

**TRANSFORMING**

**KSM**

GREENER  
MORE SUSTAINABLE  
MORE PROFITABLE

# 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.

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Flying disassembled equipment up the Mitchell Valley, KSM



### 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 and copper 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).

## CEO'S REPORT TO SHAREHOLDERS

What is our business at Seabridge? We are in the value-creation business. The medium within which we work is the mining industry. We have some very talented people and some unusually rich opportunities. Every year, we plan and execute the programs we think will add the most value to those opportunities.

We work within set limits. We do not build and operate mines. That mission requires a much bigger and more skill-diverse enterprise than ours. We find or acquire mineral assets in lower risk jurisdictions and we use our imaginations and expertise to make them more valuable. We explore them to expand their resources and then the fun begins...shaping the opportunity to get the most out of it for our shareholders and the communities we serve. This means designing and permitting potential mining ventures and going back to work on the ground to improve them, to bring them nearer to their optimum potential...an iterative process, not a linear one.

At each stage, we need to decide if the money we are spending on our assets will multiply in terms of economic value and social potential. One yardstick is our now infamous use of per share metrics including the ratio of resource and reserve ounces of gold per share.

Now here we are with 100% of KSM, one of the world's great undeveloped gold/copper districts. We started serious work at KSM in 2006. Every year, it has been clear to us that next year's program had the likelihood to enhance value more than it cost. We explored and learned how to explore the project, adding multiple deposits of different types. We developed a series of progressively better mining scenarios, permitted one set of them and then kept improving them economically and environmentally, for the benefit of all our stakeholders.

A typical junior company might have called a halt to this process years ago and accepted an offer from a major to "take it from here" (we had such offers) but there was always more we could do to add more value ourselves. In the last two years that has meant buying a complimentary piece from our next-door neighbor for USD \$100 million, launching a new Preliminary Feasibility Study ("PFS") and beginning the process of site capture and substantially starting the construction to remove a major project-related risk and add another layer of value few if any other "juniors" could likely undertake. Our recent initiatives include:

1. Commencing site capture construction activities designed to achieve a "substantially started" designation ensuring that our environmental approvals remain in place for the life of the project;

2. Securing US\$225 million in funding from Sprott Resource Streaming and Royalty Corp. and Ontario Teachers' Pension Plan to fund substantial start activities;
3. Concluding a critical Facilities Agreement with British Columbia Hydro and Power Authority ("BC Hydro") covering the design and construction of facilities by BC Hydro to supply hydro-sourced electricity to the project; and
4. Completing an updated Preliminary Feasibility Study ("PFS") incorporating the East Mitchell deposit (formerly Snowfield) we acquired in late 2020 into KSM's mine plans. For the first time, the entirety of the opportunity nature has provided at KSM is under one roof.

The theme for last year's annual report was "**Gold to Green**" focusing on how copper will play an important role in transitioning from fossil fuels to new, greener energy sources. The report told the story on why copper demand is expected to grow in the coming years, and how KSM could play a role in the new green initiative.

The theme for this year's annual report, "**Transforming KSM: greener, more sustainable, more profitable mining**", is a logical continuation from last year as sustainability and ESG considerations continue to play an ever-increasing role in our industry.

On June 28, 2022 we announced the results of the 2022 KSM PFS prepared by Tetra Tech, Inc., the firm that had also authored our 2016 PFS. The new study shows a considerably more sustainable and profitable mining operation than its 2016 predecessor, now consisting of an all open pit mine plan that includes the Mitchell, East Mitchell and Sulphurets deposits only. The primary reasons for the improvements in the plan arise from the acquisition of the East Mitchell open pit resource and an expansion to planned mill throughput. The many design improvements over the 2016 PFS include a smaller environmental footprint, reduced waste rock production, reduced green house gas emissions by electrification of the mine haul fleet, a 50% increase in mill throughput, and the elimination of capital-intensive block cave mining.

### The Transformed KSM Design

The KSM project was redesigned for an inflationary environment, so it emphasizes capital and energy efficiency. The mine plan is simplified to bring total capital down below 2016 estimates despite inflation by reducing sustaining capital. This is accomplished by



Core Boxes at the KSM Project ▲



KSM Glacier Creek Fish Habitat Offsetting Plan ▲

eliminating underground mine development, which is deferred to future years. **Important steps have also been taken to make the project less dependent on oil, especially diesel fuel**, which is an inflationary hot spot and likely to remain so. We have done this by maximizing the use of low cost, green hydroelectric energy.

Notable improvements in the Base Case 2022 PFS compared to the Base Case 2016 PFS include:

- Proven and probable gold reserves increase 22%, from 38.8 million ounces to 47.3 million ounces, due to higher gold grades added from the East Mitchell deposit.
- Mill throughput expands from 130,000 metric tonnes per day ("tpd") to 195,000 tpd.
- Waste to ore strip ratio is reduced by 23% to approximately 1:1.
- A 90% increase in average annual gold production, a 22% increase in annual copper production, a 36% increase in annual silver production, and a 363% increase in annual molybdenum production.
- Total capital of US\$10.5 billion is reduced to \$US9.6 billion with increases from inflation and mill expansion being wholly offset by the elimination of block cave mining from the PFS plan.
- Initial capital increases from US\$5.0 billion to US\$6.4 billion primarily due to inflation.
- A 20 year reduction in mine life from 53 Years to 33 years due to the increased mill throughput supplied by higher open pit production.
- Total after tax net cash flow increases from US\$10.0 billion to US\$23.9 billion.
- After tax NPV (5%) increases from US\$1.5 billion to US\$7.9 billion.
- After tax IRR increases from 8.0% to 16.1%.
- Payback period drops from 6.8 years to 3.7 years.

## Our Production Profile: Less Disturbance and More Sustainable

The 2022 PFS envisages an open pit mine operation that is scheduled to operate for 33 years. Ore delivery to the mill is increased from an initial 130,000 tpd to 195,000 tpd in Year 3. Over the entire 33-year mine life, ore will be fed to a flotation and gold extraction mill. The flotation plant will produce a gold/copper/silver concentrate for transport by truck to a nearby seaport at Stewart, B.C. for shipment to Pacific Rim smelters. Metallurgical analysis supported by extensive metallurgical testing projects a copper concentrate with an average copper grade of 24% and a high gold (64 grams per tonne ("g/t")) and silver (177g/t) content, making it readily saleable. A separate molybdenum concentrate and gold-silver doré will be produced at the KSM processing facility.

The open pit only mine production plan using ultra class mining starts in the higher grade Mitchell pit. Production from the high grade upper East Mitchell zone is introduced in Year 3. Waste mined from the Sulphurets, East Mitchell and Mitchell pit is placed in the Mitchell rock storage facility (RSF) until the Mitchell pit is mined out by Year 25. Final waste from East Mitchell is backfilled into the mined out Mitchell pit from Year 25 onward along with some waste rehandled from the Mitchell RSF.

**The updated mine plan reduces the overall footprint by not using the McTagg RSF as required in the 2016 PFS and by utilizing mined out pits for backfilling waste rock.**

**Autonomous mine operations where applicable and an integrated remote operations centre reduce on-site personnel. Consequently, some of our work force will be able to work closer to home and spend more time with their families.**

**Electrification of the haul truck fleet with trolley assist reduces carbon emissions and overall mine energy costs by replacing diesel with low cost energy from electricity.**

Mill feed ramps up to 130,000 tpd by Year 2 followed by a 50% increase to 195,000 tpd from Year 3 onwards. Average annual mill feed throughput for the 33 years of mine life is estimated at 69.5 million tonnes.

At Mitchell, a near-surface higher grade gold zone crops out allowing for gold production in the first seven years that is substantially above the mine life average. **The mine plan is specifically designed for mining highest gold grade first to facilitate a quick capital investment payback.** The project's post-tax payback period is approximately 3.7 years for the Base Case or 11% of mine life. Metal production for the first seven years, compared to life of mine average production, is estimated as follows:

#### Average Annual Metal Production

	Years 1-7 Average	Life of Mine Average
Average Grades:		
Gold (g/t)	0.89	0.64
Copper (%)	0.21	0.14
Silver (g/t)	3.0	2.2
Molybdenum (parts per million)	52	76
Annual Production:		
Gold (ounces)	1,413,000	1,027,000
Copper (pounds)	251 million	178 million
Silver (ounces)	3.8 million	3.0 million
Molybdenum (pounds)	2.1 million	4.2 million


**Note:** Annual production shows total metal contained in copper concentrate, doré, and molybdenum concentrate.

#### Reduced Capital Costs Include Enhanced Reclamation Provisions

Initial capital cost (including contingency of US\$949 million) is estimated at US\$6.4 billion, approximately 28% higher than the initial capital estimate in the 2016 PFS primarily due to inflation experienced over the past two years. Initial capital assumes certain early works (e.g. roads and power infrastructure) are being completed ahead of a major project construction decision as a part of the ongoing KSM substantial start activities.

Sustaining capital over the 33 year mine life is estimated at US\$3.2 billion, a reduction of US\$2.3 billion from the 2016 PFS, and is dominated by mill throughput expansion and mine fleet ramp up in Year 1 and 2, and tailings sustaining capital mid way through the mine life.

In addition to sustaining capital, **a further US\$1.3 billion has been charged against the project including US\$653 million set aside in a sinking fund during the production period to fund estimated water treatment obligations which continue after closure in perpetuity and US\$620 million for physical reclamation and post closure maintenance after mining operations have ceased.**



KSM Mitchell Deposit



Construction in progress at KSM's Camp 11 ▲

Initial capital and sustaining capital estimates are summarized as follows:

#### Capital Costs (US\$ million)

	Initial US\$ M	Sustaining US\$ M	Initial US\$ M
<b>Direct Costs</b>			
Mine	1,420	1,766	3,187
Process	2,003	309	2,312
Tailings Management Facility	513	630	1,143
Environmental	15	8	23
On-site Infrastructure	39	-	39
Off-site Infrastructure	76	11	87
Power Supply/Energy Recovery	121	46	167
<b>Total Direct Capital</b>	<b>4,188</b>	<b>2,770</b>	<b>6,958</b>
Indirect cost	1,090	97	1,188
Owner's cost	204	-	204
Contingency	949	343	1,293
<b>Total Capital</b>	<b>6,432</b>	<b>3,210</b>	<b>9,642</b>

#### Low Operating Costs Ensure a More Sustainable Project for Local Communities

Average mine, process and G&A operating costs over the project's life (including waste mining and on-site power credits, excluding off-site shipping and smelting costs) are estimated at US\$11.36 per tonne milled (before base metal credits). Estimated unit operating costs decreased 8% from the 2016 PFS primarily due to the change from

combined open pit and block cave mining to open pit only mining, a 50% increase in mill throughput capacity, and **technology improvements including automation and electrification of the mine fleet**. A breakdown of estimated unit operating costs is as follows:

#### LOM Average Unit Operating Costs (US\$ Per Tonne Milled)

Mining	3.31
Process	6.31
G&A + Site Services	1.06
Tailings Storage/Handling	0.11
Water Management/Treatment	0.50
Energy Recovery	-0.07
Provincial Sales Tax	0.13
<b>Total Operating Costs</b>	<b>11.36</b>

#### A More Profitable Project

A Base Case economic evaluation was undertaken incorporating historical three-year trailing averages for metal prices as of June 20, 2022. This approach is consistent with the 2016 PFS Base Case. Two alternate cases are also presented: (i) an Alternate Case that incorporates lower metal prices than used in the Base Case to demonstrate the project's sensitivity to lower prices; and (ii) a Recent Spot Case incorporating recent spot prices for gold, copper, silver and the US\$/Cdn\$ exchange rate. The pre-tax and post-tax estimated economic results in U.S. dollars for all three cases as well as the 2016 PFS Base Case are as follows:

## Projected Economic Results (US\$)

	2016 PFS Base Case	2022 PFS Base Case	2022 PFS Recent Spot Case	2022 PFS Alternate Case
<b>Metal Prices:</b>				
Gold (\$/ounce)	1,230	<b>1,742</b>	1,850	1,500
Copper (\$/pound)	2.75	<b>3.53</b>	4.25	3.00
Silver (\$/ounce)	17.75	<b>21.90</b>	22.00	20.00
Molybdenum (\$/lb)	8.49	<b>18.00</b>	18.00	18.00
<b>US\$/Cdn\$ Exchange Rate:</b>	0.80	<b>0.77</b>	0.77	0.77
<b>Cost Summary:</b>				
Operating Costs Per Ounce of Gold Produced (years 1 to 7)	\$119	<b>\$35</b>	-\$83	\$118
Operating Costs Per Ounce of Gold Produced (life of mine)	\$277	<b>\$275</b>	\$164	\$351
Total Cost Per Ounce of Gold Produced (inclusive of all capital and closure)	\$673	<b>\$601</b>	\$490	\$677
Initial Capital (billions)	\$5.0	<b>\$6.4</b>	\$6.4	\$6.4
Sustaining Capital (billions)	\$5.5	<b>\$3.2</b>	\$3.2	\$3.2
Unit Operating Cost (US\$/tonne)	\$12.36	<b>\$11.36</b>	\$11.36	\$11.36
<b>Pre-Tax Results:</b>				
Net Cash Flow (billions)	\$15.9	<b>\$38.6</b>	\$46.1	\$27.9
NPV @ 5% Discount Rate (billions)	\$3.3	<b>\$13.5</b>	\$16.4	\$9.2
Internal Rate of Return	10.4%	<b>20.1%</b>	22.4%	16.5%
Payback Period (years)	6.0	<b>3.4</b>	3.1	4.1
<b>Post-Tax Results:</b>				
Net Cash Flow (billions)	\$10.0	<b>\$23.9</b>	\$28.6	\$17.1
NPV @ 5% Discount Rate (billions)	\$1.5	<b>\$7.9</b>	\$9.8	\$5.2
Internal Rate of Return	8.0%	<b>16.1%</b>	18.0%	13.1%
Payback Period (years)	6.8	<b>3.7</b>	3.4	4.3

**Note:**

1. Operating and total cost per ounce of gold are after copper, silver and molybdenum credits.
2. Total cost per ounce includes all start-up capital, sustaining capital and reclamation/closure costs.
3. Results include consideration of Royalties and Impact Benefit Agreements.
4. The post-tax results include the B.C. Mineral Tax and provincial and federal corporate taxes.

A more profitable KSM means more tax revenues to the provincial and federal governments, more ability to meet the social and environmental expectations of local communities, greater resources to meet the income and retirement objectives of our employees and the returns necessary to keep and reward our shareholders...a greener, more sustainable and more profitable KSM. The transformed KSM confirms once again that Seabridge is in the value creation business for all our stakeholders.

On Behalf of the Board of Directors,



**Rudi P. Fronk**  
Chairman and Chief Executive Officer  
July 25, 2022

# Our 2021 Corporate Report Card and Our 2022 Objectives

## Reporting on Last Year

Since we launched Seabridge in October 1999, 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 and uses this evaluation in its compensation deliberations. Last year's annual report set out eight objectives; five of them have been achieved and two of them partially 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

In 2021 we continued to engage with potential partners that possess the technical, financial and social skills to develop a project the scale of KSM. Unfortunately, through much of 2021, COVID-19 travel restrictions into Canada remained in place. These limitations prevented site due diligence with prospective partners which is an essential part of the process leading to a joint venture.

While we work towards a joint venture deal that meets our objectives, we continue to improve the quality of the Project and further de-risk it. We believe that the recently completed PFS which integrates East Mitchell into the greater KSM Project confirms significantly improved economics over past studies. In addition, our ability to secure US\$225 million in funding to advance substantial start activities further strengthens our negotiating position.

It is also important to note that mining industry M&A is finally starting to gain momentum following almost two years of little activity due mostly to COVID-19 restrictions. The recently announced purchase of Pretium Resources by Newcrest Mining, and the purchase of GT Gold by Newmont Mining confirm the growing significance of northwestern British Columbia to the global mining industry.

We have stated many times that we only get to do a joint venture 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.**



Bell Irving River  
Bridge looking  
west early June



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

Our 2021 social license programs were again subject to the limitations placed on us by COVID-19. At the same time, COVID-19 provided many opportunities to demonstrate our commitment to ESG principles. Adherence to pandemic-imposed limitations was required to protect our Treaty and First Nations partners, particularly their elders. Our protocols and procedures not only reflected our commitment to safety but also represented respect for the needs and concerns of Treaty and First Nations. Here are some of the highlights of our efforts made this year with respect to advancing our social license:

Corporate Initiatives

- Implemented a social media program to strengthen information sharing and engagement with local Indigenous and non-indigenous communities:
- Information-sharing with more traditional media outlets including 20,000 newsletters to Northwest BC communities, articles in local newspapers and newsletters. A radio ad campaign in Canada's First Nations Radio (CFNR) on the benefits of KSM and celebrating our 10th year with an office in Northwest BC.
- Funding and staffing a COVID-19 vaccination clinic for Seabridge contractors and employees and many indigenous people prior to the summer season. Implemented COVID-19 testing for all employees and contractors at KSM, Iskut and 3 Aces to reduce risks to employees, contractors and neighboring northern and remote communities. Enabled other exploration companies to access our testing facilities to ensure safety of nearby communities.
- Initiated our inaugural ESG report which was completed at the end of 2021. This comprehensive report included interviews with indigenous groups, government regulators and stakeholder groups, and ESG-relevant statistics from our project sites.
- Participated in local boards including Smithers Chamber of Commerce, Bob Quinn Lake Airport Society, Association of Mineral Exploration BC and BC Centre of Training and Excellence in Mining (CTEM).



Andrew Robinson-Nisga'a Lisims Government ▲ and Elizabeth Miller site tour 2022

KSM Initiatives

- Meetings with Senior Nisga'a Lisims Government ("NLG") officers to discuss our substantial start program and implementation of our Impact Benefit Agreement.
- Monthly meetings with Tahltan Central Government to provide project updates and discuss environmental and permitting questions and concerns.
- Continued annual educational funding for 62 students in NW BC from Smithers, Terrace, Telkwa, Witset, Hazelton and Prince Rupert.
- Annual community donations to Northwest BC community groups including Smithers, Terrace, Stewart, Dease Lake, Telegraph Creek, Kitwanga, Iskut, Gitwinkshilkw and Hazelton. Programs included support for the Stewart Community Connections Society, Smithers and Stewart public libraries, Hazelton and Kitwanga book bus, Kitwanga ambulance, Terrace and Smithers Hospital foundations and Tahltan literacy camps.
- Chaired virtual Mining Month luncheon in Smithers highlighting benefits of mining to the local economy.
- Assisted Gitxsan with COVID-19 preparedness.
- Assisted the Tahltan industry COVID-19-preparedness committee, including access to the Seabridge corporate vaccination program.

Seabridge attends Nisga'a Industry Forum



KSM receives Safety Award



# KSM MINING ULC

A SUBSIDIARY OF SEABRIDGE GOLD INC.

## Proudly Supporting Northwestern BC's Future Through Bursaries

**\$550,000+ and 325+ student bursaries awarded and counting!**

May is BC Mining Month and this year, Seabridge Gold, the owner of the KSM and Iskut Projects in Northwest BC, is celebrating the **325+ recipients** of the bursary program Seabridge started in 2016 to support local students in furthering their education and skills training. The bursaries are awarded twice a year (winter and fall semesters) totalling **\$100,000 annually**.

Congratulations to all the past and current recipients of the Seabridge Gold's bursary program, we are proud to support you in your journey towards a better future.

Located 65 KM northwest of Stewart BC, the KSM Project is an approved copper, gold, silver and molybdenum project. It is expected to create **1,500+ onsite jobs during its five-year construction period and 1,400+ onsite jobs during its 52-year mine life**. While full Project construction has not yet started, as the KSM Project progresses, Seabridge will continue to hire local residents and work with local contractors, hence through the bursary program and by supporting other educational initiatives, Seabridge is committed to creating a strong, educated workforce in northwest BC to support KSM Project.

### Profiles of some of our current and past bursary recipients:

#### Kimberly Lutz, Terrace



**What made you choose your area of focus?**  
I have worked in and been a student in the natural resource field for over twenty years. I am a lifelong learner, whether it is school or hobby-based, so when an opportunity came to further my post-secondary studies in my local community, I went for it.

**How did the Bursary help you with your schooling?**  
The KSM Seabridge Gold bursary helped me pay tuition each semester and pay bills when I took time off work to focus on my studies.

**What are your plans after completing the program?**  
After graduation, I plan to enjoy reconnecting with my hobbies again and working full time in the natural resource industry.

**Any tips for people interested in going to school?**  
Determination is the key to success. There are lots of ups and downs when working hard at school. Take it one step at a time and, one day, you will be proud that you completed your studies!

#### David Kurik, Terrace



**"The bursary program has been extremely helpful during a time when my future was uncertain.**  
I now feel more secure in Heavy-Duty mechanical foundations, and it has helped in allowing me to obtain the things I need to be successful in this program."

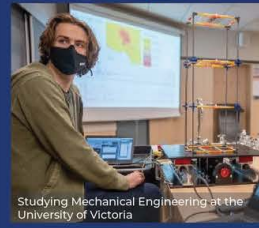
#### Emily Buenten, Smithers



**"The Seabridge bursary has helped support me in my dream of being a nurse in North.**  
Through their support, I can focus on my studies and education with some of the stress of finances alleviated.

The nursing program comes with extra costs compared to other programs, such as having to buy scrubs, a stethoscope, and other supplies, but the Seabridge bursary has helped me with these purchases in my years of the nursing program. Thank you so much!"

#### Brad Wellington, Smithers



**What made you choose your area of focus?**  
I have always been interested in robots and went into mechanical engineering to specialize in mechatronics so that I could learn how to make robots.

**How did the Bursary help you with your schooling?**  
The bursary helped me bridge the gap between my co-op terms and allowed me to focus on my studies.

**What are your plans after completing the program?**  
After graduating, I would like to find a company involved in robotics to work for, preferably still in Victoria.

**Any tips for people interested in going to school?**  
Make sure to use office hours as much as possible; the professors are there to answer any questions you have about the material. Clubs can also be a great place to find people with the same interests as you.

### About the Bursary Program

The Bursary Program is open for all residents of northwest BC (defined as west of Burns Lake north to the Yukon border). The program is for any student registered for post-secondary training, including high school graduates, mature students, and returning post-secondary students.

For more information about the bursary program contact Seabridge Gold at:

www.ksmproject.com

250.847.4704

ksm\_community@seabridgegold.com

1330 Main Street, PO Box 2536 Smithers, BC

The Fall 2022 Bursary Program will be open for applications in August.



Tahltan Culture Camp conveys traditional knowledge ▲

- Completion of a virtual annual environmental monitoring program to keep regulators and local Indigenous communities apprised of our environmental monitoring and exploration programs.
- Participated in the Tahltan virtual roundup meeting to discuss KSM and Iskut Projects.
- Presented virtually to the Terrace town council on KSM project developments.
- Implemented the inaugural Tahltan bursary program, as per the IBA, to award \$40,000 to 20 Tahltan students.
- Implemented safety awards at KSM Camps to highlight the importance of safety and safety culture.
- Awarded major contracts to our indigenous partners with expanded scopes of work.
  - Tahltan: provided equipment operators for road and camp construction at Camp 9; Summit Camp, Hodder Camp, Camp 3 and KSM Camp.
  - Nisga'a: provided COVID-19 testing and first aid services. Helped to plan and implement the Glacier Creek Fish Habitat Offsetting Project.
- Employment statistics:
  - KSM Camp: On average 39 people were in camp, including 2 NLG, 12 Tahltan, 8 Gitksan. These

numbers included 1 Tahltan Mining Engineer summer student, hired as a Geotech.

- JMM Camp: On average, 12 people were in camp, including 7 Tahltan, 2 Gitksan
- Letters were received from the NLG, TCG and Gitksan Hereditary Chiefs supporting the application for our EAC extension.

**3 Aces**

- Successfully completed the Yukon Environmental and Socio-Economic Board (YESAB) Class 4 permit, with YESAB ultimately recommending to the Decision Bodies that the Project be allowed to proceed, subject to specified terms and conditions. Currently awaiting a decision by Yukon Energy, Mines and Resources on the Class 4 permit.
- Awarded a Class 1 Quartz Permit at 3 Aces, with the support of the Liard First Nation (LFN), the first time LFN has submitted a letter of support on a quartz permit application.
- Met with Ross River Chief in Council in Ross River to discuss exploration plans for 3 Aces including permit review and environmental programs and concerns.
- Met with Chief and Council in Watson Lake to discuss exploration plans for 3 Aces including permit review and environmental programs and concerns.
- Hosted 3 Aces site tour with Ross River Development Corp representative, and government regulators.
- Building relationships with LFN Lands department via virtual and in-person meetings and negotiating a capacity funding agreement to enable their full participation in the review of our proposed work programs and to begin the process of developing a relationship based on mutual trust.
- Participated in a Yukon Chamber of Mines committee providing recommendations on potential Yukon Mining Legislation changes.



Highgrade ore found near surface at 3 Aces Project in Canada's Yukon

**Courageous Lake**

- Updated engagement plan for Mackenzie Valley Land and Water board in consultation with local indigenous groups.

**Iskut Project**

- Significant reclamation progress at the Johnny Mountain mine site in 2021 is summarized in detail below under Objective 6. The work at JMM also contributed significantly to advancing social license with indigenous groups not only in British Columbia but also in the Yukon, where there is a long history of abandoned exploration and mining projects.

**This objective was accomplished.**

**OBJECTIVE #3:** Collect all the data necessary to be in a position to complete an updated Preliminary Feasibility Study incorporating East Mitchell (formerly Snowfield) into the greater KSM project;

2021 field work at KSM collected the necessary data to incorporate the recently acquired East Mitchell deposit into an updated KSM PFS. An updated PFS incorporating East Mitchell into KSM was subsequently completed in the 2nd quarter of 2022.

Last year’s 9,450 meter drill program at KSM consisted of 3,484 meters drilled at East Mitchell and Mitchell to confirm model grades and obtain metallurgical sample material. The balance of the drilling was to evaluate the geotechnical characteristics on the margins of the East Mitchell deposit and along the planned Mitchell-Treaty-Tunnel (“MTT”) route.

Results confirmed both resource models. Geotechnical core drilling at the East Mitchell deposit for pit slope stability studies brought East Mitchell geotechnical pit slope design to the same level of engineering confidence as the Mitchell pit. Geotechnical and tunnel engineering reports are now being prepared for a bid process to select an MTT contract miner based on geotechnical drilling along the route planned for the MTT, field mapping and an updated structural geology model to support ongoing MTT engineering.

Geotechnical drilling and testing have been completed for other early-stage site infrastructure such as portals, muck pads and water treatment ponds at various locations on the project site. The 2021 drill program also included 1,311 m of drilling in the Mitchell quarry to confirm its suitability as a source of construction material. Finally, drill core from previous operators at East Mitchell was relogged by our geologists to incorporate into a new, single, consistent geologic model for the combined deposits.

**This objective was accomplished.**



Iskut environmental monitoring using drones ▲

**OBJECTIVE #4:** Execute our 3rd drill program at Snowstorm, continuing to target a Getchell/Twin Creeks style deposit;

The 3<sup>rd</sup> drill program at Snowstorm in Nevada completed in March 2022 targeted the structural zones with anomalous gold encountered in previous drill campaigns. Snowstorm is located 15 kilometers north of Turquoise Ridge on an extension of the prolific Getchell Trend. This off set drill program was designed to increase the number of intersections on a gold-bearing, structurally controlled intrusion to help vector towards higher grades.

The latest drilling re-entered completed holes from past campaigns, using directional drilling tools to deviate from the original targets. The newly completed drilling totaled 1,320 meters of exploration drilling utilizing 982 meters of previous work.

Conditions around advancing this project remain challenging but incremental progress continues. When Seabridge acquired Snowstorm it knew a multi-year exploration program would be required to advance a deep blind target and the Company remains confident of the potential.

**This objective was accomplished in Q1 2022.**

**OBJECTIVE #5:** Conduct a follow-up drill test at Iskut for a gold/copper porphyry deposit below the gold and copper mineralization discovered in the 2020 program;

In 2020, drilling at Iskut intersected a corridor of porphyritic intrusive rock with gold and copper. These intercepts are interpreted as the upper explosive manifestation of a larger porphyry Au-Cu system. Results indicated that the target was deeper than our initial assessment and that a follow up program of geophysics and drilling of 1,800 meters was warranted.



Environmental sampling during JMM reclamation activities ▲

The 2021 Iskut plan was to expand upon our previous MT survey to cover the entire Quartz Rise (QR) target and then drill test an identified target. The original MT survey conducted in 2016 pre-dated the discovery of the QR Lithocap and did not provide data over that area. The survey in 2021 started later than planned due to snow conditions and had lower field productivity due to labor shortages and weather delays. Ultimately, the survey was completed about 3 weeks later than planned and targeting was designed off field observations rather than the fully interpreted MT data set to accelerate the beginning of drilling given the short season.

To expedite late season drilling, a decision was made to re-enter an existing 730 meter hole and advance it to an 1,800 meter target depth. Progress was reasonable and completion of the hole seemed within reach by early October. A winter storm on September 24 dropped the snowline below 500m elevation and terminated the Iskut program.

We have also identified a prospective drill target down dip from the Bronson slope deposit which could account for copper-gold mineralization in that deposit and throughout the area. At the proposed Bronson target drill location, the avalanche risk was judged unacceptable after the storm and an initial hole planned for 2021 was not attempted. *It remains a key target for this year.*

**Although drilling was undertaken at Iskut, we take the view that this objective was only partially accomplished.**

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

Reclamation planning for future projects is one thing; it's quite another to actually fund and do the work on a voluntary basis to heal the environmental damage done

by historical mining. The following tasks were completed in 2021 on the reclamation and closure of the Johnny Mountain Mine:

- Dewatered the TSF, moved approximately 11,700m<sup>3</sup> of PAG waste rock from the portal pads to the TSF to be stored under water and applied 1700kg of lime mixed with the PAG rock.
- Continued with the spilled hydrocarbon remediation program and progressive re-vegetation work.
- Completed required regulatory environmental field sampling and reporting requirements.
- Continued long-term monitoring programs to ensure the stability of the Tailings Management Facility and protection of the environment, including the 5-year Dam Safety Review.
- Implemented an independent IGTB review with Terry Eldridge as the sole member. Inaugural meeting scheduled for December 9, 2021.
- Hosted an Iskut and Johnny Mountain Mine site tour with the Tahltan Central Government (TCG).

- Contracted the largest yet number of Tahltan partners for work at Johnny Mountain including: TNDC, Northern Labour Services, Inner City Diesel, RTEC and Obsidian Matrix.
- Co-Chaired the BC Technical and Research Committee on Reclamation conference and presented a video highlighting Johnny Mountain Mine Reclamation.

**This objective was accomplished.**

**OBJECTIVE #7:** Commence field activities at 3 Aces including geophysical surveys, drill hole relogging and surface confirmation of structural interpretation to be followed by an initial drill program to confirm our geologic model

Since acquiring the 3 Aces project in 2020 efforts were dedicated to constructing a 3-dimensional exploration model. The 2021 plan was to continue to evaluate and refine the exploration model at surface and move to testing it with drilling. Initial work on the project undertook field checking of surface mapping in the Central Core Area and drill core relogging; results of that work were fed back into the 3-dimensional model. The refined models showed two distinct folding events; an early large amplitude and long wavelength fold system, crossed obliquely by a moderate amplitude and wavelength fold event that produced intense fracturing on the anticlinal axis and limbs, creating an ideal environment for gold accumulation. The folding is well defined in sandstone and conglomerate units but generate ductal flow in siltstone units. These features reliably predict the location of the Hearts and Spades high-grade zones in the Central Core Area.

Two operating permits obtained by the previous owner expired in 2021: the first provided for camp occupancy and limited surface exploration, while the second provided general access for exploration including drilling. The limited permit was reinstated 2 months after expiration, subject to some camp improvements, and permitted the geophysical survey to begin. CSAMT survey was

conducted over part of the Central Core Area confirming and expanding the location of anticlinal axis favorable for gold concentrations. These results also explain historical drill holes that yielded no significant gold results and encountered rock packages that were not predicted, resulting in better focused, more favorable fold targets. The geophysical program was terminated in October as equipment failures and adverse weather conditions produced significant down time and permit-stipulated camp shut down was approaching.

An application for a second and more extensive drilling permit was submitted in August 2020, accepted as complete in April 2021 and has not yet been granted. We are not clear when the permit will be available to us but we are advancing under the assumption that a drill program will be executed for the coming season.

**Although field activities were undertaken at 3 Aces, due to the inability to obtain a new Class 4 drill permit, this objective was only partially accomplished.**

**OBJECTIVE #8:** Increase gold ownership per common share by way of accretive resource additions from acquisitions and/or continued exploration at our projects.

In April 2022 we reported updated resource estimates (as of March 31, 2022) for the Mitchell and East Mitchell deposits adding 12.0 million ounces of gold in the measured and indicated categories, with a reduction of 0.2 million ounces in the inferred category. Thus, we now report 100.2 million ounces of gold in the measured and indicated categories plus an additional 70.6 million ounces of gold in the inferred category.

From December 30, 2020 through March 31, 2022 we increased shares outstanding by approximately 5.6 million. Accordingly, at March 31, 2022 each one of our shares was backed by 1.26 ounces per share in the measured and indicated categories plus an additional 0.88 in the inferred category.

**This objective was accomplished.**





Seabridge is focusing on site capture and substantial start activities in 2022 ▲

### Now for 2022...

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.

We have reported for some time that 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. We continue to believe that the combination of KSM's size, location, economics and permit status represent one of the most compelling development opportunities on the planet. As covered in this report, the addition of East Mitchell into KSM's design has greatly improved KSM's economics. Additionally, our ability to fund and undertake site capture activities to achieve substantially started status, mitigates the risk of KSM's environmental approvals expiring in 2026. Finally, major mining companies are depleting their reserves faster than they are replacing them and new projects are needed just to sustain current production levels. We think all the factors needed for a joint venture on favorable terms are coming together at the right time.

Here are eight other objectives we set for 2022:

1. Continue to strengthen our social license by responding effectively to the needs and concerns of Treaty and First Nations and local communities;
2. Complete an updated PFS incorporating the East Mitchell deposit into the greater KSM project;
3. Advance substantial start activities at KSM to ensure that the project's Environmental Assessment Certificate remains in good standing for the life of the project;
4. Continue exploration activities at Snowstorm;
5. Conduct additional drilling at Iskut focused on the discovery of a new gold/copper porphyry deposit;
6. Continue the reclamation and closure of the Johnny Mountain Mine in cooperation with the Tahltan Nation and British Columbia regulators;
7. Subject to receipt of permits, conduct an initial drill program at 3 Aces to confirm our geologic model; and
8. Increase gold ownership per common share by way of accretive resource additions from acquisitions and/or continued exploration at our projects.

We look forward to reporting in 2023 how we did against these eight objectives as well as identifying our new set of objectives.

# Mineral Reserves and Resources

June 2022

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	483	0.74	0.20	3.3	49	11.5	2,161	51	53
		Probable	452	0.59	0.15	2.5	74	8.6	1,458	36	74
	East Mitchell	Proven	814	0.69	0.11	1.8	91	18.1	2,043	47	163
		Probable	392	0.46	0.09	1.7	84	5.8	784	21	73
KSM Totals	Proven		1,297	0.71	0.15	2.4	75	29.6	4,203	98	215
	Probable		995	0.55	0.14	1.9	77	17.7	3,116	62	170
	<b>Total</b>		<b>2,292</b>	<b>0.64</b>	<b>0.14</b>	<b>2.2</b>	<b>76</b>	<b>47.3</b>	<b>7,320</b>	<b>160</b>	<b>385</b>
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			
	<b>Total</b>		<b>91</b>	<b>2.20</b>				<b>6.5</b>			
<b>Seabridge Totals</b>								<b>53.8</b>	<b>7,320</b>	<b>160</b>	<b>385</b>

## 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:	NSR: \$10.75 \$11.25	691,700	0.68	15,124	0.19	2,876	3.3	72,831	52	79									
Mitchell											1,012,800	0.65	21,098	0.11	2,514	1.8	59,233	89	198
East Mitchell																			
<b>KSM Total</b>		<b>1,704,500</b>	<b>0.66</b>	<b>36,222</b>	<b>0.14</b>	<b>5,390</b>	<b>2.4</b>	<b>132,064</b>	<b>74</b>	<b>277</b>									
<b>Bronson Slope</b>	<b>\$9 NSR</b>	<b>84,150</b>	<b>0.42</b>	<b>1,140</b>	<b>0.15</b>	<b>280</b>	<b>2.2</b>	<b>6,010</b>	<b>n/a</b>	<b>n/a</b>									
<b>Courageous Lake</b>	<b>0.83</b>	<b>13,401</b>	<b>2.53</b>	<b>1,090</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>									
<b>Quartz Mountain*</b>	<b>0.34</b>	<b>3,480</b>	<b>0.98</b>	<b>110</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>									
<b>Total Measured Resources</b>				<b>38,562</b>		<b>5,670</b>		<b>138,074</b>		<b>277</b>									



SEABRIDGE GOLD

Project	Cut Off Grade (g/t)	Tonnes (000)	Indicated Resources							
			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	\$10.75-\$11.25 NSR Pits	1,667,000	0.48	25,935	0.14	5,120	2.8	149,160	66	241
East Mitchell		746,200	0.42	10,080	0.08	1,390	1.7	41,814	79	130
Sulphurets		446,000	0.55	7,887	0.21	2,064	1.0	14,339	53	52
Kerr	C\$16 NSR UG	374,000	0.22	2,660	0.41	3,405	1.1	13,744	5	4
Iron Cap		423,000	0.41	5,576	0.22	2,051	4.6	62,559	41	38
<b>KSM Total</b>		<b>3,656,200</b>	<b>0.44</b>	<b>52,138</b>	<b>0.17</b>	<b>14,030</b>	<b>2.4</b>	<b>281,616</b>	<b>58</b>	<b>465</b>
Bronson Slope	\$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>61,633</b>		<b>14,252</b>		<b>288,776</b>		<b>465</b>

Project	Cut Off Grade (g/t)	Tonnes (000)	Measured plus Indicated Resources							
			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	\$10.75-\$11.25 NSR Pits	2,358,700	0.54	41,059	0.15	7,996	2.9	221,991	62	320
East Mitchell		1,759,000	0.55	31,178	0.10	3,904	1.8	101,047	85	328
Sulphurets		446,000	0.55	7,887	0.21	2,064	1.0	14,339	53	52
Kerr	C\$16 NSR UG	370,000	0.22	2,660	0.41	3,405	1.1	13,744	5	4
Iron Cap		423,000	0.41	5,576	0.22	2,051	4.6	62,559	41	38
<b>KSM Total</b>		<b>5,356,700</b>	<b>0.51</b>	<b>88,360</b>	<b>0.16</b>	<b>19,420</b>	<b>2.4</b>	<b>413,680</b>	<b>63</b>	<b>742</b>
East Mitchell	\$11.20 NSR	1,759,100	0.55	31,178	0.10	3,904	1.8	101,047	85	328
Bronson Slope	\$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>100,195</b>		<b>19,922</b>		<b>426,850</b>		<b>742</b>

Project	Cut Off Grade (g/t)	Tonnes (000)	Inferred Resources							
			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	\$10.75 NSR Pits	1,282,600	0.29	11,819	0.14	3,832	2.5	102,228	47	133
East Mitchell		281,100	0.37	3,372	0.07	403	2.3	21,112	61	38
Sulphurets		223,000	0.44	3,155	0.13	639	1.3	9,320	30	15
Kerr	C\$16 NSR UG	1,999,000	0.31	19,823	0.40	17,720	1.8	114,431	23	103
Iron Cap		1,899,000	0.45	27,474	0.30	12,556	2.6	158,741	30	126
<b>KSM Total</b>		<b>5,684,700</b>	<b>0.36</b>	<b>65,643</b>	<b>0.28</b>	<b>35,150</b>	<b>2.2</b>	<b>405,832</b>	<b>33</b>	<b>415</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>70,600</b>		<b>35,150</b>		<b>405,832</b>		<b>415</b>

\*As of June 2022 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, 2021

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, 2021 and 2020. This report is dated March 24, 2022 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020, 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.com](http://www.seabridgegold.com). 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 or 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, 2021 and the comparative year ended December 31, 2020 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 mineral properties, with an emphasis on gold resources, located in North America. The Company's objective is to provide its shareholders with exceptional leverage to a rising gold price and the returns from significant copper resources it has acquired. The Company's business plan is to increase its mineral resources in the ground, through exploration, but not to go into production on its own. The Company intends to sell projects or participate in joint ventures towards production with major mining companies. Since inception in 1999, Seabridge has acquired interests in numerous advanced-stage gold projects situated in North America and its principal projects include the KSM property located in British Columbia and the Courageous Lake property located in the Northwest Territories. The Company also holds a 100% interest in the Iskut Project in British Columbia and the Snowstorm Project in Nevada. In 2020, the Company purchased its 100% interest in the 3 Aces gold project in Yukon and acquired the East Mitchell property, adjacent to the KSM project, in British Columbia. Although focused on gold exploration, the Company has made significant copper discoveries, in particular, at KSM. 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)	2021	2020	2019
Gain on disposition of mineral interests	21,943	-	-
Corporate and administrative expenses	(13,379)	(16,530)	(13,340)
Other income - flow-through shares	2,373	1,676	1,218
Environmental rehabilitation expense	(5,377)	-	-
Equity loss of associate	(221)	(187)	(200)
Unrealized gain on convertible notes receivable	104	-	-
Interest income	176	114	279
Income tax recovery (expense)	(4,630)	800	697
Finance expense and other	(94)	(815)	(267)
Net income (loss)	895	(14,942)	(11,613)
Basic earnings (loss) per share	\$ 0.01	\$ (0.23)	\$ (0.19)

Summary Statements of Financial Position (\$000s)	2021	2020	2019
Current assets	54,159	46,229	19,213
Non-current assets	693,583	601,588	430,159
Total assets	747,742	647,817	449,372
Current liabilities	17,301	10,194	6,690
Non-current liabilities	28,108	22,905	27,659
Equity	702,333	614,718	415,023
Total liabilities and equity	747,742	647,817	\$ 449,372

## Results of Operations, 2021 Compared to 2020

The Company recorded net income of \$0.9 million or \$0.01 per share for the year ended December 31, 2021 compared to a net loss of \$14.9 million or \$0.23 per share for the year ended December 31, 2020.

During the year ended December 31, 2021, the most significant items contributing to net income included the gain on disposition of mineral interests, other income reported for flow-through shares, and interest income, partially offset by corporate and administrative expenses, income taxes, and environmental rehabilitation expense. These and other items are discussed further below.

During the second quarter 2021, the Company disposed of its residual interests in its previously owned Red Mountain project located in northwestern British Columbia, for cash proceeds of US\$18 million and recorded a gain of \$21.9 million through the statement of operations and comprehensive income (loss). The capitalized costs incurred and accumulated while the Company held the project had previously been recovered through option and acquisition payments and the residual interest in the project had no carrying value, resulting in the gain.

Corporate and administrative expenses for 2021 were \$13.4 million, down \$3.2 million or 19% from prior year mainly due to \$5.3 million decrease in stock-based compensation, partially offset by \$1.0 million increase in cash compensation, \$0.7 million increase in professional

fees and \$0.5 million increase in other general and administrative expenses.

Cash compensation for 2021 was \$5.8 million, up \$1.0 million or 20% from the prior year. The increase was due both increase in base salary and headcount. Cash compensation is expected to remain stable or increase marginally given the growth in project and corporate activity in the Company.

Increase in professional fees and other general and administrative expenses was mainly related to increase in recruitment costs and the costs associated with the Company wide risk assessment review and the preparation and publication of its inaugural sustainability report. The inaugural sustainability report was prepared with select disclosures and guidance from the Sustainability Standards Accounting Board Metals and Mining Industry Standards and the Global Reporting Initiative Standards, as well as metrics designed specifically for the Company.

Lower stock-based compensation expense in 2021 when compared to prior year was primarily due to the fact that the expense in 2020 was inclusive of fair value recognition for the non-market performance options granted between 2015 and 2019 that were vested in late 2020.

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 2020	Expensed prior to 2020	Expensed in 2020	Expensed in 2021	Balance to be expensed
June 24, 2015	9.00	475,000	5,774	149	1,266	4,359	-	-
December 14, 2017	13.14	605,000	4,303	-	4,085	218	-	-
October 11, 2018	16.94	50,000	421	-	334	87	-	-
December 12, 2018	15.46	568,000	4,719	-	3,383	1,328	8	-
June 26, 2019	17.72	50,000	416	-	168	248	-	-
				<b>149</b>	<b>9,236</b>	<b>6,240</b>	<b>8</b>	<b>-</b>

(\$000s)							
RSUs granted	Number of RSUs	Grant date fair value	Expensed prior to 2020	Expensed in 2020	Expensed in 2021	Balance to be expensed	
December 12, 2019	139,600	2,351	274	2,077	-	-	
December 16, 2020	135,450	3,413	-	487	2,926	-	
September 01, 2021	20,000	454	-	-	75	379	
September 07, 2021	10,000	229	-	-	36	193	
October 01, 2021	10,000	195	-	-	24	171	
December 13, 2021	123,800	2,622	-	-	437	2,185	
			<b>274</b>	<b>2,564</b>	<b>3,498</b>	<b>2,928</b>	

The Company has, since 2019, refocused the compensation practices away from issuing a combination of stock options and RSUs to only issuing RSUs with shorter terms and service periods.

During the third and fourth quarter 2021, the Board granted 40,000 RSUs to new members of senior management. Half of the RSUs will vest on the first anniversary of employment and the remaining half on the second anniversary. The fair value of the grants, of \$0.9 million, was estimated as at the grant date to be amortized over the expected service period of the grants. As at December 31, 2021, \$0.1 million of the fair value of the grants was amortized.

During the second quarter of 2021, 135,450 RSUs, granted in mid-December 2020, vested upon the Company completing the 2020 exploration program at Snowstorm and were exchanged for common shares of the Company. In December 2020, \$0.5 million of the full fair value of \$3.4 million was charged to the statement of operations and comprehensive income (loss) and the remaining fair value of the grant of \$2.9 million was charged to the statement of operations and comprehensive income (loss) in the first quarter in 2021.

In 2020, 139,600 RSUs fully vested to the holders of RSUs granted at the end of 2019 upon the Company attaining pre-established vesting conditions and \$2.1 million of fair value was expensed through the statement of operations and comprehensive income (loss).

In June 2020, shareholders resolved to approve that 425,000 options that were granted to the directors of the Company in 2015 and due to expire in April 2020, be extended for one year. The fair value of the extension was determined to be \$4.4 million. In December 2020, upon acquisition of the Snowfield property (discussed below) the performance condition for these options, amongst other grants made between 2016 and 2019, was met and management adjusted the estimated vesting period to that date and a total of \$6.0 million of fair value was expensed through the statement of operations and comprehensive income (loss).

In 2021, the Company recognized \$2.4 million of other income related to the flow-through share premium recorded on the financings completed in June 2020 and in June 2021 (discussed below). During the comparative year, the Company recognized \$1.7 million of other income related to the flow-through share premium recorded on the financings completed in September 2019 and June 2020 (discussed below).

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 income (loss). The Johnny Mountain Mine site was acquired, along with the Iskut Project, during

the Snip Gold acquisition in 2016. Expenditures were 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. The Company's reclamation activities were somewhat curtailed during 2020 while non-essential activities were halted, and the Company strived to reduce the numbers of personnel in any camp at any one-time. In late 2021, the Company reassessed the closure plan for the Johnny Mountain Mine and charged an additional \$5.4 million of rehabilitation expenses to the consolidated statements of operations and comprehensive income (loss). Costs are now expected to be incurred until 2024.

In 2021, the Company incurred \$3.3 million of environmental rehabilitation expenditures (2020 - \$0.8 million) that were recorded as a reduction to the provision for reclamation liabilities on the consolidated statements of financial position.

Reclamation activities at Johnny Mountain focused on four areas in 2021:

- Waste rock collection from portals, mixed with lime and relocated to the tailings management facility
- In-situ hydrocarbon remediation treatment continued at the historic tank farm mill sites
- Landfill operations and inspections and detailed engineered drawings prepared for future expansion, and
- Continued revegetation and environmental monitoring.

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 2021, the Company recognized a decrease in fair value of investments, net of income taxes, of \$0.4 million. During the comparative year, the Company recognized an increase in fair value of investments, net of income taxes, of \$0.7 million. The change in the fair value of these investments was recorded within comprehensive loss on the consolidated statements of operations and comprehensive income (loss).

The Company holds one investment in an associate that is accounted for on the equity basis. In 2021, the Company recognized \$0.2 million (2020 - \$0.2 million), representing its proportionate loss in the associate.

In 2021, the Company recognized income tax expense of \$4.6 million primarily due to the deferred tax liability arising from the gain recognized on disposition of the Company's residual interests in its previously owned Red Mountain project, and from the renouncement of

expenditures related to the June 2020 and June 2021 flow-through shares issued, that are capitalized for accounting purposes but renounced to investors for tax purposes. The income tax expense was partially offset by income tax recovery arising from the losses in the year.

In 2020, the Company recognized income tax recovery of \$0.8 million resulting from the losses incurred during the year. The tax recovery was partially offset by the deferred tax expense arising from exploration expenditures related to the September 2019 and June 2020 flow-through shares issued, that were capitalized for accounting purposes but were renounced to investors for tax purposes.

### Results of Operations, 2020 Compared to 2019

The Company incurred \$14.9 million net loss or \$0.23 per share for the year ended December 31, 2020 compared to a net loss of \$11.6 million or \$0.19 per share for the year ended December 31, 2019.

### Quarterly Information

Selected financial information for the last eight quarters ending December 31, 2021 is as follows:

(in thousands of Canadian dollars, except per share amounts)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	-	-	-	-	-	-	-	-
Income (loss) for period	(8,546)	(822)	14,548	(4,285)	(12,653)	4,977	(4,068)	(3,198)
Basic earnings (loss) per share	(0.11)	(0.01)	0.19	(0.06)	(0.18)	0.07	(0.06)	(0.05)

In the fourth quarter 2021, the loss included \$5.4 million of rehabilitation expenses related to the Johnny Mountain Mine. In the second quarter 2021, net income included \$21.9 million gain on disposition of interest in the Red Mountain project. In the first quarter 2021, the loss for the period included \$2.9 million of stockbased compensation expense related to amortization of RSUs granted in December 2020 that were vested during the second quarter 2021.

In the third quarter 2020, net income included a \$4.9 million reversal of stock-based compensation expense, related to non-market condition, performance vesting stock options granted in the years 2015 to 2019, that was previously recognized through the statement of operations and comprehensive income (loss). The reversal reflected a revised estimated vesting period of those options. In the fourth quarter 2020, that vesting period was re-estimated to reflect the purchase of the Snowfield property from Pretium Resources Inc. for \$127.5 million. The purchase, discussed below, added 25.9 million ounces of gold and 3.0 billion pounds of copper in the measured and indicated categories of resources and alone increased the measured and indicated gold ounces at KSM by 51%

Corporate and administrative expenses, including stock-based compensation, were the most significant items contributing to losses in fiscal 2020 and 2019. In 2020 and 2019 other income reported for flowthrough shares offset some of these expenses. These and other items are discussed further below.

Corporate and administrative expenses for 2020 were \$16.5 million, up \$3.2 million or 24% from prior year mainly due to \$3.4 million increase in stock-based compensation and \$0.2 million increase in cash compensation. The increase in stock-based compensation expense was primarily due to the recognition of the fair value of non-market performance options granted between 2015 and 2019 that were vested in late 2020.

Cash compensation for 2020 was \$4.8 million, up \$0.2 million or 4% from the prior year. The increase was mainly due to higher headcount.

and by 28% for copper. The estimated service period for these stock options, including those whose fair value was reversed in the previous quarter, was reset to the Snowfield property acquisition date, and \$8.6 million stock-based compensation expense was recognized through the statement of operations and comprehensive income (loss) in the fourth quarter 2020.

### Mineral Interest Activities

In response to the COVID-19 pandemic, the Company has implemented measures to safeguard the health and well-being of its employees, contractors, consultants, and community members. Many of the Company's employees worked remotely prior to the pandemic, and through most of 2020 and 2021, all employees have been working remotely during ongoing periods of lockdowns in various jurisdictions. The Company reduced the scope of some of the work programs at its projects that it had originally planned for in the prior year and has conducted its 2021 programs around social distancing protocols that included safety and preventative actions at its exploration camps. The Company executed its 2021 exploration and development work at KSM, Iskut, Snowstorm and

3 Aces projects under the same successful protocols it implemented in 2020. The Company's engagement with potential joint venture partners, or potential acquirors of KSM or Courageous Lake diminished in both 2020 and 2021 as major mining companies focused on addressing the needs of their existing operations as a result of the pandemic.

The Company continues to have full access to its properties in Canada and the United States and has managed to adequately staff its camps for conducting its programs. The Company has not experienced problems obtaining the supplies and services needed for its work programs. The Company has instituted and will continue to implement operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company plans work programs on an annual basis and adjusts its plans to the conditions it faces. The Company fully expects to be able to continue operating its planned programs on this basis going forward, as required, and anticipates that the pandemic will continue to have minimal impact on its exploration activities. One factor that the Company must plan for is the recent resurgence of inflation above past multi-decade levels. Budgets prepared for 2022 have incorporated inflation factors, including labour costs, fuel and energy costs and camp operations and supplies. These increases have not materially impacted planned operations or the Company's ability to fund and execute its plans.

In 2021, the Company added an aggregate of \$44.4 million of expenditures that were attributed to mineral interests. Cash expenditures of \$43.7 million were made at KSM (70%), Snowstorm (15%), Iskut (9%), 3 Aces (4%), and Courageous Lake (1%).

During the year, the Company commenced site capture activities that are designed to ensure that KSM's Environmental Assessment Certificate (EAC) remains in good standing as well as collecting additional data that will be required for an updated pre-feasibility study, expected to be filed in the second quarter of 2022 and for an eventual final feasibility study. On substantial start, under the B.C. Environmental Assessment Act, a project's EAC is subject to expiry if the project has not been substantially started by the deadline specified in the EAC. The deadline for KSM's EAC is July 29, 2026. However, if the B.C. Minister of Environment and Climate Change Strategy determines that a project has been substantially started before the deadline, the EAC remains in effect for the life of the project.

The Company also conducted drilling programs for metallurgical testing at the East Mitchell (formerly Snowfields) (see below) and Mitchell deposits and geotechnical drilling at East Mitchell and at various sites that will be utilized in engineering studies. Work continued on various, significant, components of the

eventual design, including connection to BC Hydro's transmission line. Planning and initial work was conducted on infrastructure projects, including the commencement of the construction of the first section of the Coulter Creek access road as well as new temporary and permanent camp installations. Expenditures totaling \$30 million were made on construction in progress and equipment purchase at KSM in the current year.

Also in 2021, the Company continued to evaluate the geotechnical and exploration drilling programs conducted in 2020. The objective of the geotechnical drilling program was to test the condition of the rocks along the proposed route of the Mitchell Treaty Tunnels, a proposed key infrastructure component of the project. The exploration program included drilling in an area previously untested. Results of the evaluation of the programs were followed up with a small drilling program. Exploration activities in 2021 have remained focused on optimizing the resource models and designing programs for detailed definition drilling of deposits for mine planning and production decisions.

In 2021, the Company deposited \$8.5 million in the form of security for reclamation activities related to the infrastructure programs mentioned above.

In December 2020, the Company closed the transaction acquiring a 100% interest in the East Mitchell property immediately adjacent to KSM and its addition significantly transforms the KSM project, increasing measured and indicated gold ounces of KSM by 51% and 28% for copper and enables new development opportunities for KSM which could have a positive impact on the overall project economics. Management has been studying the integration of East Mitchell into a new KSM mine plan. It is expected that a large portion of the East Mitchell mineral resource could be exploited in a combined operation, which could potentially improve KSM's internal rate of return and net present value projections as well as shortening the payback period of initial capital. The programs mentioned above have enabled management to generate sufficient additional data necessary to prepare a new preliminary feasibility study (PFS) for the project integrating the East Mitchell property into the project.

In 2021, at Iskut, the Company commenced an exploration and drilling program. The program was based on the evaluation the results of the exploration program conducted in 2020 and results of a geophysical survey conducted early in 2021. It was designed to drill a geochemical target and to test for a potential gold/copper porphyry deposit below the Quartz Rise lithocap. The program was completed by year end and results will be analyzed into 2022. In addition to exploration work at Iskut, the Company continued its planned 2021 reclamation and closure activities at the Johnny Mountain mine site as described in the results of operations section above.

During the year at Snowstorm, the Company commenced a drilling program designed to follow-up on the 2020 and early 2021 program that found discrete gold-bearing intervals hosted within a similar structural setting and rocks as mines on the same trends. Drilling has entailed re-entering existing drill holes and using directional drilling tools to continue the drill from known gold-bearing intersections toward prospective higher-grade structures. Approximately 2,500 meters of drilling is planned for this program and has continued into the early part of 2022.

In June 2020, the Company acquired a 100% interest in the 3 Aces gold project in the Yukon, Canada and in 2021, management conducted field activities with line cutting that will support a 42 line kilometer geophysical survey. The program is designed to build a 3-D earth image to integrate with historical drilling, to expand high-grade gold targets previously identified, and to detect new targets for initial drill testing. Also in 2021, several hundred drilled but un-assayed core samples collected by the predecessor operator, as well as field samples collected during the current year, were delivered to labs for analysis.

During the year, the Company continued to evaluate the best path forward at Courageous Lake. Options include securing a joint venture partner, the sale of all or a portion of the project, updating the 2012 PFS with a smaller initial project, or conducting additional exploration outside the area of known reserves and resources.

### Liquidity and Capital Resources

The Company's working capital position at December 31, 2021, was \$36.9 million compared to \$36.0 million at December 31, 2020. Included in current liabilities at December 31, 2021, is \$1.4 million of flow-through premium liability which is a non-cash item (December 31, 2020 - \$2.3 million) and will be reduced as flowthrough expenditures are incurred. The marginal increase in cash resources, including cash and cash equivalents and short-term deposits, was the net result of cash raised through financings (discussed below), disposition of mineral interests, and exercise of stock options and warrants, offset by cash used in environmental, reclamation and exploration projects, corporate and administrative costs, early infrastructure development and corresponding equipment, and reclamation bonding deposits for KSM.

During the second quarter of 2021, the Company disposed of its residual interests in its previously owned Red Mountain project located in northwestern British Columbia, for net cash proceeds of \$21.9 million.

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. During 2021, all the warrants were exercised for net proceeds of \$7.8 million and 500,000 common shares were issued.

Also in 2021, the Company received \$17.7 million upon the exercise of 1,585,501 stock options and subsequent to the year end, the Company received \$1.6 million upon the exercise of an additional 117,500 stock options.

In June 2021, the Company issued 350,000 flow-through common shares at \$28.06 per common share for aggregate gross proceeds of \$9.8 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, 2021. At the time of issuance of the flow-through shares, \$1.5 million premium was recognized as a liability on the consolidated statements of financial position. During 2021, the Company incurred \$1.1 million of qualifying exploration expenditures and \$0.2 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive income (loss).

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. During 2020, the Company issued 1,327,046 shares, at an average selling price of \$21.94 per share, for net proceeds of \$28.5 million under Company's At-The-Market offering. 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.

During the first quarter of 2021, the Company entered into a new 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\$75 million in value of common shares of the Company. This program can be in effect until the Company's current US\$775 million Shelf Registration Statement expires in January 2023. In 2021, the Company issued 2,242,112 shares, at an average selling price of \$22.71 per share, for net proceeds of \$49.9 million under Company's At-The-Market offering. Subsequent to the year end, the Company issued 537,037 shares, at an average selling price of \$22.09 per share, for net proceeds of \$7.6 million under Company's At-The-Market offering.

On December 4, 2020, the Company entered into an agreement to sell, on a bought deal basis, 6,100,000 common shares of the Company, at US\$17.25 per common share, for gross proceeds of US\$105.0 million. As part of the agreement, the Company granted an option to the underwriters to sell up to an additional 610,000 common shares of the Company, at a price of US\$17.25 per common share, for gross proceeds of US\$10.5 million. The financing closed on December 9, 2020, and the underwriters fully exercised their option to purchase the additional common shares. In aggregate, 6,710,000 common shares were

issued, at a price of US\$17.25 per common share, for gross proceeds of US\$115.7 million.

In June 2020, the Company issued 345,000 flow-through common shares at \$32.94 per common share for aggregate gross proceeds of \$11.4 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, 2020. In accordance with draft legislation released on December 16, 2020 in relation to the COVID-19 pandemic, a 12-month extension has been proposed to the normal timelines in which the qualifying exploration expenditures should be incurred. At the time of issuance of the flow-through shares, \$3.9 million premium was recognized as a liability on the consolidated statements of financial position. During 2020, the Company incurred \$4.7 million of qualifying exploration expenditures and \$1.6 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive income (loss). During 2021, the Company incurred \$6.5 million of qualifying exploration expenditures and \$2.2 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive income (loss).

In April 2020, the Company closed a non-brokered private placement of 1.2 million common shares, at a price of \$11.75 per common share, for gross proceeds of \$14.1 million. As part of the private placement agreement, the Company granted an option to increase the size of the private placement by an additional 240,000 common shares exercisable until May 15, 2020. The 240,000 options were fully exercised on May 6, 2020 at a price of \$11.75 per share, for gross proceeds of \$2.8 million.

As outlined above, in 2021, the Company was successful in raising \$85 million in net proceeds with the issuance of common shares through various financings and upon the exercise of stock options and warrants. Comparatively, the Company raised \$200 million in 2020. These financings took place during the COVID-19 pandemic and the Company is confident in its ability to continue to finance its operations when required, through similar equity issuances and the exercise of stock options. The Company did not rely on any local, regional, or national government assistance, in 2021, to fund any of its operations.

During 2021, operating activities, including working capital adjustments, used \$11.7 million cash compared to \$9.7 million cash used by operating activities in 2020. The increase in the year-over-year basis was mainly related to \$2.5 million increase in environmental rehabilitation disbursements, and \$2.1 million increase in general and administrative expenses, partially offset by \$2.5 million decrease in cash used in working capital. Higher general and administrative expenses in 2021 was mainly related

to higher cash compensation, increase in recruitment costs, and the costs associated with the risk assessment review and sustainability programs implemented in 2021. Operating activities in the near-term are expected to remain stable or increase marginally given the growth in project and corporate activity in the Company.

As previously disclosed in the Company's prior years financial statements, in 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. In 2020, 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 \$2.3 million of Part XII.6 tax owing. The Company has been made aware that the CRA has reassessed certain investors who subscribed for flow-through shares in 2013 and will reassess other investors with reduced CEE deductions. Notice of objections to the Company's and investors' reassessments have and will be filed as received and will be appealed to the courts, should the notice of objections be denied. The Company has indemnified the investors that subscribed for the flow-through shares. The potential tax indemnification to the investors is estimated to be \$10.8 million, plus \$2.6 million potential interest. No provision has been recorded related to the tax, potential interest, 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 ("BCMETS") program, the Company was reassessed \$3.6 million, including accrued interest, for expenditures that the tax authority has categorized as not qualifying for the BCMETS 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 in 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 to the Receiver General and reduced the provision by \$1.8 million. In 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. Subsequent to the year end, the Company completed discoveries 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, 2021, the Company has recognized \$3.9 million of long-term receivable from the CRA, including \$2.3 million of HST credit due to the Company.

The Company will continue its objective of advancing its major gold projects, KSM and Courageous Lake, and to further explore the Iskut, Snowstorm and 3 Aces projects to either sell or enter into joint venture arrangements with major mining companies. The market for metals streams and royalty interests seems to be growing and the Company will determine the merits of disposing of options it holds on non-core net profits interests and net smelter returns. On financing future exploration and development by selling or entering into new streaming and royalty arrangements, see discussions below under outlook.

## Contractual Obligations

The Company has the following commitments as at December 31, 2021:

(\$000s)	Total	Payments due by years			
		2022	2023-24	2025-26	2027-28
Mineral interests	9,107	976	2,859	2,937	2,335
Flow-through share expenditures	8,933	8,933	-	-	-
	<b>18,040</b>	<b>9,909</b>	<b>2,859</b>	<b>2,937</b>	<b>2,335</b>

Subsequent to the year ended December 31, 2021, the Company entered into a Facilities Agreement with British Columbia Hydro and Power Authority ("BC Hydro") covering the design and construction of facilities by BC Hydro to supply construction phase hydro-sourced electricity to the KSM project.

KSM will connect to BC Hydro's existing Northwest Transmission Line ("NTL") running parallel to Highway 37 and 30 km from the proposed KSM plant site. The transmission line is scheduled to be constructed in 2023 with completion and commissioning planned for late 2024.

The cost to complete the construction is estimated to be \$28.9 million of which the Company paid \$6.6 million to BC Hydro during February 2022, with an additional \$1.2 million due in the second quarter of 2022 and \$21.1 million due in 2023. In addition, the Facilities Agreement requires \$54.2 million in security or cash from the Company for BC Hydro system reinforcement which is required to make the power available of which the Company paid \$10 million to BC Hydro in February 2022, and an additional \$11.2 million due in the second quarter of 2022 and \$33 million due in 2023. The \$54.2 million system reinforcement security will be forgiven annually, typically over a period of less than 8 years, based on project power consumption.

## Outlook

As mentioned above, the COVID-19 pandemic has not materially impacted the Company's operations, financial condition or financial performance, but it has caused it to reduce the scale of certain programs and has hindered, and may continue to hinder, the pace of advancement at the affected projects. The Company has been able to carry out its 2021 exploration and monitoring programs at its projects safely and within the constraints and measures implemented and the pandemic had no material impact to the results of operations. Although the capital markets are relatively volatile, the Company has not experienced limitations nor does it foresee limitations to accessing capital on acceptable terms. No disruptions to supply chains have been experienced nor have there been delays in project activity.

The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Working closely with the health authorities and with its business partners, the Company developed effective procedures for operating safely in the current global health crisis.

With the increase in the price of gold since the start of the pandemic, the Company has enjoyed favourable

capital markets and has continued to raise funds under its ATM offering of common shares and other financings mentioned above and its financial condition has not been adversely impacted by the pandemic. As a company without revenue from operations, its financial performance has not been impacted by the pandemic. The Company will continue to monitor developments of the pandemic and continuously assess the pandemic's potential further impact on the Company's operations and business.

Subsequent to December 31, 2021, the Company entered into an agreement selling a secured note ("Note") that is to be exchanged at maturity for a 60% gross silver royalty (the "Silver Royalty") on the KSM project to Sprout Resource Streaming and Royalty Corp. and Ontario Teachers' Pension Plan (jointly, the "Investors") for US\$225 million. The proceeds of the financing will be used to continue ongoing physical works at KSM and advance the project towards a designation of 'substantially started'. The 'substantially started' designation ensures the continuity of the KSM project's approved Environmental Assessment Certificate ("EAC") for the life of the project.

The Note bears interest at 6.5% per annum, payable quarterly in arrears. The Company can elect to satisfy interest payments in cash or by delivering common shares. The Company's obligations under the Note will be secured by a charge over all of the assets of its wholly owned subsidiary, KSM Mining ULC, and a limited recourse guarantee from the Company secured by a pledge of the shares of KSM Mining ULC.

If project financing to develop, construct and place KSM into commercial production is not in place by the fifth anniversary from closing, the Investors can put the Note back to the Company for US\$232.5 million in cash or common shares at the Company's option. This right expires once such project financing is in place. If the Investors exercise this put right, the Investors' right to purchase the Silver Royalty terminates.

If the EAC expires at any time while the Note is outstanding, the Investors can put the Note back to the Company for US\$247.5 million at any time over the following nine months, in cash or common shares at the Company's option. If the Investors exercises this put right, the Investors' right to purchase the Silver Royalty terminates.

When the Note matures, the Investors will use all of the principal amount repaid on maturity to purchase the Silver Royalty. The Note matures upon the first of either commercial production being achieved at KSM and either the 10-year anniversary, or if the EAC expires and the Investors do not exercise their right to put the Note to the Company, the 13-year anniversary of the issue date of the Note.

If commercial production is not achieved at KSM prior to the tenth anniversary from closing, the Silver Royalty payable to the Investors will increase to a 75% gross silver royalty. If the EAC expires during the term of the Note and the corresponding put right is not exercised, the increase will occur at the thirteenth anniversary from closing. The Company has the option to buy back 50% of the Silver Royalty, once exchanged on or before 3 years after commercial production has been achieved, for an amount that provides the Investors a minimum guaranteed annualized return.

No amount payable may be paid in common shares of Seabridge if, after the payment, any of the Investors would own more than 9.9% of Seabridge's outstanding shares.

The financing provides most of the capital necessary to attain substantial start and reduces the time from the construction schedule once a construction decision has been made. The Company will continue its efforts to integrate East Mitchel into KSM's development and complete the work required to advance the new PFS expected to be finalized in the second quarter of 2022.

The Company intends to continue its pursuit of a joint venture agreement on the KSM project with a suitable partner on terms advantageous to the Company, since it does not intend to build or operate the project alone. The KSM project includes multiple deposits and provides a joint venture partner, or purchaser, flexibility in the design of the project. In accordance with its priorities and risk tolerance, the Company believes that it does not make sense for it to start preparing a feasibility study on the KSM project on its own. The current KSM PFS includes recommendations on additional work that could be completed to advance the project, including budget estimates. It is anticipated that the updated PFS will contain similar recommendations. The work that a joint venture partner might choose to complete might include some or all of this recommended work and might include significantly more work, and so the timing and cost for a joint venture partner to conclude the recommended work or a feasibility study is impossible to predict. The Company plans its work to advance the KSM project on an annual basis, when the results of one year's work have been received and analyzed, planning for the next year begins. When planning its programs, the Company will consider the recommended work in the PFS, but the Company will decide work based on its priorities, the results of its advancement work and the items it believes are best left for a joint venture partner to decide. Plans for each year are typically announced in the second quarter of the year and budgets are established at the beginning of that year.

At Iskut, the Company will evaluate its 2021 exploration activities that focused on a potential porphyry deposit below the Quartz Rise lithocap. The 2020 drill campaign confirmed the presence of a favourable mineralized intrusion with the presence of gold and copper, and the 2021 geophysical surveys and two deeper drill holes, now

completed, will be evaluated for evidence of the source of the intrusions. Environmental work will also continue on the reclamation and closure plan for the Johnny Mountain mine weather permitting.

At Snowstorm, the Company will utilize the results of the 2021 drill program, that is expected to be completed in late March or early April 2022, to undertake a follow-up drill program based on those results.

At the Company's new project, 3 Aces, the Company will continue to evaluate historical data to determine the scope of an initial drill program that would focus on high grade mineralized targets.

### Environment, Social and Governance

Management and the Board of Directors have formalized several key policies that entrench the Company's environmental, social and governance (ESG) goals, priorities and strategies to operate safely, sustainably and with the highest governance standards. The Board of Directors has established a Sustainability Committee and granted that committee the authority to investigate any activity of the Corporation and its affiliates relating to sustainability and ESG. As the Company operates in the natural resource extraction industry, the Company strives to achieve the highest operating standards, assessing and mitigating the impacts on the physical environment and the communities in which the Company operates. The Company is committed to sustainability and the integration of sustainability principles into all of our activities and has adopted its Sustainability Policy and produced and published its inaugural sustainability report that was prepared with select disclosures and guidance from the Sustainability Standards Accounting Board Metals and Mining Industry Standards and the Global Reporting Initiative Standards, as well as metrics designed for specifically for the Company. The Company has also published its ESG Performance Tables for its first reporting year, 2020. The sustainability report highlights the Company's accomplishments and approach to three critical pillars: the economy, society, and the environment. These pillars are seen as interdependent, each necessary and supportive to the other. The Company recognizes that sustainability involves protecting environmental values in the area of our projects, contributing to the health and the economic and social well-being of our employees and the local communities, and taking action on national and global priorities. A sustainable human environment requires the Company to consider issues such as cultural respect, inclusiveness, diversity, and broad participation in the opportunities and benefits which derive from our efforts.

In addition to the Sustainability Policy, the Company has also implemented its Environmental Policy; Health and Safety Policy including a separate policy on discrimination bullying harassment and violence; a

Workplace Employment Policy; and its Policy Statement on Diversity. The Inaugural Sustainability Report and all of the Company's policies related to ESG can be found on the Company's website [www.seabridgegold.com](http://www.seabridgegold.com).

### 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, 2021 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, 2021, 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, 2021.

### 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, 2021 and ended on December 31, 2021 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, 2021, 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.

### Cybersecurity

The Company's management is responsible for cybersecurity risks that face the Company, and the Board of Directors has granted the Audit Committee the authority to oversee management's assessment of those risks and their prevention and mitigation approaches and to investigate any material breaches. To date, there have been no material breaches of security measures.

An independent review of access to information and other security protocols around the Company's IT systems was undertaken in 2020 and another review is planned for 2022. The review, among other items, verifies all employees' ability to recognize potentially malicious emails or other communications that could enable an intruder to download malware onto the Company's systems leading to the potential circumventing of the Company's security protocols and to potentially steal or hold ransom Company data.

### Shares Issued and Outstanding

At March 24, 2022, the issued and outstanding common shares of the Company totaled 79,630,686. In addition, there were 905,834 stock options and 163,000 RSUs outstanding. Assuming the conversion of all of these instruments outstanding, there would be 80,699,520 common shares issued and outstanding.

### Related Party Transactions

During year ended December 31, 2021 and 2020, there were no payments to related parties other than compensation paid to key management personnel. 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 (N) in the Company's audited consolidated financial statements for the year ended December 31, 2021.

### Critical Accounting Estimates

Refer to Note 3 (C) in the Company's audited consolidated financial statements for the year ended December 31, 2021.

### 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 24, 2022



**Christopher J. Reynolds**  
*Vice President, Finance and Chief Financial Officer*  
March 24, 2022

# 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, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2021, 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, 2021, 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 24, 2022 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: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our 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 separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### Uncertain Tax Positions

As discussed in Notes 3c and 17 to the consolidated financial statements, in 2019 the Company received a notice of re-assessment from the Canadian Revenue Agency (tax authority) that reduces the amount of expenditures reported, as Canadian Exploration Expenses (CEE) for the three-year period ended December 31, 2016. In connection with the issuance of flow-through shares which financed the CEE, the Company has indemnified investors for any disallowed renunciations of CEE. The Company has not recorded any expense related 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 uncertain tax position related to CEE 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 probability of the ultimate resolution of its CEE filing positions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's assessment of

the uncertain tax positions including controls related to the interpretation of tax law. We involved tax professionals with specialized skills and knowledge who assisted in, evaluating the Company's tax position by:

- inspecting the notice and other correspondence with the tax authority
- inspecting and evaluating conclusions obtained by Company's external legal advisors
- evaluating the Company's analysis and conclusions regarding its assertion, which included an assessment of the Company's analysis of tax laws and regulations
- performing an independent assessment of the Company's uncertain tax positions 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 24, 2022

# Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of 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, 2021, 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, 2021, 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, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021 and the related notes (collectively, the consolidated financial statements), and our report dated March 24, 2022 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, 2021. 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 24, 2022



# Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Note	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 11,523	\$ 17,528
Short-term deposits	4	29,243	19,905
Amounts receivable and prepaid expenses	5	10,026	4,970
Investment in marketable securities	6	3,367	3,826
		54,159	46,229
<b>Non-current assets</b>			
Investment in associate	6	2,429	2,611
Convertible notes receivable	7	606	529
Long-term receivables	8	13,038	-
Mineral interests, property and equipment	9	662,279	591,681
Reclamation deposits	11	15,231	6,767
		693,583	601,588
<b>Total assets</b>		\$ 747,742	\$ 647,817
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 12,165	\$ 5,377
Flow-through share premium	12	1,366	2,276
Lease obligations		90	41
Provision for reclamation liabilities	11	3,680	2,500
		17,301	10,194
<b>Non-current liabilities</b>			
Deferred income tax liabilities	16	23,164	19,034
Lease obligations		182	207
Provision for reclamation liabilities	11	4,762	3,664
		28,108	22,905
<b>Total liabilities</b>		45,409	33,099
<b>Shareholders' equity</b>	12	702,333	614,718
<b>Total liabilities and shareholders' equity</b>		\$ 747,742	\$ 647,817

Subsequent events (Notes 7, 8, 12 and 18), commitments and contingencies (Note 17)

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 Income (Loss)

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

	Note	Year Ended December 31, 2021	Year Ended December 31, 2020
Gain on disposition of mineral interests	9	\$ 21,943	\$ -
Corporate and administrative expenses	14	(13,379)	(16,530)
Other income - flow-through shares	12	2,373	1,676
Environmental rehabilitation expense	11	(5,377)	-
Equity loss of associate	6	(221)	(187)
Unrealized gain on convertible notes receivable		104	-
Interest income		176	114
Finance expense and other expense		(94)	(815)
<b>Income (loss) before income taxes</b>		<b>5,525</b>	<b>(15,742)</b>
Income tax (expense) recovery	16	(4,630)	800
<b>Income (loss) for the year</b>		<b>\$ 895</b>	<b>\$ (14,942)</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 <sup>(a)</sup>		\$ (398)	\$ 688
<b>Comprehensive income (loss) for the year</b>		<b>\$ 497</b>	<b>\$ (14,254)</b>
<b>Weighted average number of common shares outstanding</b>			
Basic		\$ 76,413,554	\$ 66,369,942
Diluted		\$ 77,600,688	\$ 66,369,942
<b>Earnings (loss) per common share</b>			
Basic		\$ 0.01	\$ (0.23)
Diluted		\$ 0.01	\$ (0.23)

a) Net of tax recovery of \$0.1 million (2020 - tax expense of \$0.1 million)

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, 2020</b>	<b>74,162,286</b>	<b>\$ 704,599</b>	<b>\$ 3,275</b>	<b>\$ 23,011</b>	<b>\$ 36,089</b>	<b>\$ (150,878)</b>	<b>\$ (1,378)</b>	<b>\$ 614,718</b>
Share issuance - Private placement	350,000	8,358	-	-	-	-	-	8,358
Share issuance - At-The-Market offering	2,242,112	50,929	-	-	-	-	-	50,929
Share issuance - Options exercised	1,585,501	32,077	-	(14,370)	-	-	-	17,707
Share issuance - Other	500,000	11,100	(3,275)	-	-	-	-	7,825
Share issuance - RSUs vested	135,450	3,413	-	(3,413)	-	-	-	-
Share issuance costs	-	(1,645)	-	-	-	-	-	(1,645)
Deferred tax on share issuance costs	-	438	-	-	-	-	-	438
Stock-based compensation	-	-	-	3,506	-	-	-	3,506
Expired options	-	-	-	(37)	37	-	-	-
Other comprehensive loss	-	-	-	-	-	-	(398)	(398)
Net income for the year	-	-	-	-	-	895	-	895
<b>As at December 31, 2021</b>	<b>78,975,349</b>	<b>\$ 809,269</b>	<b>-</b>	<b>\$ 8,697</b>	<b>\$ 36,126</b>	<b>\$ (149,983)</b>	<b>\$ (1,776)</b>	<b>\$ 702,333</b>
As at December 31, 2019	63,510,487	\$ 494,857	\$ 3,275	\$ 18,820	\$ 36,073	\$ (135,936)	\$ (2,066)	\$ 415,023
Share issuance - Bought deal	6,710,000	148,192	-	-	-	-	-	\$ 148,192
Share issuance - Private placement	1,785,000	24,424	-	-	-	-	-	24,424
Share issuance - At-The-Market offering	1,327,046	29,116	-	-	-	-	-	29,116
Share issuance - Other	300,000	6,564	-	-	-	-	-	6,564
Share issuance - Options exercised	390,153	6,548	-	(2,246)	-	-	-	4,302
Share issuance - RSUs vested	139,600	2,351	-	(2,351)	-	-	-	-
Share issuance costs	-	(10,151)	-	-	-	-	-	(10,151)
Deferred tax on share issuance costs	-	2,698	-	-	-	-	-	2,698
Stock-based compensation	-	-	-	8,804	-	-	-	8,804
Expired options	-	-	-	(16)	16	-	-	-
Other comprehensive income	-	-	-	-	-	-	688	688
Net loss for the year	-	-	-	-	-	(14,942)	-	(14,942)
As at December 31, 2020	74,162,286	\$ 704,599	\$ 3,275	\$ 23,011	\$ 36,089	\$ (150,878)	\$ (1,378)	\$ 614,718

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, 2021	Year Ended December 31, 2020
<b>Operating Activities</b>		
Net income (loss)	\$ 895	\$ (14,942)
Adjustment for non-cash items:		
Gain on disposition of mineral interests	(21,943)	-
Stock-based compensation	3,506	8,804
Environmental rehabilitation expense	5,377	-
Other income - flow-through shares	(2,373)	(1,676)
Unrealized gain on convertible notes receivable	(104)	-
Income tax expense (recovery)	4,630	(800)
Equity loss of associate	221	187
Finance costs adjustments	294	887
Depreciation on right-of-use assets	85	36
Adjustment for cash items:		
Environmental rehabilitation disbursements	(3,320)	(811)
Changes in working capital items:		
Amounts receivable and prepaid expenses	(5,056)	(1,696)
Accounts payable and accrued liabilities	6,090	266
<b>Net cash used in operating activities</b>	<b>(11,698)</b>	<b>(9,745)</b>
<b>Investing Activities</b>		
Mineral interests	(43,587)	(158,795)
Cash proceeds from disposition of mineral interests	21,943	-
Investment in security deposits	(8,465)	(5,440)
Investment in short-term deposits	(24,349)	(29,816)
Redemption of short-term deposits	15,011	14,024
Property and equipment	(30,024)	-
Investment in associate	(39)	(437)
Long-term receivables	(9,172)	-
<b>Net cash used in investing activities</b>	<b>(78,682)</b>	<b>(180,464)</b>
<b>Financing Activities</b>		
Share issuance, net of costs	59,104	195,440
Exercise of options	17,707	4,302
Warrant exercises	7,825	-
Payment of lease liabilities	(77)	(21)
<b>Net cash from financing activities</b>	<b>84,559</b>	<b>199,721</b>
Effects of exchange rate fluctuation on cash and cash equivalents	(184)	(777)
<b>Net (decrease) increase in cash and cash equivalents during the year</b>	<b>(6,005)</b>	<b>8,735</b>
Cash and cash equivalents, beginning of the year	17,528	8,793
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 11,523</b>	<b>\$ 17,528</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, 2021 and 2020

## 1. Reporting entity

Seabridge Gold Inc. is comprised of Seabridge Gold Inc. ("Seabridge" or the "Company") and its subsidiaries, KSM Mining ULC, Seabridge Gold (NWT) Inc., Seabridge Gold (Yukon) 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 24, 2022.

### 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 income (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 income (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 during the measurement period. 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 "L", 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 income (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 mineral interests*

Mineral interests are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indication of impairment exists, and the carrying amount of the mineral interest exceeds its estimated recoverable amount, the carrying value is written down to the recoverable amount and the loss is recognized in the statement of operations and comprehensive income (loss). Also, the Company performs an impairment test if the period for which the Company has the right to explore within the project has expired during the period or will expire in the near future and is not expected to be renewed.

##### *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 income (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. For the closed sites, these changes, if any, and changes in discount rates are charged directly to the consolidated statement of operations and comprehensive income (loss). The periodic unwinding of the discount is recognized in income as accretion expense included in finance costs in the consolidated statement of operations and comprehensive income (loss).

*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 has been 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, property and equipment****(i) Mineral interests**

Mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of property and equipment and, as such, the Company capitalizes all exploration costs, which include 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.

**(ii) Construction in progress**

Construction in progress includes power infrastructure, camps, bridges, and roads related to early infrastructure development at KSM. Costs are not depreciated until the underlying assets are ready for use as intended by management.

**(iii) Equipment**

Equipment located at project site are earth moving equipment, vehicles and other equipment used in the early infrastructure development at KSM. To the extent that the Company utilizes its own equipment for the activities which are capitalized for the mineral properties or the construction in progress, the associated depreciation is capitalized to those assets.

**E. Depreciation**

Effective from the point an asset is available for its intended use, property and equipment are depreciated using the straight-line method over the estimated economic life of the asset. Estimated useful lives normally vary from three to fifteen years for equipment to a maximum of twenty years for buildings.

Residual values, useful lives and depreciation methods are reviewed at least annually and adjusted if appropriate. The impact of changes to the estimated useful lives, depreciation method or residual values is accounted for prospectively.

**F. Leasing arrangements**

Leases are recognized as a right-of-use ("ROU") asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**G. 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 income (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 consolidated statements of operations and comprehensive income (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 consolidated statements of operations and comprehensive income (loss).

#### H. Reclamation liabilities

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

#### I. 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.

#### J. 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 11). The Company reviews estimated forfeitures of options on an ongoing basis.

The factors affecting stock-based compensation include estimates of when stock options might be exercised share price volatility and the assessment of the probability and timing of those instruments that have non-market performance vesting criteria. 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.

#### **K. 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 consolidated statements of operations and comprehensive income (loss).

#### **L. Net earnings (loss) per common share**

Basic earnings (loss) per common share is computed based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share which assumes that stock options with an exercise price lower than the average quoted market price were exercised at the later of the beginning of the year, or time of issue and RSUs. Stock options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings (loss) per share as the effect is anti-dilutive.

#### **M. 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.

##### *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. Convertible notes receivable are recorded at fair value through profit or loss.

##### *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.

**N. Accounting pronouncements**

*New accounting standards issued but not yet effective:*

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments apply retrospectively, but only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company has analyzed the impact of adoption of the amendment and does not expect its adoption to have a material impact on the consolidated financial statements.

Other pronouncements have been issued by the IASB that are not mandatory for the current period and

have not been early adopted. These pronouncements are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

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

(\$000s)	December 31, 2021	December 31, 2020
Cash and cash equivalents	11,523	17,528
Short-term deposits	29,243	19,905
	40,766	37,433

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, 2021	December 31, 2020
HST	1,698	2,793
Trade and other receivables due from related parties	281	-
Prepaid expenses and other receivables	8,047	2,177
	10,026	4,970

**6. Investments**

(\$000s)	January 1, 2021	Fair value through other comprehensive income (loss)	Loss of associates	Additions	December 31, 2021
<b>Current assets:</b>					
Investment in marketable securities	3,826	(459)	-	-	3,367
<b>Non-current assets:</b>					
Investment in associate	2,611	-	(221)	39	2,429

(\$000s)	January 1, 2020	Fair value through other comprehensive income (loss)	Loss of associates	Additions	December 31, 2020
<b>Current assets:</b>					
Investment in marketable securities	3,032	794	-	-	3,826
<b>Non-current assets:</b>					
Investment in associate	2,361	-	(187)	437	2,611

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 \$3.4 million (December 31, 2020 - \$3.8 million) in the consolidated statements of financial position. At December 31, 2021, the Company revalued its holdings in its investments and recorded a fair value decrease of \$0.5 million on the statement of comprehensive income (loss).

Investment in associate relates to the Company's investment in Paramount Gold Nevada Corp ("Paramount"). As at December 31, 2021, the Company holds 6.4% (December 31, 2020 - 7.42%) 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 2021, the Company recorded its proportionate share of Paramount's net loss of \$0.2 million (2020 - \$0.2 million) within equity loss of associate on the consolidated statements of operations and comprehensive income (loss). As at December 31, 2021, the carrying value of the Company's investment in Paramount was \$2.4 million (December 31, 2020 - \$2.6 million).

The Company also holds convertible notes issued by Paramount (Note 7) and received semi-annual interest payments in the current and comparative year in the form of Paramount common shares. In June 2020, the Company also participated in a non-brokered registered direct offering and purchased 288,460 common shares of Paramount at US\$1.04 per common share for a total of \$0.4 million.

## 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 had an issue price of US\$975 per US\$1,000 face value 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 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. The fair value of the convertible notes receivable is determined by using the Binomial Option Pricing model.

As at December 31, 2021, the fair value of the convertible notes receivable was \$0.6 million (December 31, 2020 - \$0.5 million). The fair value was determined using the binomial option pricing model using the following assumptions: risk-free rate of 0.91%, 1.75 years expected remaining life of the convertible note, volatility of 47% based on Paramount stock price volatility, forfeiture rate of nil, and dividend yield of nil.

As at December 31, 2020, the fair value of the convertible notes was determined using the binomial option pricing model using the following assumptions: risk-free rate of 0.20%, 2.75 years expected remaining life of the convertible note, volatility of 50% based on Paramount stock price volatility, forfeiture rate of nil, and dividend yield of nil.

During 2021, the Company received 30,086 common shares of Paramount for payment of interest on the secured convertible notes accrued between July 2020 and June 2021. During 2020, the Company received 25,794 common shares of Paramount for payment of interest on the secured convertible notes accrued between September 2019 and June 2020. Subsequent to December 31, 2021, the Company received 22,610 common shares of Paramount for payment of interest on the secured convertible notes accrued and receivable as at December 31, 2021.

## 8. Long-term Receivables

(\$000s)	December 31, 2021	December 31, 2020
Canadian Exploration Expenses (note 17)	9,172	-
British Columbia Mineral Exploration Tax Credit <sup>1</sup>	3,866	-
	<b>13,038</b>	-

1) During 2016, upon the completion of an audit of the application by tax authorities of the British Columbia Mineral Exploration Tax Credit ("BCMETS") program, the Company was reassessed \$3.6 million, including accrued interest, for expenditures that the tax authority has categorized as not qualifying for the BCMETS 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 in 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 to the Receiver General and reduced

the provision by \$1.8 million. In 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 BCMETS program. Subsequent to December 31, 2021, the Company completed discoveries 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, 2021, The Company has paid \$1.6 million to the Receiver General, and the Canada Revenue Agency (CRA) has withheld \$2.3 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. In 2021, based on further study of the facts and circumstances of the Company's objection, the Company concluded that it was more likely than not that it will be successful in its objection and reclassified the \$3.9 million as long-term receivables on the consolidated statements of financial position as at December 31, 2021.

## 9. Mineral Interests, Property and Equipment

(\$000s)	Mineral interests	Construction in progress	Property & equipment	Right-of-use assets	Total
<b>Cost</b>					
As at January 1, 2020	425,671	-	-	307	425,978
Additions	165,775	-	-	-	165,775
As at December 31, 2020	591,446	-	-	307	591,753
<b>Additions</b>	<b>40,559</b>	<b>27,061</b>	<b>2,963</b>	<b>100</b>	<b>70,683</b>
<b>As at December 31, 2021</b>	<b>632,005</b>	<b>27,061</b>	<b>2,963</b>	<b>407</b>	<b>662,436</b>
<b>Accumulated Depreciation</b>					
As at January 1, 2020	-	-	-	(36)	(36)
Depreciation expense	-	-	-	(36)	(36)
As at December 31, 2020	-	-	-	(72)	(72)
<b>Depreciation expense<sup>1</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(85)</b>	<b>(85)</b>
<b>As at December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(157)</b>	<b>(157)</b>
<b>Net Book Value</b>					
As at December 31, 2020	591,446	-	-	235	591,681
<b>As at December 31, 2021</b>	<b>632,005</b>	<b>27,061</b>	<b>2,963</b>	<b>250</b>	<b>662,279</b>

1) Depreciation expense related to equipment is capitalized to construction in progress.

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

(\$000s)	January 1, 2021	Acquisitions	Expenditures <sup>1</sup>	December 31, 2021
KSM	444,167	-	27,607	471,774
Courageous Lake	76,522	-	654	77,176
Iskut	37,949	-	3,830	41,779
Snowstorm	24,924	-	6,547	31,471
3 Aces	7,113	-	1,921	9,034
Grassy Mountain	771	-	-	771
	591,446	-	40,559	632,005

(\$000s)	January 1, 2020	Acquisitions	Expenditures	December 31, 2020
KSM	296,509	127,530	20,128	444,167
Courageous Lake	75,721	-	801	76,522
Iskut	32,215	-	5,734	37,949
Snowstorm	20,455	-	4,469	24,924
3 Aces	-	6,564	549	7,113
Grassy Mountain	771	-	-	771
	425,671	134,094	31,681	591,446

1) During the year ended December 31, 2021, the Company added an aggregate of \$44.4 million of expenditures to the mineral interests. The total expenditure was reduced by a \$3.9 million credit for reclassification of receivables, related to the BCMETC program, from mineral interests to long-term receivables (refer to note 8).

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 2011 and 2012, the Company completed agreements granting a third party an option to acquire a 2% net smelter royalty on all gold and silver production sales from KSM for a payment equal to the lesser of \$160 million or US\$200 million. The option is exercisable for a period of 60 days following the announcement of receipt of all material approvals and permits, full project financing and certain other conditions for the KSM Project.

In December 2020, the Company purchased the Snowfield (renamed East Mitchell) property from Pretium Resources Inc. The East Mitchell property, located in the same valley that hosts KSM's Mitchell

deposit, was purchased for US\$100 million (\$127.5 million) in cash, a 1.5% net smelter royalty on East Mitchell property production, and a conditional payment of US\$20 million, payable following the earlier of (i) commencement of commercial production from East Mitchell property, and (ii) announcement by the Company of a bankable feasibility study which includes production of reserves from the East Mitchell property. US\$15 million of the conditional payment can be credited against future royalty payments.

#### b) Courageous Lake

In 2002, the Company purchased a 100% interest in the Courageous Lake gold project from Newmont Canada Limited and Total Resources (Canada) Limited. The 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. 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 which owns the Snowstorm Project, located in northern Nevada. In connection with the acquisition, 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.

**e) 3 Aces**

In 2020, the Company acquired a 100% interest in the 3 Aces gold project in the Yukon, Canada from Golden Predator Mining Corp. through the issuance of 300,000 common shares valued at \$6.6 million. Should the project attain certain milestones, including the confirmation of a National Instrument 43-101 compliant mineral resource of 2.5 million ounces of gold, the Company will pay an additional \$1 million, and upon confirmation of an aggregate mineral resource of 5 million ounces of gold, the Company will potentially pay an additional \$1.25 million.

**f) Grassy Mountain**

In 2013, the Company sold 100% of its interest in the Grassy Mountain Project with a net book value of \$0.8 million retained within mineral properties, related to the option to either receive, at the discretion of the Company, a 10% net profits interest royalty or a \$10 million cash payment. Settlement is due four months after the later of: the day that the Company receives a feasibility study on the project; and the day that the Company is notified that permitting and bonding for the mine is in place. The current owner of the Grassy Mountain Project is Paramount who completed a feasibility study in 2020 but they have not notified the Company that permitting and bonding for the mine is in place.

**10. Accounts payable and accrued liabilities**

(\$000s)	December 31, 2021	December 31, 2020
Trade payables	10,190	2,466
Trade and other payables due to related parties	136	57
Non-trade payables and accrued expenses	1,839	2,854
	<b>12,165</b>	<b>5,377</b>

**11. Provision for reclamation liabilities**

(\$000s)	December 31, 2021	December 31, 2020
Beginning of the period	6,164	6,865
Disbursements	(3,320)	(811)
Environmental rehabilitation expense	5,515	-
Accretion	83	110
End of the period	<b>8,442</b>	<b>6,164</b>
Provision for reclamation liabilities - current	3,680	2,500
Provision for reclamation liabilities - long-term	4,762	3,664
	<b>8,442</b>	<b>6,164</b>

The estimate of the provision for reclamation obligations, as at December 31, 2021, was calculated using the estimated discounted cash flows of future reclamation costs of \$8.4 million (December 31, 2020 - \$6.2 million) and the expected timing of cash flow payments required to settle the obligations between 2022 and 2026. As at December 31, 2021, the undiscounted future cash outflows are estimated at \$8.2 million (December 31, 2020 - \$6.2 million) primarily over the next three years. For the year ended December 31, 2021, reclamation disbursements amounted to \$3.3 million (2020 - \$0.8 million).

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 income (loss). The Johnny Mountain Mine site was acquired, along with the Iskut Project, during the Snip Gold acquisition in 2016. Expenditures were 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. In 2021, the Company updated the closure plan for the Johnny Mountain mine site and charged an additional \$5.4 million of rehabilitation expenses to the consolidated statements of operations and comprehensive income (loss).

As at December 31, 2021, the Company has placed a total of \$15.2 million (December 31, 2020 - \$6.8 million) on deposit with financial institutions or with government regulators that are pledged as security against reclamation liabilities. This includes an \$8.5 million deposit placed with a financial institution in 2021 (December 31, 2020 - \$5.2 million) pledged as security for the fish habitat offsetting plans, and access road reclamation obligations at KSM. The deposits are recorded on the consolidated statements of financial position as security deposits.

## 12. 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, 2021 or December 31, 2020.

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 2021. The Company considers its capital to be share capital, stock-based compensation, warrants, contributed surplus and deficit. The Company is not subject to externally imposed capital requirements.

### a) Equity financings

In 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. In 2020, the Company issued 1,327,046 shares, at an average selling price of \$21.94 per share, for net proceeds of \$28.5 million under Company's At-The-Market offering.

During the first quarter of 2021, the Company entered into a new 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\$75 million in value of common shares of the Company. This program can be in effect until the Company's current US\$775 million Shelf Registration Statement expires in January 2023. In 2021, the Company issued 2,242,112 shares, at an average selling price of \$22.71 per share, for net proceeds of \$49.9 million under Company's At-The-Market offering. Subsequent to the year end, the Company issued 537,037 shares, at an average selling price of \$22.09 per share, for net proceeds of \$11.6 million under Company's At-The-Market offering.

In June 2021, the Company issued 350,000 flow-through common shares at \$28.06 per common share for aggregate gross proceeds of \$9.8 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, 2021. At the time of issuance of the flow-through shares, \$1.5 million premium was recognized as a liability on the consolidated statements of financial position. During 2021, the Company incurred \$1.1 million of qualifying exploration expenditures and \$0.2 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive income (loss).

On December 4, 2020, the Company entered into an agreement to sell, on a bought deal basis, 6,100,000 common shares of the Company, at US\$17.25 per common share, for gross proceeds of US\$105 million. As part of the agreement, the Company granted an option to the underwriters to sell up to an additional 610,000 common shares of the Company, at a price of US\$17.25 per common share, for gross proceeds of US\$10.5 million. The financing closed on December 9, 2020, and the underwriters fully exercised their option to purchase the additional common shares. In aggregate, 6,710,000 common shares were issued, at a price of US\$17.25 per common share, for gross proceeds of US\$115.7 million.

In June 2020, the Company issued 345,000 flow-through common shares at \$32.94 per common share for aggregate gross proceeds of \$11.4 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, 2020. In accordance with draft legislation released on December 16, 2020 in relation to the COVID-19 pandemic, a 12-month extension has been proposed to the normal timelines in which the qualifying exploration expenditures should be incurred. At the time of issuance of the flow-through shares, \$3.9 million premium was recognized as a liability on the consolidated statements of financial position. During 2020, the Company incurred \$4.7 million of qualifying exploration expenditures and \$1.6 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive income (loss). During 2021, the Company incurred \$6.5 million of qualifying exploration expenditures and \$2.2 million of the premium was recognized through other income on the consolidated statements of operations and comprehensive income (loss).



In April 2020, the Company closed a non-brokered private placement of 1.2 million common shares, at a price of \$11.75 per common share, for gross proceeds of \$14.1 million. As part of the private placement agreement, the Company granted an option to increase the size of the private placement by an additional 240,000 common shares exercisable until May 15, 2020. The 240,000 options were fully exercised on May 6, 2020 at a price of \$11.75 per share, for gross proceeds of \$2.8 million.

#### 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. During 2021, all the warrants were exercised for net proceeds of \$7.8 million and 500,000 common shares were issued.

#### 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 ("RSU"s).

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, 2021</b>	2,611,691	12.51	22,524	135,450	487	23,011
Granted	-	-	-	163,800	573	573
Exercised option or vested RSU	(1,585,501)	11.17	(14,370)	(135,450)	(3,413)	(17,783)
Expired	(2,856)	6.30	(37)	-	-	(37)
Amortized value of stock-based compensation	-	-	8	-	2,925	2,933
<b>Outstanding at December 31, 2021</b>	<b>1,023,334</b>	<b>14.61</b>	<b>8,125</b>	<b>163,800</b>	<b>572</b>	<b>8,697</b>
<b>Exercisable at December 31, 2021</b>	<b>1,023,334</b>					

	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, 2020	3,003,150	12.32	18,546	139,600	274	18,820
Granted	-	-	-	135,450	487	487
Exercised option or vested RSU	(390,153)	11.03	(2,246)	(139,600)	(2,351)	(4,597)
Expired	(1,306)	6.30	(16)	-	-	(16)
Amortized value of stock-based compensation	-	-	6,240	-	2,077	8,317
Outstanding at December 31, 2020	2,611,691	12.51	22,524	135,450	487	23,011
Exercisable at December 31, 2020	2,608,357					

The outstanding share options at December 31, 2021 expire at various dates between December 2022 and June 2024. A summary of options outstanding, their remaining life and exercise prices as at December 31, 2021 is as follows:

Options Outstanding		Options Exercisable	
Exercise price	Number outstanding	Remaining contractual life	Number exercisable
\$13.14	453,334	1 year	453,334
\$16.94	50,000	1 year 10 months	50,000
\$15.46	470,000	2 years	470,000
\$17.72	50,000	2 years 6 months	50,000
	1,023,334		1,023,334

During the year ended December 31, 2021, 1,585,501 options were exercised (year ended December 31, 2020, 390,153) for proceeds of \$17.7 million (year ended December 31, 2020, \$4.3 million) and 135,400 RSUs vested (year ended December 31, 2020, 139,600). In total, 1,720,951 common shares were issued (year ended December 31, 2020, 529,753). The weighted average share price at the date of exercise of options exercised during the year ended December 31, 2021 was \$22.39 (year ended December 31, 2020 – \$24.03).

On June 25, 2020, shareholders resolved to approve that 425,000 options that were granted to the directors of the Company in 2015 and due to expire in April 2020, be extended for one year. These options vested in December 2020 upon the acquisition of the East Mitchell property. The \$4.4 million fair value of the extension was charged to the statement of operations and comprehensive income (loss) at that time, matching the revised estimated service period.

In December 2020, 608,000 options that were granted to Board members and senior management during December 2018 and June 2019 vested upon the acquisition of the East Mitchell property and \$1.6 million of the fair value of these options, not previously expensed, was charged to the statement of operations and comprehensive income (loss) on an accelerated basis to match the change in the estimate of the 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. These options also vested in December 2020 upon the acquisition of the East Mitchell property and \$0.1 million of the fair value of these options, not previously expensed, was charged to the statement of operations and comprehensive income (loss) on an accelerated basis, to match the change in the estimated service period.

The Company has, since 2019, refocused the compensation practices away from issuing a combination of stock options and RSUs to only issuing RSUs with shorter terms and service periods. The

fair value of the RSU grants is determined using the closing price of the common shares on the Toronto Stock Exchange on the business day immediately prior to the grant date and is amortized over the expected service period of the grants.

In December 2021, 123,800 RSUs were granted. Of these, 28,000 RSUs were granted to Board members, 72,500 RSUs were granted to members of senior management, and the remaining 20,600 RSUs were granted to other employees of the Company. The fair value of the grants, of \$2.6 million, was estimated as at the grant date to be amortized over the expected service period of the grants. The expected service period of approximately four months from the date of the grant was dependent on certain corporate objectives being met. As at December 31, 2021, \$0.4 million of the fair value of the grants was amortized.

During the third and fourth quarter 2021, 40,000 RSUs were granted to three new members of senior management. Half of the RSUs will vest on the first anniversary of employment and the remaining half on the second anniversary. The fair value of the grants, of \$0.9 million, was estimated as at the grant date to be amortized over the expected service period of the grants. As at December 31, 2021, \$0.1 million of the fair value of the grants was amortized.

In December 2020, the Board granted 135,450 RSUs. Of these, 28,000 RSUs were granted to the board members, 80,300 RSUs were granted to members of senior management, and the remaining 27,150 RSUs were granted to other employees of the Company. The fair value of the grants, of \$3.4 million, was estimated as at the grant date to be amortized over the expected service period of the grants. The expected service period of approximately four months from the date of the grant was dependent on certain corporate objectives being met. Of the \$3.4 million fair value of the grants, \$0.5 million was amortized during the fourth quarter 2020, and the remaining \$2.9 million was amortized during the first quarter 2021. During the second quarter 2021, 135,450 RSUs were vested and were exchanged for common shares of the Company. Subsequent to December 31, 2021, 117,500 options were exercised for proceeds of \$1.6 million.

**d) Basic and diluted net loss per common share**

Basic and diluted net earnings attributable to common shareholders of the Company for the year ended December 31, 2021 was \$0.9 million (year ended December 31, 2020 - \$14.9 million net loss).

Earnings per share has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the period. Stock options are reflected in diluted earnings per share by application of the treasury method. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

	Years ended December 31,	
	2021	2020
Weighted average number of common shares outstanding	76,413,554	66,369,942
Dilutive effect of options <sup>1</sup>	1,023,334	-
Dilutive effect of RSUs <sup>1</sup>	163,800	-
	<b>77,600,688</b>	<b>66,369,942</b>

- 1) The impact of outstanding potentially dilutive options and RUSs is excluded from the diluted share calculation for loss per share amounts as they are anti-dilutive.

**13. 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, 2021 and December 31, 2020 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*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the counterparty by failing to discharge an obligation. The maximum amount of credit risk is equal to the balance of 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 and convertible notes receivable to be remote. The convertible notes receivable can be converted to common shares of Paramount and be sold in the open market to recover the carrying value of the notes.

*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, 2021, the Company had cash and cash equivalents of \$11.5 million and short-term deposits of \$29.2 million (December 31, 2020 - \$17.5 million and \$19.9 million, respectively) for settlement of current financial liabilities of \$12.1 million (December 31, 2020 - \$5.4 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 12 for details on equity financings.

#### 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 cash on hand or converted from its Canadian dollar cash. 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, 2021, \$4.8 million of cash and cash equivalents and \$0.8 million of accounts payable and accrued liabilities are denominated in US dollars.

##### (c) Investment Risk

The Company holds \$0.1 million investment 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 or has sold. In addition, the Company holds \$3.3 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.

## 14. Corporate and administrative expenses

(\$000s)	2021	2020
Employee compensation	5,781	4,815
Stock-based compensation	3,506	8,804
Professional fees	1,828	1,106
Other general and administrative	2,264	1,805
	<b>13,379</b>	16,530

## 15. Related party disclosures

Compensation to key management personnel of the Company:

(\$000s)	2021	2020
<b>Compensation of directors:</b>		
Directors fees	431	713
Stock-based compensation	704	1,609
	<b>1,135</b>	2,322
<b>Compensation of key management personnel:</b>		
Salaries and consulting fees	5,773	5,269
Stock-based compensation	2,226	5,637
	<b>7,999</b>	10,906
	<b>9,134</b>	13,228

During year ended December 31, 2021 and 2020, there were no payments to related parties other than compensation paid to key management personnel. 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.

## 16. Income taxes

(\$000s)	2021	2020
Deferred tax expense (recovery)	4,630	(800)
	<b>4,630</b>	(800)
<b>Tax expense (recovery) recognized in other comprehensive income or directly in equity</b>		
(\$000s)	2021	2020
Financing costs - recognized in statement of equity	(438)	(2,698)
Unrealized gain or loss on marketable securities - recognized in OCI	(61)	106
	<b>(499)</b>	(2,592)

In 2021, the Company recognized income tax expense of \$4.6 million (2020 - income tax recovery of \$0.8 million) primarily due to the deferred tax liability arising from the gain recognized on disposition of the Company's residual interests in its previously owned Red Mountain project during second quarter in 2021, and from the renouncement of expenditures related to the flow-through shares issued which are capitalized for accounting purposes. The income tax expense was partially offset by income tax recovery arising from the losses in the period.

#### (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, Northwest Territories and Yukon statutory income tax rates of 26.63% (2020 - 26.58%).

(\$000s)	2021	2020
Income (loss) before income taxes	5,525	(15,742)
	26.63%	26.58%
Tax expense calculated		
Using statutory rates	1,471	(4,184)
Non-deductible items	303	1,897
Difference in foreign tax rates	(8)	10
Change in deferred tax rates	(132)	1,217
Movement in tax benefits not recognized	949	(1,078)
Impact of true-up of prior year balances	1	27
Renouncement of flow-through expenditures	2,020	1,357
Other	24	(46)
Income tax expense (recovery)	4,630	(800)

#### (b) Deferred Income Tax

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

(\$000s)	December 31, 2021	December 31, 2020
<b>Deferred income tax assets:</b>		
Property and equipment	292	258
Provision for reclamation liabilities	595	822
Financing costs	2,080	2,480
Non-capital loss carryforwards	33,098	28,664
<b>Deferred income tax liabilities:</b>		
Mineral interests	(59,229)	(51,258)
Net deferred income tax liabilities	(23,164)	(19,034)

#### (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, 2021	December 31, 2020
Marketable securities	182	167
Loss carryforwards	798	742
Investment tax credits	1,481	1,481
Foreign tax credits	268	268
Mineral properties	140	153
Provision for reclamation liabilities	1,083	241

Deferred tax has not been recognized on the deductible temporary difference of \$3.2 million (2020 - \$3.5 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, 2021, the Company had the following income tax attributes to carry forward.

	(\$000s)	Expiry date
Canadian non-capital losses	124,029	2026 to 2041
Canadian capital losses	2,571	Indefinite
Canadian tax basis of mineral interest	371,059	Indefinite
U.S. non-capital losses	432	2041
U.S. capital losses	1,634	2025
U.S. tax basis of mineral interest	18,824	Indefinite

## 17. Commitments and contingencies

(\$000s)	Total	Payments due by years			
		2022	2023-24	2025-26	2027-28
Mineral interests	9,107	976	2,859	2,937	2,335
Flow-through share expenditures	8,933	8,933	-	-	-
	<b>18,040</b>	<b>9,909</b>	<b>2,859</b>	<b>2,937</b>	<b>2,335</b>

As previously disclosed in the Company's prior years financial statements, in 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. In 2020, 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 \$2.3 million of Part XII.6 tax owing. The Company has been made aware that the CRA has reassessed certain investors who subscribed for flow-through shares in 2013 and will reassess other investors with reduced CEE deductions. Notice of objections to the Company's and investors' reassessments have and will be filed as received and will be appealed to the courts, should the notice of objections be denied. The Company has indemnified the investors that subscribed for the flow-through shares. The potential tax indemnification to the investors is estimated to be \$10.8 million, plus \$2.6 million potential interest. No provision has been recorded related to the tax, potential interest, nor the potential indemnity as the Company and its advisors do not consider it probable that there will ultimately be an amount payable.

During the current year ended December 31, 2021, the Company deposited \$9.2 million into the accounts of certain investors with the Receiver General, in return for their agreement to object to their respective assessments and agreement to repay the Company the full amount deposited on their behalf upon resolution of the Company's appeal. The deposits made has been recorded as long-term receivables on the statement of financial position as at December 31, 2021.

## 18. Subsequent events

- Subsequent to December 31, 2021, the Company entered into an agreement selling a secured note ("Note") that is to be exchanged at maturity for a 60% gross silver royalty (the "Silver Royalty") on the KSM project to Sprott Resource Streaming and Royalty Corp. and Ontario Teachers' Pension Plan (jointly, the "Investors") for US\$225 million. The Note bears interest at 6.5% per annum, payable quarterly in arrears.
- Subsequent to the year ended December 31, 2021, the Company entered into a Facilities Agreement with British Columbia Hydro and Power Authority ("BC Hydro") to construct and supply hydro-sourced electricity to the KSM project.

The cost to complete the construction is estimated to be \$28.9 million of which the Company paid \$6.6 million to BC Hydro during February 2022, with an additional \$1.2 million due in the second quarter of 2022 and \$21.1 million due in 2023. In addition, the Facilities Agreement requires \$54.2 million in security or cash from the Company for BC Hydro system reinforcement which is required to make the power available of which the Company paid \$10 million to BC Hydro in February 2022, and an additional \$11.2 million due in the second quarter of 2022 and \$33 million due in 2023. The \$54.2 million system reinforcement security will be forgiven annually, over a period of less than 8 years, based on project power consumption.



## Corporate Information

### DIRECTORS

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

**Trace Arlaud**

**Eliseo Gonzalez-Urien**

**Richard C. Kraus**

**Jay S. Layman**

**Melanie R. Miller**

**Clement A. Pelletier**

**John W. Sabine**  
*(Lead Director)*

**Gary A. Sugar**

**Carol T. Willson**

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

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

**Julie Rachynski**  
*Vice President, Human Resources*

**Ryan Hoel**  
*Vice President, Projects*

**Tracey Meintjes**  
*Vice President, Engineering Studies*

**Neggar Shafai**  
*Assistant Corporate Secretary*

### 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

### 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*

### 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.com  
www.seabridgegold.com  
www.ksmproject.com

### INVESTOR RELATIONS

**Rudi P. Fronk**  
Tel: 416 367 9292  
info@seabridgegold.com

### 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**  
28 Liberty Street, 41st Floor  
New York, NY 10005  
USA

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



# SEABRIDGE GOLD

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## Seabridge Gold Inc.

106 Front Street East, Suite 400  
Toronto, Ontario M5A 1E1  
Canada  
Phone: 416 367 9292  
Fax: 416 367 2711  
info@seabridgegold.com

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