

SEABRIDGE GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2009

SEABRIDGE GOLD INC.

Management's Discussion and Analysis

The following is a discussion of the results of operations and financial condition of Seabridge Gold Inc. and its subsidiary companies for the years ended December 31, 2009, 2008 and 2007. This report is dated March 18, 2010 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2009, 2008 and 2007, the Company's Annual Information Form filed on SEDAR at www.sedar.com, and the Annual Report on Form 40-F filed on EDGAR at www.sec.gov/edgar.shtml. Other corporate documents are also available on SEDAR and EDGAR as well as the Company's website www.seabridgegold.net. As the Company has no operating project at this time, its ability to carry out its business plan rests with its ability to sell projects or to secure equity and other financings. All amounts contained in this document are stated in Canadian dollars unless otherwise disclosed.

Company Overview

Seabridge Gold Inc. is a development stage company engaged in the acquisition and exploration of gold properties located in North America. The Company is designed to provide its shareholders with exceptional leverage to a rising gold price. The Company's business plan is to increase its gold ounces in the ground but not to go into production on its own. The Company will either sell projects or participate in joint ventures towards production with major mining companies. During the period 1999 through 2002, when the price of gold was lower than it is today, Seabridge acquired 100% interests in eight advanced-stage gold projects situated in North America. Subsequently, the Company acquired a 100% interest in the Noche Buena project in Mexico. As the price of gold has moved higher over the past several years, Seabridge has commenced exploration activities and engineering studies at several of its projects. The Company sold the Noche Buena project for US\$25 million (\$30,842,000) in December 2008. Seabridge's principal projects include the Courageous Lake property located in the Northwest Territories and the KSM (Kerr-Sulphurets-Mitchell) property located in British Columbia. Seabridge's common shares trade in Canada on the Toronto Stock Exchange under the symbol "SEA" and in the United States on the NYSE Amex stock exchange under the symbol "SA".

Selected Annual Information

Summary operating results (\$)	2009	2008	2007
Interest income	478,000	621,000	823,000
Gain on sale of Noche Buena project	-	19,891,000	-
Operating costs	5,067,000	5,216,000	6,984,000
Profit (Loss)	(4,678,000)	10,290,000	(5,542,000)
Basic Profit (Loss) per share	(0.12)	0.28	(0.15)
Diluted Profit (Loss) per Share	(0.12)	0.27	(0.15)
Summary balance sheets (\$)	2009	2008	2007
Current assets	10,550,000	39,323,000	25,698,000
Mineral interests	91,214,000	69,029,000	62,668,000
Total assets	103,401,000	109,802,000	89,862,000
Total long-term liabilities	2,393,000	1,999,000	2,436,000

Results of Operations

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The net loss for the year ended December 31, 2009 was \$4,678,000 or \$0.12 per share compared to a net profit of \$10,290,000 or \$0.28 per share for 2008. In December 2008, the Company sold the Noche Buena project for gross proceeds of US\$25 million (\$30,842,000) and recorded a net gain of \$19,891,000 before income taxes of \$5,593,000. In 2009, the Company recorded income tax expense of \$171,000 compared to a 2008 income tax expense of \$5,593,000 net of an income tax recovery amounting to \$587,000. The 2009 amount was calculated to recognize the difference in unused income tax pools between the federal and Ontario provincial balances as the province moved to a combined federal regime. The 2008 recovery amount relates to the renouncing of Canadian Exploration Expenses to the investors of flow-through financings. The Company's interest income from cash investments was down in 2009, at \$478,000 compared with \$621,000 in 2008 with lower cash balances to invest and lower interest rates.

Corporate and general expenses were lower in 2009 compared to 2008, due to stock option expenses being \$371,000 less along with other smaller expense reductions. In 2008, the Company reported a gain on foreign exchange of \$378,000 compared to a loss in 2009 of \$18,000 as the US dollar and Mexican peso moved favourably compared to the Canadian dollar in 2008 when there were significant transactions in those currencies.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

The net profit for the year ended December 31, 2008 was \$10,290,000 or \$0.28 per share compared to a net loss of \$5,542,000 or \$0.15 per share for 2007. In December 2008, the Company sold the Noche Buena project for gross proceeds of US\$25 million (\$30,842,000) and recorded a net gain of \$19,891,000 before income taxes of \$5,593,000. For both years, income tax recoveries (\$587,000 in 2008 and \$620,000 in 2007) were reported relating to the renouncing of Canadian Exploration Expenses to the investors of flow-through financings. The Company's interest income from cash investments was down in 2008, at \$621,000 compared with \$823,000 in 2007 with lower cash balances to invest and lower interest rates. Corporate and general expenses were lower in 2008 compared to 2007, as stock option expenses were \$1,852,000 compared to \$2,830,000 and bonus grants were higher in 2007. In 2008, the Company reported a gain on foreign exchange of \$378,000 compared to a loss in 2007 of \$296,000 as the US dollar and Mexican peso moved favourably compared to the Canadian dollar when there were significant transactions in those currencies.

Quarterly Information

Selected financial information for each of the last eight quarters ended December 31, 2009 is as follows (unaudited):

	4 th Quarter Ended December 31, 2009	3 rd Quarter Ended September 30, 2009	2 nd Quarter Ended June 30, 2009	1 st Quarter Ended March 31, 2009
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (Loss) for period	\$ (1,269,000)	\$ (1,135,000)	\$ (1,278,000)	\$ (997,000)
Basic profit (loss) per share	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)
Diluted profit (loss) per share	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)

	4 th Quarter Ended December 31, 2008	3 rd Quarter Ended September 30, 2008	2 nd Quarter Ended June 30, 2008	1 st Quarter Ended March 31, 2008
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (Loss) for period	\$13,396,000	\$ (895,000)	\$ (1,305,000)	\$ (906,000)
Basic profit (loss) per share	\$ 0.35	\$ (0.02)	\$ (0.03)	\$ (0.02)
Diluted profit (loss) per share	\$ 0.34	\$ (0.02)	\$ (0.03)	\$ (0.02)

The significant profit for the fourth quarter of 2008 was due to the \$19.9 million gain from the sale of the Noche Buena project in Mexico net of an income tax provision of \$5.6 million.

Mineral Interest Activities

During the year ended December 31, 2009, the Company incurred expenditures of \$23,178,000 on mineral interests compared to \$14,789,000 in the year ended December 31, 2008. In 2009, expenditures were mainly for the continued exploration drilling program and engineering, environmental and metallurgical studies at the KSM project. In 2009, the Company released an updated Preliminary Assessment on the KSM project and the 2009 drilling resulted in new mineral resources being announced in early 2010.

The Company also had recoveries of cash and shares amounting to \$992,000 in 2009 compared to \$14,000 in 2008. In 2008, the Company also had a gain of \$19,891,000 before income taxes from the sale

of the Noche Buena project. The recoveries in 2009 were from the optioning of the Hog Ranch project and initial payments on the possible sale of the Nevada properties including Castle Black Rock.

During 2010, a pre-feasibility study will be completed for the KSM project by early in the second quarter and drilling and engineering and environmental studies will continue. At Courageous Lake, the Company will undertake a drilling program to upgrade and expand resources and commence studies with the intention of upgrading the project potentially to the pre-feasibility stage.

Liquidity and Capital Resources

In March 2010, the Company completed a base shelf prospectus financing in the United States and Canada and raised gross proceeds of US\$65,837,500 through the issuance of 2,875,000 common shares. During 2010, the Company plans to continue to advance its two major gold projects, KSM and Courageous Lake in order to either sell them or joint venture them towards production with major mining companies. In addition, it is in the process of selling off its other properties. At December 31, 2009, the Company's working capital position was \$9.1 million which along with the 2010 financing will allow the Company to continue its major development plans and continue ongoing operating activities for several years.

Year Ended December 31, 2009

The Company's working capital position, at December 31, 2009, was \$9,128,000 down from \$30,628,000 at the end of 2008. In 2009, the Company received \$967,000 from the exercise of stock options. Cash in 2009 was used for expenditures on exploration principally the KSM project and for corporate and administrative expenses.

Cash and short-term deposits at December 31, 2009 totalled \$9,287,000 down from \$38,995,000 at December 31, 2008. Operating activities used \$8,533,000 in 2009, including the payment of \$5,326,000 in Mexican income taxes, compared to \$2,552,000 in the prior year, while cash expenditures on mineral interests were \$21,667,000 compared to \$14,706,000 cash expenditures in 2008.

Contractual Obligations (\$,000)

	Payments due by period				
	Total	2010	2011-13	2014-15	After 2015
Mineral interests	9,626	1,196	4,138	2,861	1,431
Reclamation liabilities	2,256	-	288	-	1,968
Business premises operating lease	264	113	151	-	-
	12,146	1,309	4,577	2,861	3,399

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

Outlook

During 2010, the Company plans to continue to advance its two major gold projects, KSM and Courageous Lake in order to either sell them or joint venture them towards production with major mining companies. In addition, it will continue to sell off its other properties while at the same time ensuring that funding is available for its project development plans, holding costs and corporate requirements.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2009, the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

Internal Controls Over Financial Reporting

The Company's management, under the supervision of the CEO and the CFO, are responsible for establishing and maintaining the Company's internal controls over financial reporting. Management conducted an evaluation of internal controls over financial reporting based on the framework established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of

the Treadway Commission. Based on this evaluation, management concluded that the Company's internal controls over financial reporting were effective as at December 31, 2009.

Shares Issued and Outstanding

At March 18, 2010, the issued and outstanding common shares of the Company totalled 40,535,185. In addition, there were 1,751,000 stock options granted and outstanding (of which 595,000 were unexercisable). On a fully diluted basis there would be 42,286,185 common shares issued and outstanding.

Related Party Transactions

During the year ended December 31, 2009, a private company controlled by a director of the Company was paid \$39,000 (2008 - \$14,800) for technical services provided by his company related to mineral properties; a private company controlled by a second director was paid \$200,000 (2008 - \$250,000) for corporate consulting services rendered; and a third director was paid \$18,200 (2008 - \$16,600) for geological consulting. 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.

Changes in Accounting Policies

The Company has adopted the following new accounting policies for the 2009 year as issued by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064 Goodwill and Intangible Assets which is required to be adopted for fiscal years beginning on or after October 1, 2008. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition by profit-oriented enterprises. The adoption of this new standard did not have a material effect on the financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Canadian Accounting Standards Board ("AcSB") issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which was adopted retrospectively, without restatement. This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC-173 did not have a material effect on the financial statements.

Mining Exploration Costs

On March 27, 2009, the AcSB issued EIC-174, Mining Exploration Costs which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of the financial statements and did not have an impact on the valuation of the Company's mineral properties.

Changes in Accounting Standards Not Yet Adopted ***International Financial Reporting Standards ("IFRS")***

In February 2008, the Canadian Institute of Chartered Accountants announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. As at December 31, 2009 the Company has begun assessing the adoption of IFRS for 2011, and the identification of the new standards and their impact on financial reporting. Management has analyzed existing financial reporting, prepared a preliminary assessment of the potential impact the new standards will have on the Company and developed a changeover plan. The Company believes that the accounting for impairment of assets, foreign exchange, exploration costs, asset retirement obligations, stock-based compensation and income taxes under IFRS may be different than Canadian GAAP, and may impact the financial statements. The Company has not yet determined the full financial impact of the transition to IFRS. In addition, the Company anticipates a significant increase in disclosure requirements under IFRS and such requirements are also being evaluated along with the necessary system changes required to gather, process and review such disclosure.

Business Combinations, Consolidated Financial Statements, Non-controlling Interests

The CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests all of which are effective for years beginning on or after January 1, 2011. These Handbook Sections replace 1581 Business Combinations and 1600 Consolidated Financial Statements and establish a new Section for accounting for non-controlling interest in subsidiaries. The Company is currently evaluating the impact of these new standards.

Risks and Uncertainties

The following discussion on risks and uncertainties should be read in conjunction with documentation contained in the Company's Annual Information Form filed on SEDAR at www.sedar.com, and the Annual Report on Form 40-F filed on EDGAR at www.sec.gov/edgar.shtml.

Metal Prices

Factors beyond the control of the Company affect the price and marketability of any gold or other minerals discovered. Metal prices have fluctuated widely, particularly in recent years and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, faith in paper currencies, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted. However, as the Company is highly leveraged to the price of gold, fluctuations in the gold price should have an even greater impact on the price of the Company's shares.

Uncertainty of Mineral Resources

The statements of mineral resources disclosed by the Company are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Such estimates necessarily include presumptions of continuity of mineralization which may not actually be present. Market fluctuations and the prices of metals may render mineral resources uneconomic. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The Company's mineral projects are in various stages of development, but in no case do any projects contain mineral reserves. Until they are categorized as "mineral reserves", the known mineralization at these projects is not determined to be able to be mined economically. The Company's ability to put these properties into production will be dependent upon the results of further drilling and evaluation. There is no certainty that expenditure made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. Greater assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic, but such studies remain subject to the same risks and uncertainties.

Exploration and Development Risks

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore. Major expenses may be required to establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current development programs planned by the Company will result in a profitable commercial mining operation. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has limited experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company has relied and may continue to rely upon consultants for development and operating expertise. The economics of developing mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined and fluctuations in the price of minerals produced. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Although precautions to minimize risk will be taken, processing operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

Mineral Deposits and Production Costs

Mineral deposits and production costs are affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of any ore ultimately mined may differ from that indicated by drilling results. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that any gold, copper or other minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale heap leaching.

Currency Exchange Rate Fluctuation

The minerals present in the Company's projects are sold in U.S. dollars and therefore projected revenue of its projects is in U.S. dollars. The Company's material properties are located in Canada and therefore its projected expenses for developing its projects are in Canadian dollars. The preliminary assessments on the Courageous Lake and KSM Projects use a U.S. dollar value for all projected expenses by converting projected Canadian dollar expenses into U.S. dollars at the exchange rate of CDN\$1 = US\$0.92. To the extent the actual Canadian dollar to U.S. dollar exchange rate is less than or more than this amount, the profitability of the projects will be more than or less than that estimated in the preliminary assessments, respectively (if the other assumptions are realized).

Financing Risks

The Company has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. The exploration of the Company's mineral properties is, therefore, dependent upon the Company's ability to obtain financing through the sale of projects, joint venturing of projects, or equity financing or other means. Such sources of financing may not be available on acceptable terms, if at all. Failure to obtain such financing may result in delay or indefinite postponement of exploration work on the Company's mineral properties, as well as the possible loss of such properties. Any transaction involving the issuance of previously authorized but unissued shares of common or preferred stock, or securities convertible into common stock, could result in dilution, possibly substantial, to present and prospective holders of common stock. These financings may be on terms less favorable to the Company than those obtained previously. The Company has stated that its business plan is to increase gold ounces in the ground but not to go into production on its own.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Competition

The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Environmental and other Regulatory Requirements

The Company's potential mining and processing operations and exploration activities are subject to various laws and regulations governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on

reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, the Company is operating in compliance with all applicable environmental regulations.

Political Risk

Properties in which the Company has, or may acquire, an interest are, or may be, located in areas of Canada or the United States which may be of particular interest or sensitivity to one or more interest groups, including aboriginal groups claiming title to land. The Company's material properties are in British Columbia and the Northwest Territories of Canada and are in areas with a First Nations presence. Consequently, mineral exploration and mining activities in those areas may be affected in varying degrees by political uncertainty, expropriations of property and changes in applicable government policies and regulation such as tax laws, business laws, environmental laws, native land claims entitlements or procedures and mining laws, affecting the Company's business in those areas. Any changes in regulations or shifts in political conditions are beyond the control or influence of the Company and may adversely affect its business, or if significant enough, may result in the impairment or loss of mineral concessions or other mineral rights, or may make it impossible to continue its mineral exploration and mining activities. In many cases mine construction and commencement of mining activities is only possible with the consent of the local First Nations group and many companies have secured such consent by committing to take measures to limit the adverse impact to, and ensure some of the economic benefits of the construction and mining activity will be enjoyed by, the local First Nations group.

Foreign Operations

The Company presently has interests in certain properties located in the United States and in Mexico. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including exchange controls, currency fluctuations, changes in taxation laws or policies as well as by-laws and policies of the United States, Mexico and Canada affecting foreign trade, investment and taxation.

Limited Operating History: Losses

The Company to date has limited experience in mining or processing of metals. The Company has experienced, on a consolidated basis, losses in most years of its operations. All activities have been of an exploration and development nature. There can be no assurance that the Company will generate profits in the future.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of stock-based compensation. Both of these estimates involve

considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

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

The 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.

Forward Looking Statements

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

SEABRIDGE GOLD INC.

Management's Report

The management of Seabridge Gold Inc. is responsible for the preparation of the consolidated financial statements as well as the financial and other information contained in the Annual Report, Annual Information Form and Annual Report on Form 40-F. Management maintains an internal control system in order to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

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

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

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



Rudi P. Fronk
President & CEO
March 18, 2010



Roderick Chisholm
Chief Financial Officer
March 18, 2010

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Seabridge Gold Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 18, 2010

Consolidated Balance Sheets
December 31, 2009 and 2008
(in Canadian dollars)

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 285,280	\$ 8,098,982
Short-term deposits (Note 3)	9,002,158	30,895,622
Amounts receivable and prepaid expenses	465,579	237,894
Marketable securities	797,368	90,758
	10,550,385	39,323,256
Mineral Interests (Note 4)	91,214,373	69,028,974
Reclamation Deposits (Note 5)	1,551,915	1,324,400
Property and Equipment	84,597	124,930
	\$ 103,401,270	\$ 109,801,560
LIABILITIES		
Current liabilities		
Accounts payable and accruals	\$ 1,375,746	\$ 3,368,963
Income taxes payable (Note 9 and 4(i))	34,000	5,326,034
	1,409,746	8,694,997
Long-term income taxes payable (Note 9)	137,000	-
Provision for Reclamation Liabilities (Note 5)	2,256,293	1,998,988
	3,803,039	10,693,985
SHAREHOLDERS' EQUITY (Note 6)		
Share Capital	114,027,129	110,220,772
Stock Options	7,012,025	6,033,805
Contributed Surplus	126,015	19,500
Deficit	(21,739,778)	(17,061,209)
Accumulated Other Comprehensive Income (Loss)	172,840	(105,293)
	99,598,231	99,107,575
	\$ 103,401,270	\$ 109,801,560

COMMITMENTS (Note 10)

SUBSEQUENT EVENTS (Notes 4(d) and 11)

See accompanying notes to consolidated financial statements

On Behalf of the Board of Directors



Rudi P. Fronk
 Director



James S. Anthony
 Director

**Consolidated Statements of Operations and Deficit
For the Years Ended December 31, 2009, 2008 and 2007
(in Canadian dollars)**

	2009	2008	2007
Expenditures			
Corporate and general expenses	\$ (5,049,583)	\$ (5,594,818)	\$ (6,688,504)
Gain on sale of Noche Buena project	-	19,891,071	-
Interest income	477,813	621,099	822,563
Gain on sale of marketable securities	163,625	-	-
Write-down of marketable securities	(81,830)	-	-
Foreign exchange gains (losses)	(17,594)	378,325	(295,843)
Income (Loss) Before Income Taxes	(4,507,569)	15,295,677	(6,161,784)
Income tax (expense)recovery (Notes 6(a)(ii) and 9)	(171,000)	(5,005,989)	620,000
Net (Loss) Profit for Year	(4,678,569)	10,289,688	(5,541,784)
Deficit, Beginning of Year	(17,061,209)	(27,350,89)	(21,809,113)
Deficit, End of Year	\$ (21,739,778)	\$ (17,061,209)	\$ (27,350,897)
Profit (Loss) per Share – basic	\$ (0.12)	\$ 0.28	\$ (0.15)
Profit (Loss) per Share – diluted (Note 2(k))	\$ (0.12)	\$ 0.27	\$ (0.15)
Weighted Average Number of Shares			
Outstanding - Basic	37,485,977	37,327,201	35,991,034
Outstanding - Diluted	37,485,977	37,867,620	35,991,034

**Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2009, 2008 and 2007
(in Canadian dollars)**

	2009	2008	2007
Net (Loss) Profit for Year	\$ (4,678,569)	\$ 10,289,688	\$ (5,541,784)
Other Comprehensive Income (Loss)			
Reclassification of losses in net profit for year	106,130	-	-
Unrecognized gains (losses) on financial assets	172,003	(164,112)	58,819
Comprehensive (Loss) Profit	\$ (4,400,436)	\$ 10,125,576	\$ (5,482,965)

**Consolidated Statements of Accumulated Other Comprehensive Income
For the Years Ended December 31, 2009, 2008 and 2007
(in Canadian dollars)**

	2009	2008	2007
Balance, Beginning of Year	\$ (105,293)	\$ 58,819	\$ -
Other Comprehensive Income (Loss)	278,133	(164,112)	58,819
Balance, End of Year	\$ 172,840	\$ (105,293)	\$ 58,819

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows
For the Years Ended December, 2009, 2008 and 2007
(in Canadian dollars)

	2009	2008	2007
Cash Used for Operations			
Net (loss) profit for year	\$ (4,678,569)	\$ 10,289,688	\$ (5,541,784)
Items not involving cash			
Gain on sale of Noche Buena project	-	(19,891,071)	-
Gain on sale of marketable securities	(163,625)	-	-
Write-down of marketable securities	81,830	-	-
Stock option compensation	1,481,466	1,852,004	2,830,270
Unrealized foreign exchange gains	-	(266,524)	-
Accretion (Note 5)	172,105	158,713	145,665
Amortization	39,349	40,754	24,761
Income taxes (recoveries)	171,000	(586,562)	(620,000)
Changes in non-cash working capital items			
Amounts receivable and prepaid expenses	(127,685)	182,175	(327,520)
Accounts payable and accruals	(182,549)	76,063	138,540
Income taxes payable	(5,326,034)	5,592,558	-
	(8,532,712)	(2,552,202)	(3,350,068)
Investing Activities			
Mineral interests	(21,666,928)	(14,706,219)	(8,350,885)
Proceeds on sale of Noche Buena project	-	30,842,488	-
Short-term deposits	21,893,464	(19,338,129)	(11,557,493)
Marketable securities	(224,932)	-	-
Reclamation deposits	(249,470)	(19,229)	(200,000)
Property and equipment	-	9,000	(174,339)
	(247,866)	(3,212,089)	(20,282,717)
Financing Activities			
Issue of share capital and warrants	966,876	383,126	31,327,426
Net Cash (Used for) Provided	(7,813,702)	(5,381,165)	7,694,641
Cash and Cash Equivalents, Beginning of Year	8,098,982	13,480,147	5,785,506
Cash and Cash Equivalents, End of Year	\$ 285,280	\$ 8,098,982	\$ 13,480,147
Supplementary Non-cash Investing Activities			
Shares issued for mineral property acquisition	\$ 2,442,749	\$ -	\$ -
Changes in Liabilities in Mineral Interests	\$ 1,910,668	\$ 94,251	\$ 1,054,875
Unpaid Commissions on Sale of Noche Buena	\$ -	\$ 2,505,647	\$ -

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

At December 31, 2009 and 2008 and

For the Years Ended December 31, 2009, 2008 and 2007

(in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

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

a) Principles of Consolidation

These consolidated financial statements include the accounts of Seabridge Gold Inc. and its wholly-owned subsidiaries, Seabridge Gold Corp., a company incorporated under the laws of the State of Nevada, USA, 5073 N.W.T. Limited, a company incorporated under the laws of the Northwest Territories of Canada; Pacific Intermountain Gold Inc. ("PIGCO"), a company incorporated under the laws of the State of Nevada, USA and Minera Seabridge Gold SA de CV, a company incorporated in Mexico in 2006 to hold the Noche Buena project. The Mexican company and project were sold in December 2008. All significant inter-company transactions and balances have been eliminated.

b) Mineral Interests

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

The Emerging Issues Committee of the CICA issued EIC-174 – "Mining Exploration Costs" which interprets how Accounting Guideline No. 11 entitled Enterprises in the Development Stage - (AcG-11) affects mining companies with respect to the deferral of exploration costs. EIC-174 refers to CICA Handbook Section 3061 "Property, Plant and Equipment", paragraph 21, which states that for a mining property, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment. EIC-126 then states that a mining enterprise that has not established mineral reserves objectively, and therefore does not have a basis for preparing a projection of the estimated cash flow from the property, is not precluded from considering the exploration costs to have the characteristics of property, plant and equipment. EIC-174 also provides additional guidance for mining exploration enterprises on when an impairment test is required.

The Company reviews its mineral interests for impairment whenever events or changes in circumstances indicate that the carrying amount of the mineral interest may not be recoverable. The net recoverable amount is based on estimates of undiscounted future net cash flows expected to be recovered from specific assets through use or future disposition.

The Company considers that exploration costs have the characteristics of property, plant and equipment, and, accordingly, defers such costs.

c) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur and/or in which a reasonable estimate of such costs can be made using the total undiscounted cash flows required to settle estimated obligations, estimated expected timing of cash flow payments required to settle the obligations and estimated credit-adjusted risk-free discount rates and inflation rates (see Note 5).

d) Stock-based Compensation

The Company applies the fair value method for stock-based compensation and other stock-based payments. Options are valued using the Black Scholes option-pricing model and other models for the two-tiered options as may be appropriate. The resulting value is charged against income over the anticipated vesting period of the option (see Note 6(b)). The Company reviews estimated forfeitures of options on an ongoing basis.

e) Property and Equipment

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

f) Cash and Short-term Deposits

Cash and short-term investments consist of balances with banks and investments in money market instruments. These investments are carried at fair value. Cash and cash equivalents consist of investments with maturities of up

to 90 days at the date of purchase. Short-term deposits consist of investments with maturities greater than 90 days at the date of purchase.

g) **Marketable Securities**

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

h) **Flow-through Shares**

The Company financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. When the renunciation is made, the tax value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance, which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of operations.

i) **Translation of Foreign Currencies**

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

j) **Income Taxes**

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

k) **Loss Per Share**

Basic (profit) loss per share of common stock is computed based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share which assumes that stock options with an exercise price lower than the average quoted market price were exercised at the later of the beginning of the year, or time of issue. Stock options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted profit per share as the effect is anti-dilutive. There were 305,000 options which were not included in the diluted profit per share as they would be anti-dilutive. As the Company incurred net losses for the years ended December 31, 2009 and 2007, all outstanding options and warrants have been excluded from the calculation of diluted loss per share for those years. The diluted weighted average number of common shares for the year ended December 31, 2008 was as follows:

Basic weighted average number of common shares outstanding for 2008	37,327,201
Incremental number of common shares on assumed exercise of stock options	<u>540,419</u>
Weighted average number of common shares used for diluted profit per share	<u>37,867,620</u>

l) **Use of Estimates**

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

m) **Changes in Accounting Policies**

The Company has adopted the following new accounting policies for the 2009 year as issued by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064 Goodwill and Intangible Assets which is required to be adopted for fiscal years beginning on or after October 1, 2008. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition by profit-oriented enterprises. The adoption of this new standard did not have a material effect on the financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Canadian Accounting Standards Board ("AcSB") issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which was adopted retrospectively, without restatement. This EIC

provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC-173 did not have a material effect on the financial statements.

Mining Exploration Costs

On March 27, 2009, the AcSB issued EIC-174, Mining Exploration Costs which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of the financial statements and did not have an impact on the valuation of the Company's mineral properties.

Financial Instruments - Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include enhanced disclosures on liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. Refer to Note 8 for the additional disclosures.

n) **Changes in Accounting Policies Not Yet Adopted**

Business Combinations, Consolidated Financial Statements, Non-controlling Interests

The CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests all of which are effective for years beginning on or after January 1, 2011. These Handbook Sections replace 1581 Business Combinations and 1600 Consolidated Financial Statements and establish a new Section for accounting for non-controlling interest in subsidiaries. The Company is currently evaluating the impact of these new standards.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

	<u>2009</u>	<u>2008</u>
Cash	\$ 285,280	\$ 8,098,982
Canadian bank guaranteed notes	<u>9,002,158</u>	<u>30,895,622</u>
	9,287,438	38,994,604
Short-term deposits	<u>(9,002,158)</u>	<u>(30,895,622)</u>
Cash and cash equivalents	<u>\$ 285,280</u>	<u>\$ 8,098,982</u>

Short-term deposits consist of Canadian Schedule I bank guaranteed notes with a term of one year to December 2010. The short-term deposits amounting to \$9,002,158 held at December 31, 2009 were issued for a one year period in December 2009 but are cashable in whole or in part with interest at any time to maturity. All of the cash is held in a Canadian Schedule I bank.

4. **MINERAL INTERESTS**

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

Property and Expense	Balance, December 31, 2008	2009		Balance, December 31, 2009
		Expenditures	Recoveries	
Courageous Lake				
Acquisition costs	\$ 8,502,305	\$ 100,000	\$ -	\$ 8,602,305
Deferred exploration	13,405,841	396,114	-	13,801,955
	21,908,146	496,114	-	22,404,260
Castle Black Rock				
Acquisition costs	140,426	-	(140,426)	-
Deferred exploration	375,669	45,988	(180,016)	241,641
	516,095	45,988	(320,442)	241,641
Grassy Mountain				
Acquisition costs	2,261,299	-	-	2,261,299
Deferred exploration	1,207,500	137,418	-	1,344,918
	3,468,799	137,418	-	3,606,217
Hog Ranch				
Acquisition costs	443,838	-	(443,838)	-
Deferred exploration	833,480	2,479	(156,162)	679,797
	1,277,318	2,479	(600,000)	679,797
KSM				
Acquisition costs	15,306,546	3,442,750	-	18,749,296
Deferred exploration	20,833,703	18,268,596	-	39,102,299
	36,140,249	21,711,346	-	57,851,595
Quartz Mountain				
Acquisition costs	357,139	-	(21,750)	335,389
Deferred exploration	94,258	14,152	-	108,410
	451,397	14,152	(21,750)	443,799
Red Mountain				
Acquisition costs	82,090	-	(50,000)	32,090
Deferred exploration	1,324,690	185,984	-	1,510,674
	1,406,780	185,984	(50,000)	1,542,764
Pacific Intermountain Gold Corp.				
Acquisition costs	-	-	-	-
Deferred exploration	3,448,080	511,743	-	3,959,823
	3,448,080	511,743	-	3,959,823
Other Nevada Projects				
Acquisition costs	20,000	-	-	20,000
Deferred exploration	392,110	72,367	-	464,477
	412,110	72,367	-	484,477
Total				
Acquisition costs	27,113,643	3,542,750	(650,014)	30,000,379
Deferred exploration	41,915,331	19,634,841	(336,178)	61,213,994
Total Mineral Interests	\$ 69,028,974	\$ 23,177,591	\$ (992,192)	\$ 91,214,373

Property and Expense	Balance, December 31, 2007	2008		Balance, December 31, 2008
		Expenditures	Recoveries	
Courageous Lake				
Acquisition costs	\$ 8,402,305	\$ 100,000	\$ -	\$ 8,502,305
Deferred exploration	12,688,309	717,532	-	13,405,841
	21,090,614	817,532	-	21,908,146
Castle Black Rock				
Acquisition costs	140,426	-	-	140,426
Deferred exploration	332,135	43,534	-	375,669
	472,561	43,534	-	516,095
Grassy Mountain				
Acquisition costs	2,261,299	-	-	2,261,299
Deferred exploration	1,100,279	107,221	-	1,207,500
	3,361,578	107,221	-	3,468,799
Hog Ranch				
Acquisition costs	443,838	-	-	443,838
Deferred exploration	762,498	70,982	-	833,480
	1,206,336	70,982	-	1,277,318
KSM				
Acquisition costs	15,306,546	-	-	15,306,546
Deferred exploration	10,008,860	10,824,843	-	20,833,703
	25,315,406	10,824,843	-	36,140,249
Quartz Mountain				
Acquisition costs	357,139	-	-	357,139
Deferred exploration	94,258	-	-	94,258
	451,397	-	-	451,397
Red Mountain				
Acquisition costs	82,090	-	-	82,090
Deferred exploration	1,028,530	296,160	-	1,324,690
	1,110,620	296,160	-	1,406,780
Pacific Intermountain Gold Corp.				
Acquisition costs	-	-	-	-
Deferred exploration	3,000,032	462,223	(14,175)	3,448,080
	3,000,032	462,223	(14,175)	3,448,080
Other Nevada Projects				
Acquisition costs	20,000	-	-	20,000
Deferred exploration	322,925	69,185	-	392,110
	342,925	69,185	-	412,110
Noche Buena, Mexico				
Acquisition costs	4,888,270	1,820,609	(6,708,879)	-
Deferred exploration	1,428,111	276,482	(1,704,593)	-
	6,316,381	2,097,091	(8,413,472)	-
Total				
Acquisition costs	31,901,913	1,920,609	(6,708,879)	27,113,643
Deferred exploration	30,765,937	12,868,162	(1,718,768)	41,915,331
Total Mineral Interests	\$ 62,667,850	\$ 14,788,771	\$ (8,427,647)	\$ 69,028,974

Property and Expense	Balance, December 31, 2006	2007		Balance, December 31, 2007
		Expenditures	Recoveries	
Courageous Lake				
Acquisition costs	\$ 8,302,305	\$ 100,000	\$ -	\$ 8,402,305
Deferred exploration	12,072,797	615,512	-	12,688,309
	20,375,102	715,512	-	21,090,614
Castle Black Rock				
Acquisition costs	140,426	-	-	140,426
Deferred exploration	289,198	42,937	-	332,135
	429,624	42,937	-	472,561
Grassy Mountain				
Acquisition costs	2,261,299	-	-	2,261,299
Deferred exploration	986,741	113,538	-	1,100,279
	3,248,040	113,538	-	3,361,578
Hog Ranch				
Acquisition costs	443,838	-	-	443,838
Deferred exploration	700,888	61,610	-	762,498
	1,144,726	61,610	-	1,206,336
KSM (Kerr-Sulphurets-Mitchell)				
Acquisition costs	15,061,208	245,338	-	15,306,546
Deferred exploration	3,717,826	6,291,034	-	10,008,860
	18,779,034	6,536,372	-	25,315,406
Quartz Mountain				
Acquisition costs	357,139	-	-	357,139
Deferred exploration	85,348	8,910	-	94,258
	442,487	8,910	-	451,397
Red Mountain				
Acquisition costs	82,090	-	-	82,090
Deferred exploration	859,180	169,350	-	1,028,530
	941,270	169,350	-	1,110,620
Pacific Intermountain Gold Corp.				
Acquisition costs	-	-	-	-
Deferred exploration	2,488,602	556,261	(44,831)	3,000,032
	2,488,602	556,261	(44,831)	3,000,032
Other Nevada Projects				
Acquisition costs	20,000	-	-	20,000
Deferred exploration	254,602	68,323	-	322,925
	274,602	68,323	-	342,925
Noche Buena, Mexico				
Acquisition costs	4,888,270	-	-	4,888,270
Deferred exploration	250,423	1,177,688	-	1,428,111
	5,138,693	1,177,688	-	6,316,381
Total				
Acquisition costs	31,556,575	345,338	-	31,901,913
Deferred exploration	21,705,605	9,105,163	(44,831)	30,765,937
Total Mineral Interests	\$ 53,262,180	\$ 9,450,501	\$ (44,831)	\$ 62,667,850

Continued exploration of the Company's mineral properties is subject to certain lease payments, project holding costs, rental fees and filing fees.

a) **Courageous Lake**

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

The Vendors were granted a 2% net smelter royalty interest in the project. In addition, the Company agreed to pay the Vendors US\$1.5 million when the spot price of gold closed at or above US\$360 per ounce for 10 consecutive days (paid in March 2003), and pay the Vendors US\$1.5 million when the spot price of gold closed at or above US\$400 per ounce or a production decision was made at Courageous Lake, whichever occurred earlier (paid in February 2004).

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

b) **Castle Black Rock**

The Company entered into a mining lease agreement dated August 15, 2000, and amended on August 1, 2001, with respect to mineral claims located in Esmeralda County, Nevada, USA. In 2002, the Company paid US\$17,500 and in 2003,

US\$25,000 in advance royalties and is required to pay further advance royalties of US\$25,000 each August 15 thereafter and to pay a production royalty, varying with the price of gold, of 3% to 5%, and a 3.5% royalty on gross proceeds from other metals produced. The Company has the right to purchase 50% of the production royalty for US\$1.8 million.

In March 2009, the Company signed a letter of intent to sell the Castle Black-Rock and its early-stage Nevada properties including the Pacific Intermountain properties to Cortez Resources Corp. In April 2009, Cortez paid the Company \$20,000 which permitted them a 60-day period to complete a formal agreement which required a further payment of US\$2.9 million in cash and the issuance of 10 million shares of Cortez on closing. In July 2009, the terms of the agreement were amended and the proposed closing of the transaction was changed to September 30, 2009 and subsequently to November 27, 2009. The revised agreement terms required the following on closing: payment of US\$2.9 million in cash, issuance of 5 million shares of Cortez, and issuance of a \$1.25 million 3 year, non-interest bearing convertible debenture. In addition, as consideration for the amendments, Cortez paid an additional US\$80,000 and agreed to fund property maintenance costs through November 27, 2009 of approximately US\$500,000 if the agreement closes. The agreement failed to close in November 2009.

In December 2009, the Company signed a letter of intent to sell the same properties as stated above to Constitution Mining Corp. ("Constitution"). The agreement is now scheduled to close at the end of March 2010. The terms of the agreement called for Constitution to pay cash of US\$3 million, issue three million shares and issue a US\$1 million two-year convertible debenture.

The cash payments consisted of US\$200,000 paid on signing the letter of intent, US\$800,000 on closing the agreement, US\$1,000,000 one month after closing and US\$1,000,000 on the first anniversary which would be secured by an 8% promissory note. The share issuances are due as to one million shares on closing and a further two million shares at the earlier of their finding a gold resource of at least one million ounces and three years after the closing. The convertible debenture bears interest at 8% and can be repaid by Constitution at any time prior to maturity by paying US\$1,250,000. At maturity, the balance outstanding may be converted in shares of Constitution, at Seabridge's option, based on a US\$1.00 per share conversion.

c) **Grassy Mountain**

In 2000, the Company acquired an option on a 100% interest in mineral claims located in Malheur County, Oregon, USA. During 2002, the Company paid US\$50,000 in option payments. On December 23, 2002, the agreement was amended and the Company made a further option payment of US\$300,000 and in March 2003 acquired the property for a payment of US\$600,000.

d) **Hog Ranch**

In 2000, the Company entered into a mining lease agreement for mineral claims located in Washoe County, Nevada. Advance royalties were established at US\$15,000 payable on November 15, 2006; US\$17,500 on November 15, 2007; and US\$20,000 on November 15, 2008 and, each November 15 thereafter. A production royalty is payable varying with the price of gold, ranging from 3% to 5%, plus a 3.5% royalty on the gross proceeds from other metals. 40% of the production royalty may be purchased by the Company for US\$2 million.

In February 2009, the Company signed a letter for an option of the Hog Ranch property to Icon Industries Ltd. ("ICON"). The terms of the agreement required ICON to issue one million common shares to the Company, pay \$500,000 on closing and to issue a further one million common shares and pay a further \$525,000 within 12 months of the agreement being accepted by the TSX Venture Exchange. In April 2009, the option agreement was closed and acceptance by the TSX Venture Exchange was received. ICON issued the first one million shares and paid the \$500,000 and these amounts have been credited against mineral interest costs. The Company will record the additional consideration when received and will offset it against the mineral property at that time.

e) **KSM (Kerr-Sulphurets-Mitchell)**

In 2001, the Company purchased a 100% interest in contiguous claim blocks in the Skeena Mining Division, British Columbia. The vendor maintains a 1% net smelter royalty interest on the project, subject to maximum aggregate royalty payments of \$4.5 million. The Company is obligated to purchase the net smelter royalty interest for the price of \$4.5 million in the event that a positive feasibility study demonstrates a 10% or higher internal rate of return after tax and financing costs.

In 2002, the Company optioned the property to Noranda Inc. (which subsequently became Falconbridge Limited and then Xstrata plc.) which could earn up to a 65% interest by incurring exploration expenditures and funding the cost of a feasibility study.

In April 2006, the Company reacquired the exploration rights to the KSM property in British Columbia, Canada from Falconbridge Limited. On closing of the formal agreement in August 2006, the Company issued Falconbridge 200,000 common shares of the Company with a deemed value of \$3,140,000 excluding share issue costs. The Company also issued 2 million warrants to purchase common shares of the Company at \$13.50 each. The warrants were to become exercisable five years from the date each new ounce of gold resources was declared (up to 2 million ounces of gold) for work undertaken on the property through the year 2010. At closing of the formal agreement in August 2006 the fair value of warrants was estimated at \$11,436,000 using a Black-Scholes option-pricing model, using a volatility of 60%, interest rate of 4% and expected life of 1.5 years. Falconbridge also had a right of first refusal should the Company desire to sell all or any portion of its interest therein. The 2,000,000 warrants were exercised in May and June 2007 and proceeds of \$27,000,000 were received by the Company.

In July 2009, the Company agreed to acquire various mineral claims immediately adjacent to the KSM property for further exploration and possible mine infrastructure use. The terms of the agreement required the Company to pay \$1 million in cash, issue 75,000 shares and pay advance royalties of \$100,000 per year for 10 years commencing on closing of the agreement. The property is subject to a 4.5% net smelter royalty from which the advance royalties are deductible. The

purchase agreement closed in September 2009, with the payment of \$1 million in cash, the issuance of 75,000 shares valued at \$2,442,750 and the payment of the first year's \$100,000 advance royalty.

f) **Quartz Mountain**

In 2001, the Company purchased a 100% interest in mineral claims in Lake County, Oregon. The vendor retained a 1% net smelter royalty interest on unpatented claims acquired and a 0.5% net smelter royalty interest was granted to an unrelated party as a finder's fee.

In May 2009, the Company completed an option agreement on part of the Quartz Mountain property. To earn a 50% interest in the project, the optionee must complete \$500,000 in exploration expenditures by December 31, 2010 and issue 200,000 shares to the Company over the period of which 50,000 shares have been issued to date. The optionee has the right to increase its percentage holdings to 70% by funding and completing a feasibility study within three years.

g) **Red Mountain**

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

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

In June 2009, the Company signed a letter of intent to sell the Red Mountain project for \$7 million in cash and a three-year \$5 million 3% convertible debenture. In connection with this agreement, the Company would also recoup its \$1 million reclamation deposit on closing, which was expected by September 30, 2009 and was subsequently amended to October 31, 2009. In October 2009, the agreement was cancelled as the proposed purchaser was unable to raise the required funds.

h) **Pacific Intermountain Gold Corporation**

During 2002, the Company and an unrelated party incorporated Pacific Intermountain Gold Corporation ("PIGCO"). The Company funded PIGCO's share capital of \$755,000 and received a 75% interest. The other party provided the exclusive use of an exploration database and received a 25% interest. In July 2004, the Company acquired the 25% interest in PIGCO which it did not own by forgiving debt of approximately \$65,000 and agreeing to pay 10% of the proceeds of any sale of projects to third parties.

Please see b) Castle Black Rock project above for letter of intent to sell these properties.

i) **Noche Buena, Mexico**

In April 2006, the Company acquired 100% interest in the Noche Buena gold project in the Sonora district of Mexico for US\$4,350,000 in cash. In February 2008, the Company acquired the surface rights encompassing the Noche Buena property in Mexico for US\$1,780,000.

In December 2008, the Company sold the project for US\$25 million (\$30,842,000) in cash less a commission to the Company's agent of \$2,538,000. A further US\$5 million is payable by the purchaser upon commencement of commercial production from the property and a 1.5% net smelter royalty is payable on all production of gold sold for US\$800 per ounce or greater. In connection with the sale, the Company accrued income taxes payable amounting to \$5,326,000 (approximately 60 million Mexican pesos) to the government of Mexico as at December 31, 2008.

5. RECLAMATION DEPOSITS AND PROVISIONS FOR RECLAMATION LIABILITIES

The reclamation deposits consist of short-term investments or cash deposits held as security for either the governments in Canada or the United States to cover estimated reclamation liabilities on various exploration properties.

The balance in the provision for reclamation liabilities is as follows:

	Amount
Balance at December 31, 2007	\$ 1,849,475
Reduction of reclamation liability - net	(9,200)
Accretion	158,713
Balance at December 31, 2008	1,998,988
Increase in reclamation liability	85,200
Accretion	172,105
Balance at December 31, 2009	\$ 2,256,293

The fair value of the asset retirement obligations was calculated using the total undiscounted cash flows required to settle estimated obligations (estimated to be \$5,082,000), expected timing of cash flow payments required to settle the obligations between 2010 and 2020, credit-adjusted risk-free discount rates of 7.9% to 8.76% and an inflation rate of 2.0%.

6. SHAREHOLDERS' EQUITY

a) Share Capital

	Shares	Amount
Authorized		
Unlimited number of common shares without par value		
Unlimited number of preference shares (none issued)		
Issued – Common shares		
Balance, December 31, 2006	34,090,685	\$ 66,774,637
Issued during year		
For cash, exercise of stock options	1,207,200	4,327,426
For cash, exercise of share purchase warrants (Note 4(e))	2,000,000	27,000,000
Value of warrants and stock options exercised	-	12,840,972
Renunciation of flow-through share value (i)	-	(1,206,562)
	3,207,200	42,961,836
Balance, December 31, 2007	37,297,885	109,736,473
Issued during year		
For cash, exercise of stock options	50,800	383,126
Value of stock options exercised	-	101,173
	50,800	484,299
Balance, December 31, 2008	37,348,685	110,220,772
Issued during year		
For cash, exercise of stock options	175,000	966,876
Purchase of mineral property (Note 4 e))	75,000	2,442,749
Value of stock options exercised	-	396,732
	250,000	3,806,357
Balance, December 31, 2009	37,598,685	\$ 114,027,129

(i) In January 2007, the Company renounced \$3,656,250 in Canadian Exploration Expenses to investors of flow-through shares in 2006. The tax value of these renunciations has been recorded as a future tax liability and charged against share capital.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties that would be accretive and meaningful to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2009.

The Company is not subject to externally imposed capital requirements.

b) Stock Options Outstanding

The Company provides compensation to directors, employees and consultants in the form of stock options. Option grants to directors and senior management prior to 2008 are subject to a two-tiered vesting policy. Option grants to directors and senior management in 2008 only vest when the Company enters into a significant transaction involving either its interest in the Courageous Lake project or the KSM project or the acquisition of a majority interest in the Company. These vesting provisions were designed to better align option compensation with the interests of shareholders. Grants to other employees and consultants do not have these provisions but generally vest immediately or in one year.

The two-tier option grants required a certain share price above the grant date price for 10 successive days for the first third to vest, a higher share price for the second third to vest and a further higher share price for the final third to vest. Once the share price has met the first test, the Company's share price performance must have exceeded the S&P/TSX Global Gold Index by more than 20% over the preceding six months or these options would be cancelled.

The Board has granted the following two-tiered options:

Date of Grant	Number	Exercise Price	Share Price Vesting	Year Vested
August 2002	600,000	\$ 2.20	\$6, \$9, \$12	2005 and 2006
August 2004	100,000	\$ 3.37	\$6, \$9, \$12	2005 and 2006
January 2005	50,000	\$ 4.00	\$6, \$9, \$12	2005 and 2006
January 2006	875,000	\$10.56	\$15, \$18, \$21	2006 and 2007
August 2007	120,000	\$29.60	\$34, \$37, \$40	40,000 in 2008

The weighted average grant date fair value of the 55,000 options granted during 2009 which were not subject to directors and management vesting provisions described above was \$24.78 (2008 - \$15.05, 2007 - \$9.73). The grant of these 55,000 options resulted in compensation costs totaling \$579,190 compared to 190,000 options resulting in compensation of \$1,253,690 during 2008 and 200,000 options resulting in compensation costs totaling \$1,945,640 during 2007. 25,000 of the 2009 options will vest over the period March 2009 to March 2010 and consequently \$526,163 of the total compensation expense of the 2009 grants was expensed in 2009 and \$53,027 will be expensed in 2010. The fair value of the options granted is estimated on the dates of grant using a Black-Scholes option-pricing model with the following assumptions:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Dividend yield	Nil	Nil	Nil
Expected volatility	76%	64%	55%
Risk free rate of return	1.5%	2.2%	4.3%
Expected life of options	2.8 years	4.1 years	2.7 years

The weighted average grant date fair value of the 120,000 two-tiered options granted during 2007 and approved by shareholders in June 2008 was \$7.63. The fair value of the options granted was estimated on the date of grant using a Monte Carlo simulation and a binomial option-pricing model to consider the two-tier vesting probabilities using the following assumptions:

Dividend yield	Nil
Expected volatility	61%
Risk free rate of return	3.4%
Expected life of options	4.1 years

The estimated fair value of the 120,000 two-tiered options granted in 2007 amounted to \$915,160. In 2008, after the options were approved by shareholders and recorded as granted, the \$34 per share vesting requirement had been met. During 2009 \$138,076 (2008 - \$418,084) of this amount was expensed and the balance of \$359,000 will be expensed over the remaining vesting period.

A summary of the status of the plans at December 31, 2009 and changes during the years are presented below:

	Shares	Weighted Average Exercise Price	Amount
Outstanding, December 31, 2006	2,185,500	\$ 5.93	\$ 2,857,676
Granted	200,000	25.29	948,448
Exercised	(1,207,200)	(3.58)	(1,404,973)
Value of 2006 options vested	-	-	1,881,823
Outstanding, December 31, 2007	1,178,300	11.62	4,282,974
Granted to employees and consultants	190,000	15.05	436,463
Granted to directors and management	635,000	14.14	418,084
Exercised	(50,800)	(7.54)	(101,173)
Value of 2007 options vested	-	-	997,457
Outstanding, December 31, 2008	1,952,500	12.88	6,033,805
Granted to employees and consultants	55,000	24.78	614,143
Exercised	(175,000)	(5.53)	(396,732)
Expired	(20,000)	(25.10)	(106,515)
Value of 2008 options vested	-	-	867,324
Outstanding, December 31, 2009	1,812,500	\$ 13.60	\$ 7,012,025

Number of Shares	Options Vested	Option Price Per Share	Expiry Date
57,500	57,500	\$ 4.00	January 11, 2010
20,000	20,000	\$ 9.50	December 20, 2010
725,000	725,000	\$ 10.56	January 4, 2011
30,000	30,000	\$ 13.77	January 17, 2012
260,000	180,000	\$ 29.60	August 8, 2012
30,000	30,000	\$ 26.64	March 3, 2013
635,000	120,000	\$ 10.54	December 4, 2013
25,000	-	\$ 21.88	March 4, 2014
15,000	15,000	\$ 28.70	April 1, 2010
15,000	15,000	\$ 25.70	November 30, 2010
1, 812,500	1,192,500	\$ 13.60	

c) **Share Purchase Warrants**

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

	Number of Warrants	Amount
Balance at December 31, 2006	2,000,000	\$ 11,346,000
Exercised	(2,000,000)	(11,436,000)
Balance at December 31, 2007, 2008 and 2009	-	\$ -

7. **RELATED PARTY TRANSACTIONS**

a) During the year, a private company controlled by a director of the Company was paid \$39,000 (2008 - \$14,800, 2007 - \$33,300) for technical services provided by his company related to the mineral properties.

b) During the year, a private company controlled by a second director was paid \$200,000 (2008 - \$250,000, 2007 - \$360,000) for consulting services rendered.

c) During the year, a third director was paid \$18,200 (2008 - \$16,600, 2007 - \$17,300) for geological consulting services.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. **FINANCIAL INSTRUMENTS**

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to short-term investments included in cash and cash equivalents and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Short-term deposits consist of Canadian Schedule I bank guaranteed notes, with terms up to one year but are cashable in whole or in part with interest at any time to maturity, for which management believes the risk of loss to be remote. Financial instruments included in amounts receivable and prepaid expenses consist of goods and services tax due from the Federal Government of Canada. Management believes that the risk of loss with respect to financial instruments included in amounts receivable and prepaid expenses to be remote. The Company also has investments in other publicly listed exploration companies which are included in marketable securities. These shares were received as part of option payments on certain exploration properties the Company owns. The credit risk on these investments is significant due to the nature of the business but the amounts are not significant to the Company.

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, 2009, the Company had cash balances of \$285,000 (December 31, 2008 - \$8,099,000) to settle current liabilities of \$1,410,000 (December 31, 2008 - \$8,695,000). At December 31, 2009, the Company also had bank-guaranteed short-term deposits of \$9,002,000 (2008 - \$30,896,000) which mature in December 2010, but are cashable in whole or in part with interest at any time to maturity. All of the Company's financial liabilities have contractual maturities of 30 days and are subject to normal trade terms.

Market Risk

(a) **Interest Rate Risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in Canadian bank guaranteed notes. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) **Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian, US dollars and Mexican pesos. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. In December 2008, the Company sold the Mexican property Noche Buena at a profit which attracted income taxes payable in Mexican pesos. The income taxes were paid in January 2009 and there is no further exposure to the Mexican peso currency. 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.

Sensitivity Analysis

The Company has designated its cash and cash equivalents and short term deposits as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2009, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

(i) Short term deposits are re-invested each 30 days to one year. The investments held at December 31, 2009 are one-year notes but are cashable in whole or in part with interest at any time to maturity. Sensitivity to a plus or minus 0.25% change in rates would affect net loss by \$23,000 on an annualized basis.

(ii) At December 31, 2009, the Company had net current liabilities in US dollars of \$123,000, which with a 10% change in exchange rates, would affect net income by \$12,000.

(iii) Price risk is remote since the Company is not a producing entity.

Fair Value Estimation

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data

The Company's financial assets measured at fair value, as at December 31, 2009 which include cash and cash equivalents, short-term deposits and marketable securities are classified as Level 1.

9. INCOME TAXES

Income (taxes) recoveries varies from the amounts that would be computed by applying the basic federal and provincial income tax rates aggregating to 33% (2008 – 33.5%, 2007 – 36.12%) as follows:

	2009	2008	2007
Statutory rate applied to (profit) loss for year	\$ 1,487,498	\$ (5,124,052)	\$ 2,225,636
Non deductible items	(492,000)	(700,000)	(1,026,000)
Tax on harmonization of federal/Ontario tax pools	(171,000)		
Non taxable portion of gain on sale of Noche Buena	-	3,331,754	-
Difference in foreign tax rate	-	(2,260,445)	-
Loss not tax benefited	-	(253,246)	-
Valuation allowance	(995,498)	-	(1,199,636)
Reduction in valuation allowance	-	-	620,000
	<u>\$ (171,000)</u>	<u>\$ (5,005,989)</u>	<u>\$ 620,000</u>

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

	2009	2008
Future income tax assets (liabilities)		
Mineral interests	\$ (3,785,000)	\$ (3,068,000)
Property and equipment	47,000	36,000
Share issue costs	9,000	32,000
Non capital losses	4,209,000	3,637,000
Provision for reclamation liabilities	602,000	565,000
Tax on harmonization of federal/Ontario tax pools	171,000	-
Unrealized capital losses	-	31,000
	<u>1,253,000</u>	<u>1,233,000</u>
Valuation allowance	(1,253,000)	(1,233,000)
Future income tax liabilities, net	<u>\$ -</u>	<u>\$ -</u>

A future tax asset of approximately \$2,940,000 (2008 - \$3,218,000) in one Canadian entity has been offset with a future tax liability in another Canadian entity on the basis that management has undertaken to carry out tax planning measures when required.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately \$13,579,000 which expire in various years to 2029 as follows:

2010	\$ 707,000
2014	943,000
2015	1,092,000
2026	2,140,000
2027	3,160,000
2028	2,746,000
2029	2,791,000
	<u>\$ 13,579,000</u>

The tax value of the non-capital losses is included in the future tax assets above.

10. COMMITMENTS

The Company is committed to payments for an operating lease for business premises as follows:

2010	\$ 113,000
2011	\$ 113,000
2012	\$ 38,000

11. SUBSEQUENT EVENTS

- a) In March 2010, the Company completed a base shelf prospectus financing with the issuance of 2,875,000 common shares at US\$22.90 each for gross proceeds of US\$65,837,500. The Company paid commissions to the underwriters of US\$4,279,438 and incurred additional expenses of approximately \$642,000.
- b) Subsequent to December 31, 2009, 61,500 stock options were exercised for proceeds to the Company of \$272,160.