 3,458,805 and 68,000 respectively).

## 14. 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, 2019 and December 31, 2018 are cash and cash equivalents, short-term deposits, accounts receivable, marketable securities, convertible notes receivable and accounts payable. Other than investments and convertible notes receivable, 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 equity investments are measured at fair value based on quoted market prices and are classified as a level 1 measurement. The convertible notes receivable are measured at fair value and are classified as a level 3 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, convertible notes receivable, and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. The short-term deposits consist of Canadian Schedule I bank guaranteed notes, with terms up to one year but are cashable in whole or in part with interest at any time to maturity, for which management believes the risk of loss to be remote. Management believes that the risk of loss with respect to financial instruments included in amounts receivable and prepaid expenses to be remote.

#### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and cash equivalents of \$8.8 million and short-term deposits of \$4.1 million (2018 - \$2.9 million and \$17.1 million, respectively) for settlement of current financial liabilities of \$4.7 million (2018 - \$4.7 million). 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.

As the Company does not generate cash inflows from operations, the Company is dependent upon external sources of financing to fund its exploration projects and on-going activities. If required, the Company will seek additional sources of cash 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. Refer to note 13 for details on equity financings.

In addition, as at December 31, 2019, the Company had commitments of \$1.5 million required to be paid in 2020, including \$0.8 million to maintain its mineral property claims in good standing. If required, the Company will seek additional sources of cash, in 2020 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.

### **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, 2019, the Company holds \$2.5 million of cash and cash equivalents and \$0.2 million of accounts payable and accrued liabilities denominated in US dollars.

#### **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 \$2.9 million in a gold exchange traded receipt that is recorded on the consolidated statements 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.

### **15. Corporate and administrative expenses**

(\$000s)	2019	2018
Employee compensation	4,635	3,990
Stock-based compensation	5,397	5,178
Professional fees	1,105	1,430
Other general and administrative	2,203	1,772
	<b>13,340</b>	<b>12,370</b>



## 16. Related party disclosures

Compensation to key management personnel of the Company:

(\$000s)	2019	2018
<b>Compensation of directors:</b>		
Directors fees	408	342
Stock-based compensation	1,011	707
	<b>1,419</b>	1,049
<b>Compensation of key management personnel:</b>		
Salaries and consulting fees	4,892	4,416
Stock-based compensation	3,506	2,971
	<b>8,398</b>	7,387
	<b>9,817</b>	8,436

During 2019, there were no payments to related parties other than compensation paid to key management personnel. During 2018, a private company controlled by an officer was paid \$0.2 million for legal services rendered. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 17. Income taxes

(\$000s)	2019	2018
Current tax expense	-	72
Deferred tax expense	(697)	4,895
	<b>(697)</b>	4,967
<b>Tax recovery recognized directly in equity</b>		
(\$000s)	2019	2018
Share issuance costs	166	204

In 2019, the Company recognized income tax recovery of \$0.7 million (2018 - income tax expense of \$5.0 million) primarily related to deferred tax recovery arising from the losses in the current year, partially offset by a deferred tax expense arising due to the renouncement of expenditures related to 2018 and 2019 flow-through shares which are capitalized for accounting purposes.

### A. Rate reconciliation

The provision for income taxes differs from the amount that would have resulted by applying the combined Canadian Federal, Ontario, British Columbia and Northwest Territories statutory income tax rates of 26.60% (2018 - 26.70%).

(\$000s)	2019	2018
Loss before income taxes	<b>(12,310)</b>	(14,973)
	<b>26.60%</b>	26.70%
Tax expense calculated		
Using statutory rates	<b>(3,274)</b>	(3,998)
Non-deductible items	<b>1,113</b>	(298)
Difference in foreign tax rates	<b>11</b>	50
Change in deferred tax rates	<b>(89)</b>	2
Movement in tax benefits not recognized	<b>(395)</b>	1,752
Renouncement of flow-through expenditures	<b>1,904</b>	7,538
Other	<b>33</b>	(79)
Income tax expense	<b>(697)</b>	4,967

### B. Deferred income tax

The following table summarizes the significant components of deferred income tax assets and liabilities:

(\$000s)	December 31, 2019	December 31, 2018
<b>Deferred tax assets</b>		
Property and equipment	<b>68</b>	65
Provision for reclamation liabilities	<b>70</b>	70
Financing costs	<b>622</b>	818
Non-capital loss carryforwards	<b>25,347</b>	22,547
<b>Deferred tax liabilities</b>		
Mineral interests	<b>(48,533)</b>	(46,789)
	<b>(22,426)</b>	(23,289)

**C. Unrecognized deferred tax assets**

The company has not recognized deferred income tax assets in respect of the following tax effected deductible temporary differences:

(\$000s)	December 31, 2019	December 31, 2018
Marketable securities	227	352
Loss carryforwards	869	874
Investment tax credits	1,481	1,481
Foreign tax credits	268	268
Mineral properties	200	215
Provision for reclamation liabilities	1,183	1,507

Deferred tax has not been recognized on the deductible temporary difference of \$3.7 million (2018 - \$4.0 million) relating to investments in subsidiaries as these amounts will not be distributed in the foreseeable future.

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.

**D. Income tax attributes**

As at December 31, 2019, the Company had the following income tax attributes to carry forward:

	(\$000s)	Expiry date
Canadian non-capital losses	95,394	2039
Canadian capital losses	2,571	Indefinite
Canadian tax basis of mineral interest	207,840	Indefinite
U.S. non-capital losses	336	2039
U.S. capital losses	1,674	2023
U.S. tax basis of mineral interest	8,018	Indefinite

**18. Commitments and contingencies**

(\$000s)	Payments due by years				
	Total	2020	2021-22	2023-24	2025-26
Mineral interests	9,715	826	1,992	3,372	3,525
Flow-through share expenditures	441	441	-	-	-
	10,156	1,267	1,992	3,372	3,525

As reported in the Company's prior year financial statements, in early 2019 the Company received a notice from the CRA that it proposed to reduce the amount of expenditures reported, as Canadian Exploration Expenses (CEE) for the three-year period ended December 31, 2016. The Company has funded certain of its exploration expenditures, from time-to-time, with the proceeds from the issuance of flow-through shares and renounced, to subscribers, the expenditures which it determined to be CEE. The notice disputes the eligibility of certain types of expenditures previously audited and approved as CEE by the CRA. The Company strongly disagrees with the notice and responded to the CRA auditors with additional information for their consideration. Subsequent to the year end, the CRA auditors responded to the Company's submission and, although accepting additional

expenditures as CEE, reiterated that their position remains largely unchanged and subsequently issued reassessments to the Company reflecting the additional CEE expenditures accepted and \$2.15 million of Part XII.6 tax owing. Based on these reassessments, the Company anticipates that the CRA will reassess investors with reduced CEE deductions. The Company's and investors' reassessments can be appealed to the courts. The Company has indemnified the investors that subscribed for the flow-through shares. The potential tax indemnification to the investors is estimated to be \$11.8 million. No provision has been recorded related to the tax nor the potential indemnity as the Company and its advisors do not consider it probable that there will ultimately be an amount payable.

# Corporate Information

## DIRECTORS

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

**A. Frederick Banfield**

**Eliseo Gonzalez-Urien**

**Richard C. Kraus**

**Jay S. Layman**

**Melanie R. Miller**

**Clement A. Pelletier**

**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**  
*Senior Vice President, Environmental Affairs*

**C. Bruce Scott**  
*Vice President,  
General Counsel and Corporate Secretary*

**Michael G. Skurski**  
*Vice President, Technical Services*

**Elizabeth Miller**  
*Vice President, Environment and Social Responsibility*

## 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

Tel: 416 367 9292, Fax: 416 367 2711  
info@seabridgegold.net  
www.seabridgegold.net  
www.ksmproject.com

## INVESTOR RELATIONS

**Rudi P. Fronk**  
Tel: 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

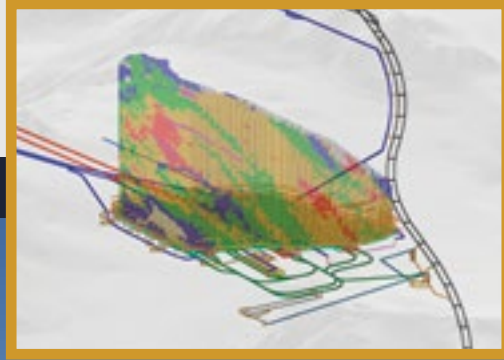
## LEGAL COUNSEL

**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

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









# SEABRIDGE GOLD

---

**Seabridge Gold Inc.**

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

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