

Seabridge Gold Inc.

2004

ANNUAL REPORT 2004

A high leverage perpetual option on gold

CORPORATE OVERVIEW

Seabridge Gold Inc. is designed to provide its shareholders with maximum leverage to a rising gold price. Over the past four years, when the gold price was low, Seabridge acquired 8.7 million ounces of gold resources in the measured and indicated categories plus an additional 6.8 million ounces in the inferred category, all in North America, including the multi-million ounce Courageous Lake deposit (see resource table on page 3). Most recently, as the gold price has risen, Seabridge has “banked” more than 25 high-grade gold exploration projects in Nevada. The aim is to continue adding gold resources through further acquisitions and exploration funded largely by partners.

Our research shows that Seabridge provides ownership of more gold resources per common share than any other public North American gold vehicle. Each Seabridge share represents an industry-leading 0.52 ounces of gold fully diluted. The Company’s largest shareholder is Friedberg Mercantile Group, a prominent investment dealer and futures commission merchant.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Thursday June 9, 2005
4:30 p.m. EDT
The Albany Club
91 King Street East
Toronto, Canada M5C 1G3

Trading: SEA on TSX-V
SA on AMEX

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REPORT TO SHAREHOLDERS FOR 2004

REVIEW OF 2004

During 2004, Seabridge enhanced the value of three of its projects and moved to define the economics of two of its deposits. In total, gold resources increased by 7% for the year.

Courageous Lake

At our 100%-owned Courageous Lake project located in the Northwest Territories of Canada, the Company completed two successful drill campaigns, which resulted in a 12% increase in gold resources of the felsic-ash-tuff ("FAT") deposit and a 15% improvement in average grade. During 2004, Seabridge spent approximately \$2.9 million in exploration at Courageous Lake, resulting in the expansion of the previous 1.8-kilometer-long FAT deposit by an additional 300 meters to the south. The 2004 exploration results led to a new resource estimate for the FAT deposit, derived from a new independent block model. At a 1.0 gram per tonne cut-off grade, measured and indicated gold resources at FAT now stand at 3.5 million ounces (44.2 million tonnes grading 2.49 grams per tonne) plus an additional 4.9 million ounces in the inferred resource category (65.5 million tonnes grading 2.32 grams per tonne). The FAT deposit remains Canada's largest known undeveloped gold resource. During 2005, the Company will further explore for additional strike extensions of FAT.

Kerr-Sulphurets

Exploration conducted by Noranda Inc. under its option agreement with Seabridge at our Kerr-Sulphurets project in British Columbia, Canada, has identified four high-priority drill targets that Noranda plans to drill test during 2005. These zones are the Iron Cap, Main Copper, Mitchell North and MacQuillan. Noranda's 2004 field program was designed to explore outside the known Kerr and Sulphurets deposits. Mapping, rock and soil sampling, and IP surveys focused in areas of recent glacier retreat that were not accessible to previous operators. An independent petrographic report analyzing 58 polished thin sections taken by Noranda from these zones concluded that "alteration and Cu-Au mineralization observed at the property is probably due to structural leakage of, or from the potassic-Cu-Au core zone of, a world-class-sized porphyry system".

Red Mountain

A new 43-101 Technical Report prepared by SRK Consulting (“SRK”) of Toronto on Seabridge’s 100%-owned Red Mountain project in British Columbia led to a 34% increase in gold resources. At a 1.0 gram per tonne cut-off grade, SRK estimated an additional inferred resource of 1,729,000 tonnes at a grade of 2.97 grams per tonne gold (165,000 ounces) in close proximity to gold resources previously reported by Seabridge for the project. SRK concluded that there is excellent potential to further expand the gold resources at Red Mountain with additional exploration drilling.

Joint Ventures

In addition to Kerr-Sulphurets, Seabridge currently has agreements in place at six of our other projects where third parties are earning into joint ventures. The Company’s joint venture strategy is to fund higher risk exploration projects by optioning an interest in these projects in exchange for exploration expenditures and shares of the proposed joint-venture partner.

The options to form joint ventures currently in place on Seabridge projects include Quincy Gold Corp. (Quartz Mountain Project, Oregon), Hecla Mining Company (Stonewall Project, Nevada), Platte River Gold (US) Inc. (South Gilbert Project, Nevada), Golconda Resources Ltd. (Merger Project, Nevada), Telkwa Gold Corporation (BAB-KAD Project, Nevada) and Quincy Gold Corp. (Millers Project, Nevada).

Options were terminated by Romarco Minerals (Hog Ranch Project, Nevada) and Castleworth Ventures Ltd. (Thunder Mountain, Nevada). Seabridge retains common share ownership in both Romarco (400,000 shares) and Castleworth (100,000 shares).

OBJECTIVES FOR 2004

In last year’s annual report, the Company set four objectives to be achieved during the year. The first objective was to maintain a ratio of at least 0.50 ounces of gold resources per fully diluted common share. As a result of exploration success at Courageous Lake, plus the increase in gold resources at Red Mountain, Seabridge now provides 0.52 ounces of gold resources per share on a fully diluted basis. Seabridge is very proud to report that our gold resources per fully diluted share have increased for five successive years and in every year since the implementation of our corporate strategy in 1999. This means that the equity dilution that has occurred each year has been more than offset by growth in gold resources.

The second objective set last year was to complete an independent engineering study of Courageous Lake and define capital and operating costs to a pre-feasibility level. Although much work has been accomplished on this front, the completion of the study has been delayed as a result of 2004 exploration success achieved at Courageous Lake. In December 2004, a new block model was created for the project, incorporating the results of 2004 drilling. The Company opted to delay the study in order to incorporate the new block model in mine design and production scheduling. The study is now expected to be completed during the second quarter of 2005.

The third objective was to add an additional one million ounces of gold resources. With the exploration success at Courageous Lake, coupled with the resource additions at Red Mountain, the Company’s gold resources have increased by more than one million ounces from last year.

The final objective set for 2004 was to increase liquidity in Seabridge shares and a new listing was obtained on the American Stock Exchange to further this aim. In 2003, average daily trading volume was 43,000 shares. During 2004, average daily trading volume was 39,000 shares, a decrease of approximately 10% despite the new listing, which is consistent with the industry-wide decline in liquidity of precious metals stocks.

OBJECTIVES FOR 2005

For the coming year, the Company has set the following objectives:

- Continue to maintain a ratio of at least 0.50 ounces of gold resources per fully diluted common share.
- Complete the independent engineering study for Courageous Lake to define the potential economics at the project.
- Confirm the potential to extend the strike length to the north and south at Courageous Lake.
- Complete the data collection and analysis of the Courageous Lake project necessary for entering into a transaction with a major gold-producing partner.
- Assess the economics of Grassy Mountain to position the project for development by a third party with Seabridge to retain gold flow from future production.
- Prioritize and select three or four projects for drilling by Seabridge from the Company's inventory of early-stage Nevada projects.

GOLD RESOURCES

The following table provides a breakdown of Seabridge's 100%-owned gold resources by project:

Project	Measured			Indicated			Inferred		
	Tonnes (,000)	Grade (g/T)	Ounces (,000)	Tonnes (,000)	Grade (g/T)	Ounces (,000)	Tonnes (,000)	Grade (g/T)	Ounces (,000)
Courageous Lake	3,040	2.74	268	41,160	2.47	3,269	65,500	2.32	4,886
Grassy Mountain	11,790	1.79	680	3,740	3.07	369	120	0.90	4
Sulphurets ¹				39,300	1.05	1,332	15,500	0.92	458
Kerr ²				74,030	0.34	809	66,780	0.37	794
Quartz Mountain	3,480	0.98	110	54,330	0.91	1,591	44,800	0.72	1,043
Red Mountain	1,260	8.01	324	340	7.04	76	2,075	3.72	248
Castle/Black Rock	4,120	0.57	75	8,260	0.53	140	7,950	0.37	93
Hog Ranch				1,450	1.13	53	400	1.68	24
Total	23,690	1.91	1,457	222,610	1.07	7,639	203,125	1.14	7,550

1. Excludes 277 million pounds of copper in the drill-indicated resource category plus an additional 113 million pounds of copper in the inferred resource category.

2. Excludes 1,208 million pounds of copper in the drill-indicated resource category plus an additional 1.119 million pounds of copper in the inferred resource category.

THE GOLD MARKET

Expectations of the future price of gold remain the single most important factor influencing the Seabridge share price. We at Seabridge have been surprised and disappointed by the performance of gold and gold shares over the past year.

A year ago, with the gold price at current levels, the expectation was that gold was going higher and this attracted momentum money into gold shares because of the extra leverage they provide. Today, it appears that the broad market generally expects a lower gold price and share prices are consequently depressed. Furthermore, prices for many commodities that are important inputs to the gold-mining process such as oil and steel have outpaced the gold price, flattening profit expectations for the gold sector.

Looking beyond the current situation, the key question is whether the financial and economic fundamentals support a higher or lower gold price. Based on the factors that have driven significant movements in the gold price in the past, the fundamentals continue to improve for the gold price. But, as always, the issue is really one of confidence in financial assets. If investors have confidence that they can earn a reasonable return on financial assets above the inflation rate, after taking into account currency effects, they tend not to bid up the price of gold. When inflation expectations are benign and real interest rates are perceived to be rising, gold has not performed well.

On the other hand, when inflation expectations are rising and investors expect real interest rates to remain negative, paper currencies are generally considered to be more suspect and gold has outperformed other asset classes. We are increasingly seeing evidence that this is where we are now. Many facts support the view that inflation is not only rising but is significantly understated. In its February 24, 2005, edition, *The Economist* “calculates that broad inflation is now 5.5%, the highest since 1982.” In this article, entitled “Steering by a Faulty Compass”, the magazine notes that adjusting the U.S. CPI for the government’s own housing inflation statistics would boost this measure of consumer price inflation to 5.5% without even considering the adjustments for increased quality and assumptions about consumer substitution for price inflating items that also have the effect of understating inflation. A 5.5% CPI in the United States would reduce its real economic growth to nearly zero and substantially increase the U.S. federal deficit because social security payments and government pensions are indexed to the CPI.

The experience of the 1970s was that inflation expressed itself in consumer prices at the end of the inflationary process, not at the beginning. The evidence of an inflationary build-up is all around us: the money base in the United States and Asia is growing at a record pace of more than 20% per year as are central bank reserves. Trade imbalances are soaring as consumers borrow against inflating assets to increase their spending faster than their incomes, another sign of inflationary expectations. Meanwhile, many commodities have recently set new 20-year highs.

Other factors also threaten to impact the stability of paper assets and currencies, including increasing political uncertainty over the future of Europe and the euro, shocking new financial scandals in some of the largest American companies and concerns about rampant speculation in real estate. If these conditions begin to erode confidence in financial assets, gold will tend to outperform, especially given the continuing rapid expansion in credit available to purchase a strictly limited gold supply.

No one can say when investor confidence in paper assets and currencies could falter, but at Seabridge we are doing everything possible to position our shareholders to gain from such a development by adding to the size and quality of gold resources held on your behalf.

On behalf of the Board of Directors,



Rudi P. Fronk

President & Chief Executive Officer

April 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion of the results of operations and financial condition of Seabridge Gold Inc. and its subsidiary companies for the years ended December 31, 2004; December 31, 2003; and December 31, 2002. This report is dated March 18, 2005.

As the Company has no revenue-generating projects at this time, its ability to carry out its business plan rests with its ability to secure equity and other financings.

COMPANY OVERVIEW

Seabridge Gold Inc. is a development-stage company engaged in the acquisition and exploration of gold properties located in North America. The Company is designed to provide its shareholders with maximum leverage to a rising gold price. Over the past five years, 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. As the price of gold has moved higher over the past two years, Seabridge has commenced exploration activities and engineering studies at several of its projects. Seabridge's principal projects include the Courageous Lake property, located in the Northwest Territories; the Kerr-Sulphurets and Red Mountain properties, both located in British Columbia; and the Grassy Mountain property, located in Oregon. Seabridge's common shares trade in Canada on the TSX Venture Exchange under the symbol "SEA" and in the United States on the American Stock Exchange under the symbol "SA".

SELECTED ANNUAL INFORMATION

Summary operating results	2004	2003	2002
Interest income	\$ 83,000	\$ 107,000	\$ 86,000
Operating costs	1,940,000	1,103,000	1,710,000
Write-off of mineral properties	—	342,000	6,000
Loss	1,226,000	1,338,000	1,630,000
Loss per share	0.04	0.05	0.10

Summary balance sheets	2004	2003	2002
Current assets	\$ 4,396,000	\$ 4,223,000	\$ 3,893,000
Mineral interests	20,999,000	16,635,000	9,018,000
Total assets	27,172,000	22,869,000	14,143,000
Total long-term liabilities	1,293,000	1,378,000	2,017,000

RESULTS OF OPERATIONS

Year ended December 31, 2004, compared with year ended December 31, 2003

The Net Loss for the year ended December 31, 2004, totaled \$1,226,000, or \$0.04 per share, compared with \$1,338,000, or \$0.05 per share, for the year ended December 31, 2003. The loss in 2004 was reduced by a \$575,000 income tax recovery, largely relating to the recognition of the Company's tax assets after renouncing the Canadian Exploration Expenses to the investors of the flow-through financings completed in 2003. Also in 2004, Pacific Intermountain Gold Inc. ("PIGCO"), a subsidiary of the Company, sold shares it had received on optioning out a mineral property, resulting in a gain of \$75,000, offset by \$19,000 representing the minority interest in the gain. Corporate and general expenses increased by \$867,000 in 2004 over 2003. Approximately 39% of this increase was due to increased investor relations activities, including listing on the American Stock Exchange and investor communications. Approximately 27% of the increase in corporate and general expenses was due to higher salaries and benefits for senior personnel and the hiring of a Chief Financial Officer. A further 15% of the increase reflects a full year of directors' fees, which the Company had commenced paying in mid-2003, as well as the introduction of a comprehensive directors and officers liability insurance policy. About 12% of the increase was due to the recognition of the accretion for costs of reclamation liabilities. Finally, about 6% of the increase was due to higher costs of regulatory compliance, principally accounting and legal fees required by changes in regulations. In 2003, the Company wrote off the Tobin Basin exploration project in Nevada due to unsuccessful exploration results, amounting to \$342,000.

Year ended December 31, 2003, compared with year ended December 31, 2002

The Net Loss for the year ended December 31, 2003, totaled \$1,338,000, or \$0.05 per share, compared with \$1,630,000, or \$0.10 per share, for the year ended December 31, 2002. Interest income was higher in 2003 (\$107,000 compared with \$86,000 in 2002) as higher cash balances from funds received from convertible Notes and Private Placements were invested in short-term secure investments. The change in loss in 2003 was due to a number of factors. Management and consulting fees were higher in 2003 due to new personnel and the commencement of paying directors' fees amounting to \$49,000. In 2002, a greater number of stock options were granted, resulting in stock option compensation expense amounting to \$520,000 compared with \$132,000 in the current year. Investor communications fees were reduced during 2003 to \$171,000 from \$234,000 in 2002. Professional fees were lower overall in 2003 at \$136,000 compared with \$163,000 in 2002, with lower legal and consulting fees due to a lesser number of project acquisitions. Debenture interest was reduced in 2003 to \$12,000 compared with \$122,000 in 2002 as the second convertible debenture was converted into common shares of the Company in April 2003. In 2002, the Company recorded an exploration expense of \$189,000 in connection with the Pacific Intermountain Gold Inc. acquisition. In 2003, the Company wrote off the Tobin Basin project in Nevada due to unsuccessful exploration results, amounting to \$342,000.

QUARTERLY INFORMATION

Selected financial information for each of the last eight quarters ending December 31, 2004, is as follows (unaudited):

	4th Quarter Ended December 31, 2004	3rd Quarter Ended September 30, 2004	2nd Quarter Ended June 30, 2004	1st Quarter Ended March 31, 2004
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (loss) for period	(400,000)	(418,000)	(517,000)	109,000
Loss per share	0.01	0.01	0.02	—

	4th Quarter Ended December 31, 2003	3rd Quarter Ended September 30, 2003	2nd Quarter Ended June 30, 2003	1st Quarter Ended March 31, 2003
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for period	(623,000)	(245,000)	(231,000)	(239,000)
Loss per share	0.02	0.01	0.01	0.01

The profit in the first quarter of 2004 was due to the recognition of the Company's tax assets after renouncing the Canadian Exploration Expenses to the investors of the flow-through financings completed in 2003. The loss in the fourth quarter of 2003 was higher than previous quarters due to the write-off of the Tobin Basin exploration project, which amounted to \$342,000.

MINERAL INTEREST ACTIVITIES

During the year ended December 31, 2004, the Company incurred net expenditures of \$6,714,000 on mineral interests compared with \$5,523,000 in the year ended December 31, 2003. Of the expenditures incurred in the 2004 period, \$3,730,000 was expended at its Courageous Lake project, where the Company completed a 10,000-meter diamond drill program, and on a Preliminary Economic Assessment ("PEA") being prepared by independent consultants. The drill program expanded the strike length of the FAT (felsic-ash-tuff) deposit by approximately 300 meters to the south and resulted in the preparation of a new independent resource model for the project, which confirmed at a 1.0 gram per tonne cut-off grade a 15% increase in the average grade of the FAT deposit and a 12% increase in gold resources. The new resource model is now being incorporated into the PEA, which is expected to be completed in April 2005. In addition, the Company paid US\$1,500,000 in February 2004 to the vendors of the Courageous Lake project, thereby satisfying the final contingent acquisition payment based on the price of gold. This amount was accrued as a liability in December 2003 in the amount of \$1,945,000. During 2004, the Company also engaged SRK Consulting to update the resource estimate for the Red Mountain project by evaluating areas outside of zones where previous estimates of resources had been determined. The SRK study increased gold resources at Red Mountain by 34% over previous estimates. The balance of expenditures on mineral interests during 2004 was related to project holding costs, including underlying lease payments and payments to government agencies for claim maintenance.

During 2004, Noranda (Seabridge's joint-venture partner) conducted field programs at Kerr-Sulphurets designed to explore outside the known deposits in order to expand the known resources. The programs consisted of mapping, rock and soil sampling, and IP surveys. For 2005, Noranda is planning to conduct a \$1,000,000 helicopter supported drill program targeting untested mineralized zones and geophysical anomalies.

During 2005, the Company plans to expend approximately \$4.4 million on mineral interests. Approximately \$3.0 million of these planned expenditures will be associated with Courageous Lake, including a new 7,500-meter drill program to test further strike extensions of the FAT deposit and completion of the PEA. The balance of planned mineral interest expenditures for 2005 will include ongoing holding costs at its projects as well as reconnaissance activities on a number of its earlier staged projects in Nevada.

LIQUIDITY AND CAPITAL RESOURCES

The ability of the Company to successfully acquire additional advanced-stage gold projects or to advance the projects already acquired is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding warrants or arranging other forms of equity financing. In light of the continually changing financial markets, there is no assurance that new funding will be available at the times required or desired by the Company.

Year ended December 31, 2004

The Company's working capital position, at December 31, 2004, was \$4,220,000, an increase of \$2,334,000 compared with \$1,886,000 at the prior year-end. Included in working capital, in 2004, was \$1,170,000 (2003 — \$1,526,000) in cash from flow-through share financings, which will be used in 2005 for exploration at the Courageous Lake property. Included in accounts payable at December 31, 2003, was an amount of US\$1,500,000 (CDN\$1,949,750) due under the terms of the acquisition agreement to the former owners of the Courageous Lake property as the price of gold reached US\$400 in December 2003. In April 2004, the Company secured an equity financing of \$5.4 million in gross proceeds consisting of 1,200,000 common shares at \$4.50 per share. In September 2004, the Company completed a \$2.3 million flow-through financing, consisting of 505,000 common shares at \$4.50 per share. Also in 2004, the Company received cash of \$563,000 from the exercise of warrants and \$213,000 from the exercise of options. In 2004, total financing received was \$8,241,000 compared with \$7,467,000 in 2003. In February 2005, the Company secured an additional \$2.1 million in flow-through financing, consisting of 500,000 common shares at \$4.25 per share. This amount plus flow-through funds on hand at December 31, 2004, is expected to satisfy planned expenditures on Courageous Lake for 2005. Other funds on hand plus anticipated exercise of warrants by June 2005 are expected to provide adequate working capital for other projects' costs plus corporate and administrative expenses.

Cash and short-term deposits at December 31, 2004, were \$2,788,000, up from \$2,443,000 at December 31, 2003. In addition to the stated cash and short-term deposits, the Company had \$1,170,000 in cash from flow-through share financings, which will be used in 2005 for exploration at the Courageous Lake property. Operations activities used \$1,764,000 in 2004, compared with \$816,000 in the prior year, due to increased corporate activities in 2004, including listing the Company on the American Stock Exchange. Cash expenditures on mineral interests, including the capital assets, were \$6,714,000, comparable with the \$5,555,000 cash expenditures in 2003. The major property expenditures in 2004 were for Courageous Lake exploration and to a much smaller extent Grassy Mountain exploration and for the PIGCO property land maintenance costs.

Year ended December 31, 2003

The Company's working capital position, at December 31, 2003, was \$1,889,000, a decrease of \$1,930,000 compared with \$3,819,000 at the prior year-end. Included in working capital, in 2003, was \$1,526,000 in cash from flow-through share financings, which will be used in 2004 for exploration at the Courageous Lake property. Included in accounts payable at December 31, 2003, was an amount of US\$1,500,000 (CDN\$1,949,750) due under the terms of the acquisition agreement to the former owners of the Courageous Lake property as the price of gold reached US\$400 in December 2003.

Cash and short-term deposits at December 31, 2003, were \$2,443,000, down from \$3,624,000 at December 31, 2002. In addition to the stated cash and short-term deposits, the Company had \$1,526,000 in cash from flow-through share financings, which will be used in 2004 for exploration at the Courageous Lake property. Operations activities used \$816,000 in 2003 compared with \$982,000 in the prior year due to lower overall cash operating expenditures in

2003. Cash expenditures on mineral interests were \$5,523,000, comparable with the \$5,855,000 cash expenditures in 2002. The major property expenditures in 2003 were for the Courageous Lake acquisition and exploration, the Grassy Mountain acquisition and for the PIGCO properties. As part of the Grassy Mountain acquisition, an investment in shares of a private exploration company was made for US\$500,000 (CDN\$749,450). The private company subsequently merged with another private exploration company and it is expected that the resulting company will become public during 2005. Financing activities in 2003 included equity issuances, including warrant and option exercises that provided cash of \$7,467,000, similar to the \$7,278,000 in 2002. The financing sources included a private placement, two flow-through private placements and option and warrant exercises. In addition, the \$800,000 convertible debenture, which was outstanding at December 31, 2002, was converted along with interest due thereon into common shares of the Company in April 2003.

Year ended December 31, 2002

The Company's working capital position, at December 31, 2002, was \$3,819,000. Cash and short-term deposits were \$3,624,000. Operations used \$982,000 in 2002 compared with \$276,000 in the prior year as expenses increased and the Company also paid out prior-year payables. Investments were made on mineral interests expenditures of \$5,855,000, up from \$1,047,000 as the Company acquired new projects, including Courageous Lake, the PIGCO properties as well as smaller ones and commenced exploration thereon. Liabilities and minority interest decreased to \$2,091,000 as the Convertible debenture of \$2.0 million owed at the end of 2001 was converted into common shares and an additional \$800,000 was secured in 2002. In addition, a minority interest was recorded on the incorporation of the new subsidiary Pacific Intermountain Gold Inc. Financing Activities provided cash of \$7,278,000 from the issuance of common shares, including private placements and the exercise of options and warrants, and \$800,000 from the issuance of a convertible debenture.

A private placement of 3,200,000 Units closed in 2002 at a price of \$1.70 per unit. Each unit consisted of one common share and 0.5 of a common share purchase warrant exercisable for one year at \$1.90. The financing was arranged to pay the up-front cash costs associated with the acquisition of the Courageous Lake gold project. Also during the year ended December 31, 2002, the Company arranged a second convertible debenture financing for \$800,000 to Pan Atlantic Bank and Trust Ltd. The debenture paid interest at 5% per year and, at the option of the holder, was convertible into common shares of the Company at the exercise price of \$0.80 for the first two years, \$0.90 for the third year and \$1.00 per share in the fourth year. Interest for the first two years was to be accrued and added to the principal amount. The Company had the option to force conversion of the debenture into common shares if certain share price and trading volume thresholds were met. In April 2003, this conversion was implemented and the Company issued 1,051,272 common shares for the debenture and accrued interest.

Contractual obligations (,000)	Payments due by period				
	Total	2005	2006-8	2009-10	After 2010
Mineral interests	\$ 9,270	\$1,219	\$3,876	\$2,777	\$1, 398
Reclamation liabilities	1,293	—	—	—	1,293
	\$10,563	\$1,219	\$3,876	\$2,777	\$2,691

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

OUTLOOK

During 2005, the Company will continue to make exploration expenditures to advance its major project being Courageous Lake and to review its other projects for possible joint-venture opportunities while at the same time ensuring that funding is available for its project holding costs and other corporate requirements.

SHARES ISSUED AND OUTSTANDING

At March 18, 2005, the issued and outstanding common shares of the Company totaled 30,219,785. In addition, there are 1,948,900 stock options granted (of which 700,000 are unexercisable and are contingent upon achieving certain future goals) and 287,500 warrants issued and outstanding. On a fully diluted basis, there would be 32,456,185 common shares issued and outstanding.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2004, a private company controlled by a director of the Company was paid \$57,000 (2003 — \$27,000) for technical services provided by his company related to mineral properties; a private company controlled by a second director was paid \$133,000 (2003 — \$60,000) for corporate consulting services rendered; and outstanding accounts payable to directors was \$41,000. 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.

Insiders of the Company purchased 350,000 of the common shares in the private placement, which closed in April 2004.

RISKS AND UNCERTAINTIES

Exploration and development risks

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore. The mineral resource estimates set out herein are not mineral reserves and do not have demonstrated economic viability. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Financing risks

The Company has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects, with the possible forced sale or loss of such properties. The Company will require additional financing if ongoing exploration of its properties is warranted.

Mineral interests

Mineral interests represent the capitalized expenditures related to the exploration and development of mineral properties. Upon commencement of commercial production, all related capital expenditures for any given mining interest are amortized over the estimated economic life of the property. If a property is abandoned or deemed economically unfeasible, the related project balances are written off.

CHANGES IN CANADIAN ACCOUNTING RECOMMENDATIONS

Accounting for asset retirement obligations

In March 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3110, "Accounting for Asset Retirement Obligations". Under this section, the Company records the full amount of any obligation associated with the asset retirement, such as the reclamation associated with the end of a mine's life, as a liability. At the same time, a corresponding asset is recorded that is depreciated over the life of the asset. The Company adopted Section 3110 on January 1, 2004. The Company has determined that the impact of implementation of these guidelines on its prior-year consolidated financial statements was not material.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

FORWARD-LOOKING STATEMENTS

These consolidated financial statements and management's discussion and analysis contain certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves; the grade and recovery of ore that 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 that affect this information, except as required by law.

MANAGEMENT'S REPORT

The management of Seabridge Gold Inc. is responsible for the preparation of the consolidated financial statements as well as the financial and other information contained in the annual report. Management maintains an internal control system in order to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

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

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

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



Rudi P. Fronk
President & Chief Executive Officer
March 18, 2005

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Seabridge Gold Inc. as at December 31, 2004, and December 31, 2003; the consolidated statements of operations and deficit; and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004, and December 31, 2003, and the results of its operations and its cash flows for each of the years in the three-year period then ended in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 11 to the consolidated financial statements.



KPMG LLP
Chartered Accountants
Toronto, Canada, March 18, 2005

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph following the opinion paragraph when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change described in Note 11 to the consolidated financial statements. Our report to the shareholders dated March 18, 2005, is expressed in accordance with Canadian reporting standards, which do not require a reference to such change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.



KPMG LLP
Chartered Accountants
Toronto, Canada, March 18, 2005

CONSOLIDATED BALANCE SHEETS

December 31, 2004, and December 31, 2003 (in Canadian dollars)

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	\$ 157,502	\$ 1,551,999
Cash held for exploration expenditures (Note 6)	1,169,798	1,526,600
Short-term deposits	2,630,202	890,900
Amounts receivable and prepaid expenses	278,815	138,349
Marketable securities	160,101	115,100
	4,396,418	4,222,948
Mineral interests (Note 3)	20,998,671	16,634,873
Investment (Note 3 b))	749,450	749,450
Reclamation deposits (Note 4)	1,000,000	1,225,000
Capital assets	27,819	36,586
	\$ 27,172,358	\$ 22,868,857
Liabilities		
Current liabilities		
Accounts payable and accruals	\$ 176,354	\$ 392,640
Due to vendors — Courageous Lake property (Note 3)	—	1,944,750
	176,354	2,337,390
Provisions for reclamation liabilities (Note 4)	1,293,449	1,189,289
Minority interest (Note 3 h))	—	188,644
	1,469,803	3,715,323
Shareholders' equity (Note 6)		
Share capital	42,230,336	34,470,262
Stock options	703,926	609,941
Share purchase warrants	100,625	179,375
Contributed surplus	19,500	19,500
Deficit	(17,351,832)	(16,125,544)
	25,702,555	19,153,534
Commitments (Note 3 and 6 a))		
Subsequent Events (Notes 3 c) and 10)	\$ 27,172,358	\$ 22,868,857

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors,



Rudi P. Fronk
Director



James S. Anthony
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the years ended December 31, 2004; December 31, 2003; and December 31, 2002 (in Canadian dollars)

	2004	2003	2002
Expenditures			
Corporate and general expenses	\$ 1,829,054	\$ 962,315	\$ 914,260
Stock option compensation (Note 6)	114,735	131,571	520,320
	1,943,789	1,093,886	1,434,580
Interest income	(82,763)	(107,165)	(85,836)
Gain on sale of marketable securities	(74,900)	—	—
Foreign exchange gains	(3,563)	(2,787)	(35,562)
Interest expense — debentures	—	12,187	122,325
Minority interest (Note 3 h))	18,725	—	188,644
Write-off of mineral properties (Note 3)	—	342,151	6,099
Loss before income taxes	1,801,288	1,338,272	1,630,250
Income tax recoveries (Note 6 a)(ii))	(575,000)	—	—
Net loss for year	1,226,288	1,338,272	1,630,250
Deficit, beginning of year	16,125,544	14,787,272	13,157,022
Deficit, end of year	\$ 17,351,832	\$ 16,125,544	\$ 14,787,272
Loss per share — basic and diluted	\$ 0.04	\$ 0.05	\$ 0.10
Weighted average number of shares outstanding	28,876,451	26,190,960	16,212,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2004; December 31, 2003; and December 31, 2002 (in Canadian dollars)

	2004	2003	2002
Cash provided from (used for) operations			
Loss for year	\$ (1,226,288)	\$(1,338,272)	\$ (1,630,250)
Items not involving cash			
Stock option compensation	114,735	131,571	520,320
Minority interest	18,725	—	188,644
Other	104,160	12,187	122,325
Amortization	4,339	2,941	1,728
Write-off of mineral properties	—	342,151	6,099
Income tax recoveries	(580,800)	—	—
Changes in non-cash working capital items			
Increase in amounts receivable and prepaid expenses	(109,911)	(45,395)	(45,412)
Increase (decrease) in accounts payable and accruals	(89,305)	78,611	(145,723)
	(1,764,345)	(816,206)	(982,269)
Investing activities			
Mineral interests	(6,714,026)	(5,522,671)	(5,854,645)
Short-term deposits	(1,739,302)	1,852,530	(2,743,430)
Investment in exploration company (Note 3 b))	—	(749,450)	—
Reclamation deposits	225,000	—	—
Capital assets	—	(32,722)	(2,476)
	(8,228,328)	(4,452,313)	(8,600,551)
Financing activities			
Issue of share capital and warrants	8,241,374	7,467,020	7,278,168
Convertible debentures	—	—	800,000
	8,241,374	7,467,020	8,078,168
Net cash provided (used)	(1,751,299)	2,198,501	(1,504,652)
Cash and cash equivalents, beginning of year	3,078,599	880,098	2,384,750
Cash and cash equivalents, end of year	\$ 1,327,300	\$ 3,078,599	\$ 880,098
Cash and cash equivalents, end of year:			
Cash and cash equivalents	\$ 157,502	\$ 1,551,999	\$ 880,098
Cash for exploration expenditures	1,169,798	1,526,600	—
	\$ 1,327,300	\$ 3,078,599	\$ 880,098

See accompanying notes to consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004, and December 31, 2003 (in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, which, except as noted in Note 11, are consistent in all material respects with generally accepted accounting principles in the United States of America.

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

a) Principles of consolidation

These consolidated financial statements include the accounts of Seabridge Gold Inc. and its wholly-owned subsidiaries, Seabridge Gold Corp., a company incorporated under the laws of the State of Nevada, USA; 5073 N.W.T. Limited, a company incorporated under the laws of the Northwest Territories of Canada; and Pacific Intermountain Gold Inc. ("PIGCO"), a company incorporated under the laws of the State of Nevada, USA. Prior to July 2004, PIGCO was 75% owned. All significant inter-company transactions and balances have been eliminated.

b) Mineral interests

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

In March 2002, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants ("CICA") issued EIC-126 — "Accounting by Mining Enterprises for Exploration Costs", which interprets how Accounting Guideline No. 11 (AcG 11), entitled "Enterprises in the Development Stage". It affects mining companies with respect to the deferral of exploration costs. EIC-126 refers to CICA Handbook Section 3061, "Property, Plant and Equipment", paragraph .21, which states that for a mining property, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment. EIC-126 then states that a mining enterprise that has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated cash flow from the property is not precluded from considering the exploration costs to have the characteristics of property, plant and equipment. EIC-126 also sets forth the Committee's consensus that a mining enterprise in the development stage is not required to consider the conditions in AcG 11 regarding impairment in determining whether exploration costs may be initially capitalized. With respect to impairment of capitalized exploration costs, EIC-126 sets forth the Committee's consensus that a mining enterprise in the development stage that has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated cash flow from the property is not obliged to conclude that capitalized costs have been impaired. However, such an enterprise should consider the conditions set forth in AcG 11 and CICA Handbook sections relating to long-lived assets in determining whether subsequent write-down of capitalized exploration costs related to mining properties is required. Any resulting write-downs are charged to the statement of operations.

The Company considers that exploration costs have the characteristics of property, plant and equipment, and, accordingly, defers such costs. Furthermore, pursuant to EIC-126, deferred exploration costs would not automatically be subject to regular assessment of recoverability, unless conditions, such as those discussed in AcG 11, exist.

AcG 11 also provides guidance on measuring impairment of when pre-operating costs have been deferred. While this guidance is applicable, its application did not result in impairment, except for those noted in Note 3.

c) Asset retirement obligations

Effective January 1, 2004, the Company retroactively adopted the new recommendations of the CICA Handbook Section 3110, "Accounting for Asset Retirement Obligations" ("HB3110"). Under this standard, future costs of asset retirement have been recognized and recorded as a liability at fair value. The impact of this change on prior periods was not material.

d) Stock-based compensation

The Company applies the fair-value method for stock-based compensation and other stock-based payments. Options are valued using the Black-Scholes option-pricing model. The resulting value is charged against income over the vesting period of the option.

e) Capital assets

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

f) Cash and short-term deposits

Cash and short-term investments consist of balances with banks and investments in money-market instruments. These investments are carried at cost, which approximates market. Cash and cash equivalents consist of investments with maturities of up to 90 days at the date of purchase. Short-term deposits consist of investments with maturities greater than 90 days at the date of purchase.

g) Marketable securities

Short-term investments in marketable securities are recorded at the lower of cost or market value. The market values of investments are determined based on the closing prices reported on recognized securities exchanges and over-the-counter markets. Such individual market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations. When there has been a loss in the value of an investment in marketable securities that is determined to be other than a temporary decline, the investment is written down to recognize the loss. The securities are valued at cost. The market value of the marketable securities holdings at December 31, 2004, was in excess of cost.

h) Investments

Investments in companies where the Company does not have significant influence are carried at cost less any allowance for other than temporary impairment.

i) Flow-through shares

The Company financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. Share capital is reduced and future income tax liabilities are increased when the renunciation is made by the estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carry forwards and tax pools in excess of book value available for deduction when share capital is reduced and a future income tax recovery is recorded.

j) Translation of foreign currencies

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

k) Income taxes

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

l) Loss per share

Loss per share of common stock is computed based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share.

m) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. The most significant estimates relate to the carrying values of exploration properties, amortization rates and accrued liabilities and contingencies. Actual results could be materially different from those estimates.

3. MINERAL INTERESTS

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

Property and expense	Balance, December 31, 2003	2004		Balance, December 31, 2004
		Expenditures	Recoveries/ Write-offs	
Castle Black Rock				
Acquisition costs	\$ 140,426	\$ —	\$ —	\$ 140,426
Deferred exploration	137,141	57,073	—	194,214
	277,567	57,073	—	334,640
Grassy Mountain				
Acquisition costs	2,261,299	—	—	2,261,299
Deferred exploration	490,785	218,052	—	708,837
	2,752,084	218,052	—	2,970,136
Hog Ranch				
Acquisition costs	488,838	—	(45,000)	443,838
Deferred exploration	563,220	677	—	563,897
	1,052,058	677	(45,000)	1,007,735
Kerr-Sulphurets				
Acquisition costs	465,542	—	—	465,542
Deferred exploration	58,673	504	—	59,177
	524,215	504	—	524,719
Quartz Mountain				
Acquisition costs	357,139	—	—	357,139
Deferred exploration	85,348	—	—	85,348
	442,487	—	—	442,487
Red Mountain				
Acquisition costs	82,090	—	—	82,090
Deferred exploration	344,691	190,175	—	534,866
	426,781	190,175	—	616,956
Courageous Lake				
Acquisition costs	8,152,305	50,000	—	8,202,305
Deferred exploration	1,708,693	3,680,059	—	5,388,752
	9,860,998	3,730,059	—	13,591,057
Pacific Intermountain Gold Inc.				
Acquisition costs	137,461	—	(89,246)	48,215
Deferred exploration	1,049,893	460,534	(207,369)	1,303,058
	1,187,354	460,534	(296,615)	1,351,273
Other Nevada Projects				
Acquisition costs	20,000	—	—	20,000
Deferred exploration	91,329	48,339	—	139,668
	111,329	48,339	—	159,668
Total				
Acquisition costs	12,105,100	50,000	(134,246)	12,020,854
Deferred exploration	4,529,773	4,655,413	(207,369)	8,977,817
Total mineral interests	\$16,634,873	\$ 4,705,413	\$ (341,615)	\$ 20,998,671

Property and expense	Balance, December 31, 2002	2003		Balance, December 31, 2003
		Expenditures	Recoveries/ Write-offs	
Castle Black Rock				
Acquisition costs	\$ 140,426	\$ —	\$ —	\$ 140,426
Deferred exploration	101,910	35,231	—	137,141
	242,336	35,231	—	277,567
Grassy Mountain				
Acquisition costs	1,172,670	1,088,629	—	2,261,299
Deferred exploration	363,268	127,517	—	490,785
	1,535,938	1,216,146	—	2,752,084
Hog Ranch				
Acquisition costs	540,838	—	(52,000)	488,838
Deferred exploration	553,581	9,639	—	563,220
	1,094,419	9,639	(52,000)	1,052,058
Kerr-Sulphurets				
Acquisition costs	465,542	—	—	465,542
Deferred exploration	43,673	15,000	—	58,673
	509,215	15,000	—	524,215
Quartz Mountain				
Acquisition costs	370,239	—	(13,100)	357,139
Deferred exploration	82,732	2,616	—	85,348
	452,971	2,616	(13,100)	442,487
Red Mountain				
Acquisition costs	82,090	—	—	82,090
Deferred exploration	76,431	268,260	—	344,691
	158,521	268,260	—	426,781
Courageous Lake				
Acquisition costs	3,949,457	4,202,848	—	8,152,305
Deferred exploration	141,251	1,567,442	—	1,708,693
	4,090,708	5,770,290	—	9,860,998
Pacific Intermountain Gold Inc.				
Acquisition costs	137,461	—	—	137,461
Deferred exploration	432,299	617,594	—	1,049,893
	569,760	617,594	—	1,187,354
Other Nevada Projects				
Acquisition costs	132,354	—	(112,354)	20,000
Deferred exploration	232,148	88,978	(229,797)	91,329
	364,502	88,979	(342,151)	111,329
Total				
Acquisition costs	6,991,077	5,291,477	(177,454)	12,105,100
Deferred exploration	2,027,293	2,732,277	(229,797)	4,529,773
Total mineral interests	\$ 9,018,370	\$ 8,023,754	\$ (407,251)	\$ 16,634,873

Property and expense	Balance, December 31, 2001	2002		Balance, December 31, 2002
		Expenditures	Recoveries/ Write-offs	
Castle Black Rock				
Acquisition costs	\$ 90,575	\$ 49,851	\$ —	\$ 140,426
Deferred exploration	101,910	—	—	101,910
	192,485	49,851	—	242,336
Grassy Mountain				
Acquisition costs	601,810	570,860	—	1,172,670
Deferred exploration	274,631	88,637	—	363,268
	876,441	659,497	—	1,535,938
Hog Ranch				
Acquisition costs	499,233	41,605	—	540,838
Deferred exploration	530,676	22,905	—	553,581
	1,029,909	64,510	—	1,094,419
Kerr-Sulphurets				
Acquisition costs	447,100	18,442	—	465,542
Deferred exploration	14,047	29,626	—	43,673
	461,147	48,068	—	509,215
Quartz Mountain				
Acquisition costs	350,225	20,014	—	370,239
Deferred exploration	30,075	52,657	—	82,732
	380,300	72,671	—	452,971
Red Mountain				
Acquisition costs	28,000	54,090	—	82,090
Deferred exploration	3,117	73,314	—	76,431
	31,117	127,404	—	158,521
Courageous Lake				
Acquisition costs	—	3,949,457	—	3,949,457
Deferred exploration	—	141,251	—	141,251
	—	4,090,708	—	4,090,708
Pacific Intermountain Gold Inc.				
Acquisition costs	—	227,461	(90,000)	137,461
Deferred exploration	—	432,299	—	432,299
	—	659,760	(90,000)	569,760
Other Nevada Projects				
Acquisition costs	6,099	126,255	—	132,354
Deferred exploration	—	232,148	—	232,148
	6,099	358,403	—	364,502
Total				
Acquisition costs	2,023,042	5,058,035	(90,000)	6,991,077
Deferred exploration	954,456	1,072,837	—	2,027,293
Total mineral interests	\$ 2,977,498	\$ 6,130,872	\$ (90,000)	\$ 9,018,370

a) Castle Black Rock

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

b) Grassy Mountain

In 2000, the Company acquired an option on a 100% interest in mineral claims located in Malheur County, Oregon, USA. During 2002, the Company paid US\$50,000 in option payments. On December 23, 2002, the agreement was amended and the Company made a further option payment of US\$300,000 and in March 2003 acquired the property for a payment of US\$600,000. As part of the acquisition of the Grassy Mountain property, the Company acquired one million shares of a U.S. based private exploration company at US\$0.50 per share, which represented approximately 6.9% of the private company's issued and outstanding shares. Subsequently, the private company was merged with Atlas Precious Metals Inc. ("APMI"). On the merger, the Company's one million shares of the private company were converted into 1,200,000 common shares of APMI, representing approximately 5.7% of APMI's issued and outstanding shares.

c) Hog Ranch

In 2000, the Company entered into a mining lease agreement for mineral claims located in Washoe County, Nevada. Advance royalties are payable as to US\$12,500 on November 15, 2005; US\$15,000 on November 15, 2006; US\$17,500 on November 15, 2007; and US\$20,000 on November 15, 2008, and each November 15 thereafter. A production royalty is payable varying with the price of gold, ranging from 3% to 5%, and a 3.5% royalty on the gross proceeds from other metals. Forty per cent of the production royalty may be purchased for US\$2.0 million. In August 2003, The Company optioned a 60% interest in the Hog Ranch project in Nevada, USA, to Romarco Minerals Inc. ("Romarco"). Under the terms of the agreement, the Company received 200,000 shares of Romarco valued at \$52,000 in 2003 and in 2004 received 200,000 shares valued at \$45,000, which amounts were shown as a recovery of mineral interests and the investments are included in marketable securities on the balance sheet. In February 2005, Romarco terminated its option on the Hog Ranch property.

d) Kerr-Sulphurets

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 a maximum aggregate of royalty payments of \$4.5 million. The Company is obligated to purchase the net smelter royalty interest for the price of \$4.5 million in the event that a positive feasibility study demonstrates a 10% or higher internal rate of return after tax and financing costs.

In 2002, the Company optioned the property to Noranda Inc., which can earn a 50% interest by spending \$6 million on exploration within six years. Noranda can earn a further 15% by funding all costs to complete a feasibility study on the project. If after earning its 50% interest, Noranda elects not to proceed with a feasibility study, the Company has the option to acquire Noranda's interest for \$3 million. After having earned its 50% interest, Noranda has the right to delay its decision to proceed with a feasibility study for up to three years by either spending \$1.25 million per year on the property or making payments to the Company, which would total \$1.5 million over the three-year period.

e) 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 there is a 0.5% net smelter royalty interest to an unrelated third party as a finder's fee. In October 2003, the Company optioned a 50% interest in the Quartz Mountain project in Oregon, USA, to Quincy Resources Inc. The current gold resource known on the property is excluded from the agreement. The terms of the agreement require Quincy to incur US\$1.5 million in exploration and issue 250,000 of its shares in stages by October 2008. Quincy can earn a further 12.5% interest in the project by funding a feasibility study and issuing a further 250,000 of its shares to the Company. If after earning its 50% interest, Quincy elects not to proceed with a feasibility study, the Company has the option to acquire Quincy's interest for US\$750,000. In 2003, the Company received the first payment of 50,000 shares of Quincy valued at \$13,100, which amount was shown as a recovery of mineral interests and the investment is included in marketable securities on the balance sheet.

f) Red Mountain

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

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

g) Courageous Lake

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

The Vendors were granted a 2% net smelter royalty interest in the project. In addition, the Company must (i) pay the Vendors US\$1.5 million when the spot price of gold closes at or above US\$360 per ounce for 10 consecutive days (paid in March 2003) and pay the Vendors US\$1.5 million when the spot price of gold closes at or above US\$400 per ounce or a production decision is made at Courageous Lake, whichever is earlier. The US\$400 per ounce was reached in December 2003 and consequently the amount payable was accrued in the accounts of the Company at December 31, 2003, and the payment was made in February 2004.

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

h) Pacific Intermountain Gold Inc.

During 2002, the Company and an unrelated party incorporated Pacific Intermountain Gold Inc. ("PIGCO"). The Company funded PIGCO's share capital of \$755,000 and received a 75% interest. The other party provided the exclusive use of an exploration database and received a 25% interest. The value associated with the use of this database, being the minority interest in PIGCO at December 31, 2002, was charged to operations as Pacific Intermountain Gold exploration. Subsequent to 2002, funding, which was for deferred exploration expenditures, has been by way of loans to PIGCO. In July 2004, the Company acquired the 25% interest in PIGCO, which it did not own, for forgiving debt of approximately \$65,000 and agreeing to pay 10% of any sale of projects to third parties. The minority interest liability value amounting to \$207,369 has been deleted and the amount credited against PIGCO deferred exploration expenses on the balance sheet.

The Company and PIGCO acquired approximately 30 claim blocks in Nevada, USA, in 2002.

A 50% interest in one property, Thunder Mountain, was optioned to a third party in 2002. The optionee paid US\$25,000 in cash and issued 250,000 of its shares and must spend US\$1.5 million in exploration over a three-year period and issue PIGCO 500,000 common shares on or before the first anniversary and 750,000 on or before the second anniversary. At the completion of the earn-in, a 50-50 joint venture will be formed with the optionee as operator. In 2003, the agreement was amended with the Clifford property, another PIGCO owned property, being added to the agreement and the 500,000 shares being payable in 2004. During 2004, the third party terminated all of its rights under the option agreement.

i) Other Nevada projects

In 2003, the Company wrote off the acquisition costs and deferred exploration costs associated with the Tobin Basin projects, which totalled \$342,151, as the exploration results did not warrant further work and the property was abandoned.

4. RECLAMATION DEPOSITS, PROVISIONS FOR RECLAMATION LIABILITIES AND ASSET RETIREMENT OBLIGATIONS

The balance in reclamation deposits represents the Company's interest in Canadian bank term deposits, which are held for the benefit of the Province of British Columbia until released or applied to reclamation costs, which may arise in the future. Interest earned is paid to the Company. During 2001, a deposit of \$225,000 was made in respect of the Kerr-Sulphurets gold project and a deposit of \$1 million was transferred to the Company's name for the Red Mountain project. A corresponding reclamation provision of \$1 million was recorded as an estimation of any potential future reclamation costs. This reclamation provision is an estimate, and therefore the provision is subject to changes in regulatory requirements and other external factors. During 2003, a reclamation provision of US\$146,000 (CDN\$189,289) was recorded on the Grassy Mountain property. The corresponding reclamation deposit is in the process of being finalized and deposited with the regulatory authorities. The Kerr-Sulphurets deposit was returned to the Company during 2004.

Effective January 1, 2004, the Company retroactively adopted the new recommendations of the CICA Handbook Section 3110, "Accounting for Asset Retirement Obligations" ("HB3110"). Under this standard, future costs of asset retirement have been recog-

nized and recorded as a liability at fair value. The fair value of the asset retirement obligations was calculated using the total undiscounted cash flows required to settle estimated obligations of \$1,189,000, expected timing of cash flow payments required to settle the obligations, credit-adjusted risk-free discount rate of 8.76% and an inflation rate of 2.0%. There was no material effect on the prior period financial statements for the change in the method of accounting for asset retirement obligations.

5. CONVERTIBLE DEBENTURES

A \$2 million debenture was issued on November 29, 2001, with a four-year term maturing November 28, 2005. The debenture was secured by a general charge on the assets of the Company, bore interest at 5% per annum and, at the option of the holder, can convert to common shares of the Company at the exercise price of \$0.75 per share. Interest for the first two years is to be accrued and added to the principal amount. The Company had the option to force conversion of the debentures into common shares if certain share price and trading volume thresholds are met. On November 29, 2002, the Company elected to force conversion of the \$2 million on debenture plus accrued interest of \$102,535. The Company issued a total of 2,803,380 shares.

An \$800,000 debenture was issued on April 11, 2002, with a four-year term maturing April 10, 2006. The debenture was secured by a general charge on the assets of the Company, bore interest at 5% per annum and, at the option of the holder, was convertible into common shares of the Company at the exercise price of \$0.80 per share for the first two years, \$0.90 per share in year three and \$1.00 per share in year four. Interest for the first two years was accrued and added to the principal amount. The Company had the option to force conversion of the debentures into common shares if certain share price and trading volume thresholds are met. In April 2003, the debenture, including accrued interest totalling \$841,018, was converted into 1,051,272 common shares of the Company.

6. SHAREHOLDERS' EQUITY

a) Share capital

	Shares	Amount
Authorized		
Unlimited number of common shares without par value, unlimited number of preference shares		
Issued — Common shares		
Balance, December 31, 2001	15,530,699	\$ 16,837,946
Issued during year		
For cash, exercise of stock options	610,000	384,750
For cash, exercise of warrants	1,110,834	1,453,418
For cash, private placement	3,200,000	5,104,000
Convertible debenture and interest	2,803,380	2,102,535
Value of share purchase warrants exercised	—	71,975
	7,724,214	9,116,678
Balance, December 31, 2002	23,254,913	25,954,624
Issued during year		
For cash, exercise of stock options	91,100	87,520
For cash, exercise of warrants	1,797,500	3,465,250
For cash, private placements	1,390,000	3,734,875
Convertible debenture and interest	1,051,272	841,018
Value of share purchase warrants and stock options exercised	—	386,975
	4,329,872	8,515,638
Balance, December 31, 2003	27,584,785	34,470,262
Issued during year		
For cash, exercise of stock options	200,000	212,650
For cash, exercise of warrants	225,000	562,500
For cash, private placements (i)	1,705,000	7,466,224
Value of share purchase warrants and stock options exercised	—	99,500
Renunciation of flow-through share value (ii)	—	(580,800)
	2,130,000	7,760,074
Balance, December 31, 2004	29,714,785	\$ 42,230,336

(i) In May 2004, the Company completed a private placement consisting of 1,200,000 common shares for gross proceeds of \$5,400,000.

In September 2004, the Company completed a private placement flow-through financing of 505,000 common shares for gross proceeds of \$2,272,500. Under the terms of the financing, the Company will renounce to the investors the Canadian Exploration Expenses (“CEE”) incurred with the proceeds of the financings. The balance of funds not spent by December 31, 2004, has been recorded on the balance sheet as Cash for Exploration Expenditures. In January 2005, the CEE was renounced to the investors.

(ii) In February 2004, the Company renounced \$1,608,000 in Canadian Exploration Expenses to investors of flow-through shares in 2003. The tax value of this renunciation has been recorded as a liability and charged against share capital. Since the Company has a valuation allowance, which reduces the future income tax assets, the valuation allowance has been reduced and an income tax recovery has been recognized in the statement of operations.

b) Stock options outstanding

The Company provides compensation to directors, employees and consultants in the form of stock options. In August 2002, the Company announced a new stock option plan for directors and senior management. New option grants to directors and senior management are subject to a two-tiered vesting policy designed to better align option compensation with the interests of shareholders.

Pursuant to this new policy, in August 2002 the Board granted 600,000 options and in August 2004 100,000 options to senior management in lieu of market rate salaries. These option grants require a \$6.00 share price for 10 successive days for the first third to vest, a \$9.00 share price for the second third and a \$12.00 share price for the final third. Once the share price has met the first test, the Company’s share price performance must have exceeded the Toronto Stock Exchange Canadian Gold Index by more than 20% over the preceding six months or these options will be cancelled. No expense has been recognized on these options, as the probability of meeting the above vesting criteria remains uncertain. Compensation expense will be recognized once the vesting criteria are thought to be probable. None of these options were exercisable at December 31, 2004.

The weighted average fair value of options granted during 2004 that were not subject to the two-tiered vesting criteria described above was 75,000 options valued at \$1.53, resulting in an expense totaling \$114,735 compared with 110,000 options valued at \$1.20 for \$131,571 in expense during 2003 and 633,000 options valued at \$0.82 for \$520,320 expense during 2002. These options are not subject to vesting requirements.

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:

	2004	2003	2002
Dividend yield	Nil	Nil	Nil
Expected volatility	37%	50%	52%
Risk-free rate of return	4.0%	4.0%	4.4%
Expected life of options	3 years	3 years	3-5 years

A summary of the status of the plans at December 31, 2004, and changes during the years are presented below:

	Shares	Weighted average exercise price	Amount
Outstanding at December 31, 2001	1,337,000	\$ 0.69	\$ —
Granted	1,233,000	2.17	520,320
Exercised	(610,000)	0.63	—
Outstanding at December 31, 2002	1,960,000	1.64	520,320
Granted	110,000	3.19	131,571
Exercised	(91,100)	0.96	(41,950)
Outstanding at December 31, 2003	1,978,900	1.66	609,941
Granted	175,000	4.14	114,735
Exercised	(200,000)	1.06	(20,750)
Outstanding at December 31, 2004	1,953,900	\$ 1.57	\$ 703,926

Number of shares	Option price per share	Expiry date
5,000	\$0.60	January 10, 2005
65,000	0.75	September 18, 2005
348,900	0.60	May 17, 2006
72,000	0.70	May 28, 2006
33,333	0.60	June 12, 2006
16,667	0.60	August 13, 2006
50,000	0.60	November 5, 2006
10,000	0.60	January 28, 2007
78,000	0.88	February 17, 2007
40,000	2.63	May 30, 2007
340,000	2.90	July 1, 2007
600,000	2.20	August 19, 2007
10,000	2.58	December 18, 2007
15,000	2.08	June 3, 2008
45,000	2.85	August 12, 2008
50,000	3.82	October 28, 2008
37,500	5.65	January 13, 2009
25,000	4.60	April 20, 2009
100,00	3.37	August 13, 2009
12,500	4.81	November 17, 2009
1,953,900	\$1.57	

At December 31, 2004, there were 1,953,900 options outstanding of which 1,253,000 were exercisable at prices ranging from \$0.60 to \$5.65 each.

(c) Share purchase warrants

The Company's movement in share purchase warrants is as follows:

	Number of warrants	Weighted average exercise price	Amount
Balance at December 31, 2001	1,403,334	\$ 1.47	\$ 100,500
Issued for cash	1,600,000	1.90	336,000
Exercised	(1,110,834)	1.31	(71,975)
Balance at December 31, 2002	1,892,500	1.93	364,525
Issued for cash	512,500	2.50	179,375
Exercised	(1,797,500)	1.93	(344,575)
Expired	(95,000)	1.90	(19,950)
Balance at December 31, 2003	512,500	2.50	179,375
Exercised	(225,000)	2.50	(78,750)
Balance at December 31, 2004	287,500	\$ 3.00	\$ 100,625

At December 31, 2004, the outstanding share purchase warrants were as follows:

Number of share purchase warrants	Warrant price/share	Expiry date
287,500	\$3.00	June 18, 2005

These warrants were issued as part of the private placement in June 2003. The warrants are exercisable at \$2.50 each until June 2004 and at \$3.00 each to June 2005.

7. RELATED PARTY TRANSACTIONS

- a) During the year, a private company controlled by a director of the Company was paid \$56,700 (2003 — \$27,447, 2002 — \$31,360) for technical services provided by his company related to the mineral properties.
- b) During the year, a private company controlled by a second director was paid \$132,500 (2003 — \$60,000, 2002 — \$40,000) for consulting 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.

8. FINANCIAL INSTRUMENTS

The fair value of the Company's cash and cash equivalents and short-term deposits, cash for exploration expenditures, amounts receivable, reclamation deposits and accounts payable and accruals at December 31, 2004, and December 31, 2003, is estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

9. INCOME TAXES

The income tax recovery varies from the amounts that would be computed by applying the basic federal and provincial income tax rates aggregating to 36.12% (2003 — 40.0%, 2002 — 41.0%) as follows:

	2004	2003	2002
Statutory rate applied to loss for year	\$ 650,000	\$ 535,000	\$ 652,000
Non-deductible items	(151,000)	(195,000)	(284,000)
Losses not tax benefited	(499,000)	(340,000)	(368,000)
Reduction in valuation allowance	575,000	—	—
	\$ 575,000	\$ —	\$ —

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

	2004	2003
Future income tax assets		
Mineral interests	\$ 6,000	\$ 766,000
Share issue costs	60,000	82,000
Non-capital losses	1,221,000	2,123,000
	2,267,000	2,971,000
Valuation allowance	(2,267,000)	(2,971,000)
Future income tax assets, net	\$ —	\$ —

A future tax asset of approximately \$575,000 in one Canadian entity has been offset with a future tax liability in another Canadian entity on the basis that management has undertaken to carry out tax planning measures when required.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately \$3,424,000, which expire in various years to 2011 as follows:

2005	\$ 111,000
2006	32,000
2007	185,000
2008	338,000
2009	735,000
2010	707,000
2011	1,316,000
	\$3,424,000

The benefit of the above loss carry forwards has not been recognized for accounting purposes.

10. SUBSEQUENT EVENTS

In February 2005, the Company closed a flow-through financing consisting of 500,000 common shares for gross proceeds of \$2,125,000.

11. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Except as set out below, these financial statements also comply, in all material aspects, with accounting principles generally accepted in the United States and the rules and regulations of the U.S. Securities and Exchange Commission. The following tables reconcile results as reported under Canadian GAAP with those that would have been reported under United States GAAP:

Statements of operations:

	2004	2003	2002
Loss for the period — Canadian GAAP	\$ (1,226,288)	\$ (1,338,272)	\$ (1,630,250)
Mineral interests prior to the establishment of proven and probable reserves (a)	(4,448,044)	(2,502,480)	(1,072,837)
Amortization of acquisition costs (a)	(324,402)	(1,020,036)	(319,690)
Amortization of option payments (a)	—	(473,280)	(322,915)
Stock-based compensation (b)	—	—	—
Flow-through share renunciation	(580,800)	—	—
Flow-through share value	97,200	—	—
Minority interest (c)	(188,644)	79,250	109,394
	\$ (6,670,978)	\$ (5,254,818)	\$ (3,236,298)
Loss per share — U.S. GAAP, basic and diluted	\$ (0.23)	\$ (0.20)	\$ (0.20)

Statements of cash flows:

	Canadian GAAP			U.S. GAAP		
	2004	2003	2002	2004	2003	2002
Cash used in operating activities	\$ (1,764,345)	\$ (816,206)	\$ (982,269)	\$ (6,212,389)	\$ (3,548,483)	\$ (2,055,106)
Cash used in investing activities	\$ (8,228,328)	\$ (4,452,313)	\$ (8,600,551)	\$ (3,780,284)	\$ (1,720,036)	\$ (7,527,714)

Balance sheets:

	Canadian GAAP		U.S. GAAP	
	2004	2003	2004	2003
Mineral interests — unproven (a)	\$ 20,998,671	\$ 16,634,873	\$ 9,113,449	\$ 9,522,097
Minority interest	\$ —	\$ 188,644	\$ —	\$ —
Liabilities	\$ —	\$ —	\$ 202,000	\$ 97,200
Shareholders' equity	\$ 25,702,555	\$ 19,153,534	\$ 13,712,533	\$ 12,132,203

a) Mineral interests

Under United States GAAP, acquisition costs associated with mining interests are classified according to the land tenure position and the existence of proven and probable reserves as defined under Industry Guide 7.

Under United States GAAP, through to March 31, 2004, costs associated with owned mineral claims and mining leases were classified as definite life intangible assets and amortized over the period of intended use or until proven and probable reserves are established ranging from four to 11 years. Effective April 1, 2004, pursuant to EITF 04-2, the Company classified its mineral rights as tangible assets and stopped amortizing them. This change was accounted for prospectively. These assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Under Canadian GAAP, the unit of production basis of amortization is acceptable prior to the establishment of proven and probable reserves resulting in no amortization during the exploration and development phase.

Under United States GAAP, costs associated with options to acquire mineral claims and mining leases are regarded as having a finite life expiring over the term of the option agreement and are not a component of the acquisition cost. Under Canadian GAAP, the option payments are regarded as part of the acquisition cost and are deferred until the option is exercised when they are reclassified depending on the ownership position acquired or charged to operations if the option is not exercised.

Under United States GAAP, exploration expenditures relating to mining interests prior to the completion of a definitive feasibility study that establishes proven and probable reserves must be expensed as incurred. Under Canadian GAAP, these costs may be deferred.

b) Stock-based compensation

Beginning in 1996, United States GAAP allows but does not require companies to record compensation cost for stock plans at fair value. The Company has chosen to account for all stock-based compensation using the fair value method. Under Canadian GAAP, these options are accounted for at their intrinsic value for the periods presented. Effective January 1, 2002, the Company began accounting for its stock options under Canadian GAAP using the fair value method.

c) Minority interest

Under United States GAAP, the minority interest recognized in respect of PIGCO is nil at December 31, 2003. The U.S. GAAP, net assets of PIGCO are reduced compared with the net assets under Canadian GAAP due to the write-off of exploration expenditures and the amortization of acquisition expenditures (as explained in a) above). In 2004, the minority interest in PIGCO was acquired by the Company and the balance credited to deferred exploration.

d) Flow-through shares

Under United States GAAP, when flow-through shares are issued, the proceeds are allocated between the issue of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount that the investor pays for the shares. The shareholders' equity is reduced and a liability is recognized for this difference, which amounted to \$202,000 for the flow-through shares issued in 2004 (2003 — \$97,200). The liability is reversed when the tax benefits are renounced and a deferred tax liability recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

e) Impact of recent United States accounting pronouncements

In November 2004, the Federal Accounting Standards Board ("FASB") issued FAS 151, which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material as they relate to inventory costing and requires these items to be recognized as current period expenses. Additionally, the allocation of fixed production overheads to the cost of inventory should be based on the normal capacity of the production facilities. FAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe that the application of FAS 151 will have an impact on the consolidated financial statements under U.S. GAAP.

In December 2004, the FASB issued FAS 153, which deals with the accounting for the exchanges of non-monetary assets and is an amendment of Accounting Principles Board ("APB") Opinion 29. FAS 153 eliminates the exception from using fair market value for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance, as defined. FAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe that the application of FAS 153 will have an impact on the consolidated financial statements under U.S. GAAP.

In December 2004, FASB Statement No. 123 (revised), "Shared-based Payment", was issued. This statement requires an entity to recognize the grant date fair value of stock options and other equity-based compensation issued to employees. In the income statement, FASB Statement No. 123 (revised) eliminates the ability to account for share-based compensation transactions using the intrinsic value method in APB Opinion No. 25. The Company, effective January 1, 2003, adopted FASB Statement No. 123, "Accounting for Stock-based Compensation", as amended by FASB Statement No. 148, "Accounting for Stock-based Compensation — Transition and Disclosure", and will adopt FASB Statement No. 123 (revised) in 2006 in accordance with the appropriate transition options and adoption period prescribed in the statement. Adoption of this standard will not have an impact on the consolidated financial statements.

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