

# KSM MINING ULC

A SUBSIDIARY OF SEABRIDGE GOLD INC.

July 3, 2020

*VIA EMAIL*

Environmental Assessment Office  
PO Box 9426 Stn Prov Govt  
Victoria, British Columbia  
V8W 9V1

Attention: Scott Bailey  
Acting Chief Executive Assessment Officer and Associate Deputy Minister

Dear Mr. Bailey:

**RE: Response to EAO's Letter of May 25, 2020: Impact of COVID-19 pandemic on Environmental Assessment Certificate M14-01 (the "Certificate") and the KSM Project**

I write to respond to your letter of May 25 in which you requested additional information on the impact of the COVID-19 pandemic on the ability of KSM to meet the "substantially started" deadline in the Certificate. It is Seabridge's position that the current pandemic constitutes an emergency and we respectfully request that the Minister consider at least a two year variance under Section 46 of the Environmental Assessment Act, granting the KSM Project additional time to achieve "substantially started". We believe such a variance would be in the public interest as we have highlighted in this letter.

We are seeking a two year extension based upon the following:

- COVID-19 has seriously disrupted capital markets. Our financial advisors expect that it may require 18 to 24 months after the end of COVID emergency conditions before these markets stabilize. During this time, our advisors expect that global mining companies able to build and operate KSM responsibly will focus internally on maintaining current operations rather than seeking new opportunities such as KSM;
- COVID-19 has temporarily depressed the copper market, effectively putting new investments such as copper-intensive KSM on hold until market conditions normalize;
- New safety requirements imposed by COVID-19 have severely limited our ability to mount and execute the work programs scheduled for this year, forcing us to accept delays;
- COVID-19 is slowing down vital permitting efforts which must precede the work of achieving a substantial start; and,

- Although the first wave of COVID-19 appears to have passed in some jurisdictions, evidence is mounting of likely second and third waves resulting in further disruptions to critical field data collection programs.

To assist your review, we have provided background information which outlines the extensive progress Seabridge has made at KSM Project since the original issuance of the Certificate in 2014. We also describe the steps required to achieve “substantially started” for the KSM Project and the direct impact of the pandemic on our plans to accomplish this objective.

In summary:

- KSM is an outstanding economic opportunity for BC requiring \$6.7B in direct investment and an experienced global mining company to build and operate the project;
- Our original plan to achieve a “substantially started” determination required that we have a global mining partner in place, certain Federal regulatory approvals and a completed Feasibility Study;
- Our original plan has been severely disrupted by the impact of the coronavirus on regulatory approvals, the completion of work required for the Feasibility Study and the decision-making of potential partners, placing the Project’s current Certificate in jeopardy of expiring; and,
- We are highly confident that a two-year extension of the Certificate will remove a timing risk to the Certificate, enabling us to conclude an agreement with a suitable partner as the global economy stabilizes, obtain the needed regulatory approvals, complete a Feasibility Study and achieve the status of a substantial start.

In support of this request, KSM Mining ULC has held several conversations with the Nisga’a and Tahltan nations since the end of March 2020 regarding our request for an additional extension to KSM’s Environmental Assessment Certificate of at least two years. Both the Nisga’a and Tahltan have been understanding and accepting of our rationale for seeking a further extension to the Certificate and supportive of our request. Information regarding our request will be submitted to the remaining Indigenous groups early next week.

## **BACKGROUND**

Seabridge Gold Inc. (through KSM Mining ULC) owns the KSM Project, a proposed gold, copper, silver and molybdenum mine located 65 kilometers north of Stewart, BC (the “Project”). The Project is one of the largest undeveloped gold projects in the world and is classified as a multi-generational asset given its forecasted 52 year mine life. It will employ approximately 1,800 people during its five-year construction phase and create approximately 1,040 family-supporting jobs through the remainder of its mine life.

Seabridge has been working diligently to advance the Project towards construction and commercial operation. Over the past 12 years, Seabridge has spent over \$300 million on the Project, with 80% of that spending occurring within British Columbia. We have built strong relationships with our Indigenous partners and local communities who are fully supportive of our Project. We have been recognized as industry leaders in the fields of environmental planning, consultation and transparency.

***Seabridge's work to date to develop the world-class KSM Project***

Properly and safely developing a major mine in a remote region takes significant time, investment and effort by many people. We are extremely proud of the progress we have made on the Project over the past 10 years. Examples of the key milestones we have achieved include the following and are summarized in Table 1:

1. Obtaining key regulatory authorizations necessary for the advancement of the Project towards a construction decision:
  - Seabridge received provincial environmental assessment approval of the Project in July 2014;
  - In December 2014, Seabridge also received federal environmental assessment approval of the Project; and,
  - In March 2019, a five year extension to EA Certificate M14-01 was granted, with no new conditions attached to the Certificate.
  - In July 2017, a Schedule 2 of the MDMER was granted by the Federal Government authorizing the construction of the proposed tailings management facility in North Treaty Creek and South Teigen Creek (both fish-bearing streams; and,
  - Seabridge received a licence under the *International River Improvements Act* from Environment Canada in October 2016. The application is for improvements on the Unuk River, specifically within the Sulphurets Creek Watershed (which is a tributary to the Unuk River) and specifically includes the Water Storage Facility and ancillary water works for the KSM Project, representing dams, reservoirs and associated water diversion, collection and management structures for the purpose of: diverting fresh (non-contact) water around the mine site to downstream receiving waters; and collecting water that has been in contact with disturbed areas from the mine site for collection prior to discharge into the receiving waters.
  
2. Building relationships with Indigenous nations and local communities:
  - Seabridge has undertaken regular engagement with the Nisga'a Nation, Tahltan Nation, Gitanyow Nation and Gitxsan First Nation, as well as the Tsetsaut/Skii km Lax Ha;



- In June 2014, Seabridge and the Nisga'a Nation entered into a comprehensive Benefits Agreement which addresses Nisga'a support for the Project, potential environmental and socioeconomic impacts of the Project, and the economic benefits of the Project. The Agreement is estimated to provide hundreds of millions of dollars in payments, employment and contracting opportunities to the Nisga'a Nation and its members over the life of the Project. Most importantly, it established a framework for Seabridge and Nisga'a to work together on ongoing development matters;
  - In June 2014, Seabridge and the Gitanyow signed the Gitanyow Huwilp Sustainability Agreement within which Seabridge agreed to provide funding for certain programs relating to wildlife, fish and water quality monitoring to address concerns raised by the Gitanyow Huwilp, as well as a joint committee to maintain co-operation and communications concerning the KSM Project;
  - In June 2019, Seabridge and the Tahltan Nation entered into a Cooperation and Benefits Agreement, which is estimated to provide hundreds of millions of dollars in payments, employment and contracting opportunities to the Tahltan Nation and its members over the life of the Project. Notably, the agreement received one of the highest approval ratings from the Tahltan people, being approved by 77.8% of members. The Agreement provides for Tahltan support of the Project and sets out Seabridge's environmental, contracting, education, and financial commitments;
  - Seabridge has ongoing community engagement programs and has invested in important community initiatives, such as the northwest BC Scholarship Program. That program provides \$100,000 annually to students in northwest BC, and supports the development of a strong, educated workforce in the region. To date, Seabridge Gold has donated \$800,000 to students in Northwest British Columbia. Students from Smithers, Terrace, Gingolx, Laxgalts'ap, Gitwinksihlkw, Gitlax'aamiks, Hazelton, Kitwanga, Stewart, Telegraph Creek, Dease Lake and Iskut among others received funding to further their trades training and post-secondary education; and,
  - Additionally, over \$800,000 has also been donated to community events in Northwest British Columbia over the past 10 years. Examples of sponsored community programs include food banks, sporting events, literacy camps, trade shows and career fairs, search and rescue organizations, economic development forums. Also sponsored were various events such as music festivals, art festivals, science fairs, golf tournaments, cultural festivals and local Chamber of Commerce events in Terrace and Smithers.
3. Seabridge is fulfilling the conditions of the Certificate:
- To date, Seabridge has completed or made progress on 26 of the 41 Certificate conditions. The work necessary to fulfill these conditions has been significant;
  - By way of example, Seabridge has:

- Established and implemented an Independent Geotechnical Review Board, comprised of world-class experts with over 300 years of collective global experience, to review the technical aspects of the investigations, designs, construction, operation and closure of the major geotechnical structures of the Project; and,
  - Collected further social and environmental baseline data to better characterize the pre-disturbance conditions at the KSM Project, and support sound operational and ultimately reclamation practices upon closure.
4. Seabridge is continuing to improve the project design beyond Certificate requirements:
- We are working to minimize the environmental footprint of the Project by utilizing smaller open pits, increasing underground mining activity, and using electricity during mining operations;
  - We have re-evaluated the Project's proposed tailings management approach to ensure that the best method was selected to minimize long term social and environmental risk factors;
  - We have identified improved water management and water treatment approaches for the Project. This has included research into new world-class selenium treatment methods, in partnership with BQE Water and the University of British Columbia. The research team recently registered a patent with the United States Patent and Trademark Office; and,
  - We have converted from diesel to electric equipment many of the project's components, dramatically reducing the carbon impact of the project as the primary source of the power on the NTL is now hydroelectric.
5. Seabridge has added significant new mineral resources at KSM since the Certificate was granted:
- In February 2017, Seabridge reported an expanded NI 43-101 resource estimate for the Deep Kerr deposit. In March 2019, Seabridge identified significant indicated and inferred resources at the Iron Cap deposit. Since the issue of the Certificate in July, 2014, the Company has increased the inferred mineral resources at KSM by 44 million ounces of gold and nearly 30 billion pounds of copper, dramatically increasing the potential life of the Project; and,
  - Individually, the mineral resources within these deposits are sufficient to support autonomous mining operations (each one is more than twice the size of the Galore Creek project). In the context of the Project and its associated infrastructure, they provide an opportunity to extend the lifespan of the Project, and the consequent benefits for Indigenous nations, local communities, employees, and the Province.

## “SUBSTANTIALLY STARTED” AND THE KSM PROJECT

In late 2019, Seabridge completed an evaluation of what “substantially started” would mean for the KSM Project; an evaluation that was completed to assist us in our project planning for future years. Based on this evaluation, we determined that construction activities focused primarily on the PTMA and to a lesser extent within the Mitchell Valley, along with parallel activities to support a KSM Feasibility Study, would be required so that project construction would be considered initiated *in a real and tangible way* by the July 2024 deadline. Based on this, we developed a set of Project objectives that we considered sufficient to successfully achieve “substantially started”.

Two critical issues were identified in our substantial start review: Federal approvals under the *Fisheries Act* and Final Feasibility.

For construction activities to proceed in an efficient and timely manner, we require approvals to impact fish habitat. Impact to fish habitat is primarily a Federal government responsibility pursuant to the *Fisheries Act* and can only occur after the Federal authorization allowing impacts to fish habitat is granted. Seabridge has three fish compensation projects in the planning process leading towards regulatory approval and these are:

- Glacier Creek: designs to compensate for impacts to fish habitat associated with road, bridge, and dam footprint construction as defined within the *Fisheries Act*; and,
- Treaty and Taft creeks sites: designs to mitigate impacts associated with the deposition of deleterious substances such as tailings material into areas of fish habitat, as authorized under the MDMER.

For construction activities such as road construction and dewatering activities within the TMF to occur--activities which would be needed to achieve a “substantially started” determination--the KSM Project requires Federal authorization to impact fish habitat **prior to** the initiation of significant construction activities at the site. At the best of times, this authorization likely requires 12 months of review time and Indigenous consultation. The Federal legislation was enacted only recently and many of the regulatory processes associated with this new legislation are still being developed. In addition, COVID-19 has seriously interrupted the review and consultation processes of both government and Indigenous bodies (refer to the following paragraphs for details).

Final Feasibility is a second issue. KSM’s large reserves (Table 2) result in a multi-decade mine life. The four currently known mineral deposits located at the site, Mitchell, Sulphurets, Kerr and Iron Cap, have different metal compositions which offer incredible flexibility for mine planning purposes but conversely also increase the complexity associated with deciding on an appropriate management strategy to maximize the economic value of the Project. This complexity must be resolved in the Final Feasibility process which is therefore more challenging than would be the case for a single deposit project.

**Table 2: KSM Proven and Probable Reserves as of July 31, 2016**

Zone	Mining Method	Reserve Category	Tonnes (Mt)	Average Grades				Contained Metal			
				Au (g/t)	Cu (%)	Ag (g/t)	Mo (ppm)	Au (Moz)	Cu (Mlb)	Ag (Moz)	Mo (Mlb)
Mitchell	Open Pit	Proven	460	0.68	0.17	3.1	59	10.1	1,767	45	60
		Probable	481	0.63	0.16	2.9	66	9.7	1,677	44	70
	Block Cave	Probable	453	0.53	0.17	3.5	34	7.7	1,648	51	34
Iron Cap	Block Cave	Probable	224	0.49	0.20	3.6	13	3.5	983	26	6
Sulphurets	Open Pit	Probable	304	0.59	0.22	0.8	52	5.8	1,495	8	35
Kerr	Open Pit	Probable	276	0.22	0.43	1.0	3	2.0	2,586	9	2
<b>Totals</b>		Proven	460	0.68	0.17	3.1	59	10.1	1,767	45	60
		Probable	1,738	0.51	0.22	2.5	38	28.7	8,388	138	147
		<b>Total</b>	<b>2,198</b>	<b>0.55</b>	<b>0.21</b>	<b>2.6</b>	<b>43</b>	<b>38.8</b>	<b>10,155</b>	<b>183</b>	<b>207</b>

Feasibility studies are required throughout the pre-production stage of every mining project to justify continued investment in the subsequent phase. Usually a concept study or scoping study is followed by one or more pre-feasibility studies that reflect the increasing level of technical and economic knowledge gained at the various earlier stages. These culminate in a final Feasibility Study that demonstrates the economic feasibility of the project with sufficient certainty to allow a decision to develop a mine. The level of engineering in a Feasibility Study is usually well short of that required for construction, so a further period of detailed engineering design follows after the project has been approved. This usually continues during construction and only tapers off when production is imminent.

A Final Feasibility study is usually based on the most attractive alternative for the project as previously determined. The aim of the study is to remove all significant uncertainties and to present the relevant information with back up material in a concise and accessible way. The Final Feasibility study has three objectives:

- Provide a basis for detailed design and construction;
- Demonstrate within a reasonable confidence that the project can be constructed and operated in a technically sound and economically viable manner; and,
- Enable the raising of finance for the project from banks or other sources.

The process for major mining companies when evaluating a project such as KSM with a large capital outlay would be to complete the following steps:

- Initiate and complete project feasibility;
- Undertake and complete project final design;
- Negotiate and obtain project financing commitments;



- Prepare permit application package based on final design and receive permit approvals; and,
- Company Board evaluates and grants approval for the project construction to proceed.

Even at the best of times, these complex processes require significant time from many dozens of people to develop and conclude. These are not the best of times due to the pandemic and associated lockdowns and draconian changes in work rules (refer to the following paragraphs for details).

A Final Feasibility study has not been initiated at KSM because the size and complexity of the project requires a major company as partner who would bring the financial and technical capabilities and the experience needed to complete development and operate in a sustainable and responsible manner. Given this position, it was inevitable that Seabridge's JV partner would want to shape the project design for the Feasibility Study their own way, following their priorities and their own internal policies and procedures. Seabridge has therefore concentrated on generating the data required for Final Feasibility and much of the technical data is now at the level needed for the study but substantial work is still to be completed.

In an ideal world, construction activities that would contribute to determination of "substantially started" would only be initiated after a Feasibility Study was completed and Board decision on a Final Investment Decision was made. In the absence of a partner and given the existing time constraints as highlighted within the existing Certificate, some elements of a Feasibility Study must run in parallel with construction activities which would earn a "substantially started" determination. These compromises are not unusual in our industry.

We estimate that to complete a final Feasibility Study for the Project and advance construction to the point of reaching "substantially started" by the Certificate deadline, KSM requires an additional investment ranging between \$600M and \$750M CDN.

We have identified components of the KSM Feasibility Study process that are independent of the production plan and can go forward before the Feasibility Study is completed. The access roads into the process plant and mine areas and transport tunnels between the process mill and the mine site are independent of the sequence in which the deposits are developed and mined. Geotechnical, geological and metallurgical data along with associated project infrastructure can be advanced to feasibility level standards for the deposits that will be mined in the initial years of the production plan. Collection of this data is essential to feasibility level designs for submission in a Mines Act Permit Application to construct the main components of the project including those required for a substantial start and for the financial model needed for a Construction Decision. Data gathering and Feasibility Study completion are the critical path for the granting of the Mines Act Permit.

## ***IMPACT OF COVID-19 ON CURRENT KSM PROJECT WORK PROGRAMS***

As was previously highlighted in our letter of March 30, 2020 to the Minister of Energy, Mines and Petroleum Resources, Seabridge remains very concerned about the impact the COVID-19 pandemic will have on our ability to advance the Project in a timely fashion, and to meet the “substantially started” deadline.

The following information is provided in response to your request for additional clarification and details of the three items in your letter.

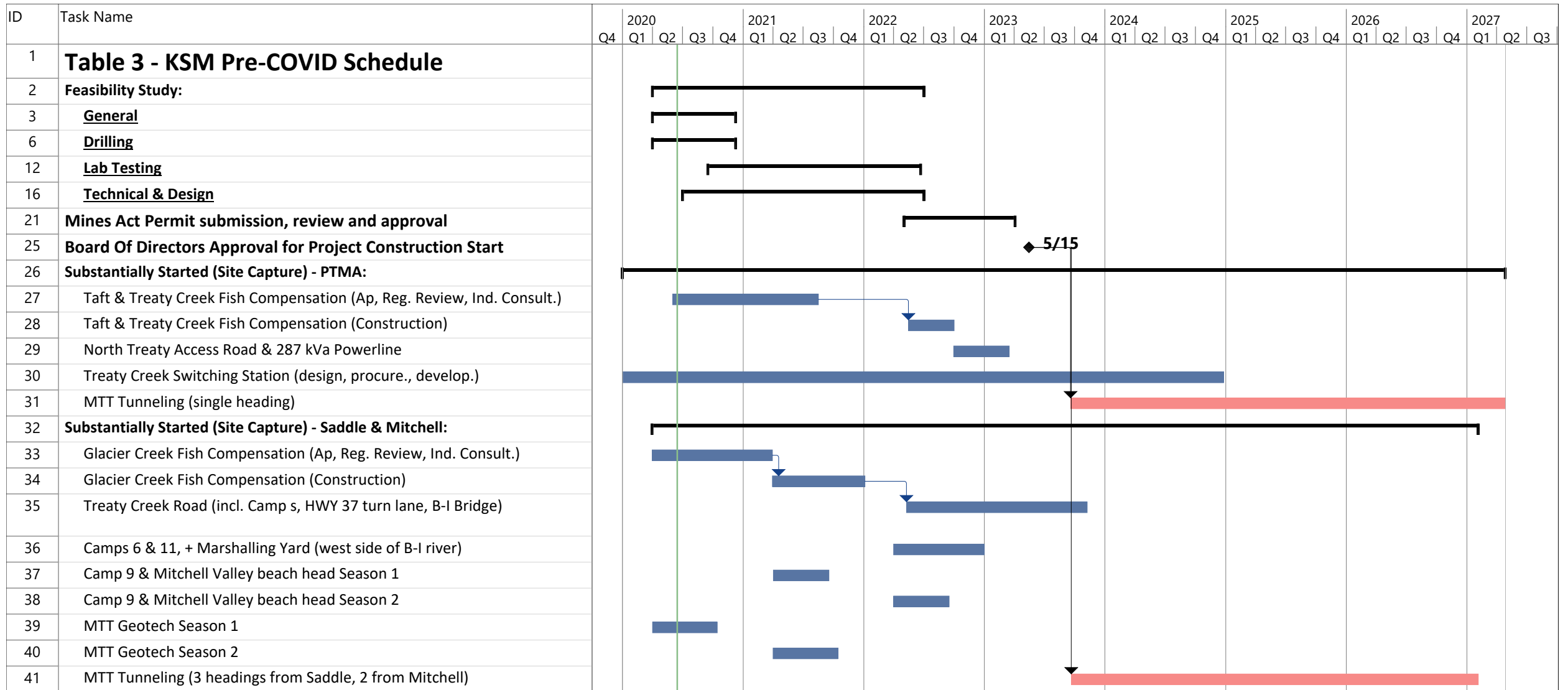
- 1. How delays to the 2020 field season and the start of the project construction, resulting from COVID-19, are directly related to the project’s inability to meet a 2024 substantial start deadline. This should include specifics as to why the 2020 field season and construction seasons are both critical for reaching a 2024 substantial start, and why lost time cannot be made up in the coming four years.***

A detailed schedule of the planned activities from 2020 to 2025 is presented as Table 3. This schedule highlights the critical importance of 2020 overall in working towards achieving the milestone of “substantially started” by 2024. The schedule highlights the key relationships and interdependencies between the various tasks, many of which are sequential.

This year we had anticipated contracting with British Columbia-based and other businesses to conduct further field work, collect additional baseline data, support the approval of Federally regulated fish habitat compensation programs including the requirement for further engagement with local Indigenous communities, undertake drilling programs to support construction of the Mitchell Treaty Tunnel, and complete further engineering studies. Work associated with the Mitchell Treaty Tunnel and the development of the access roads to the Project are especially important for the achievement of “substantially started” given the 3.5 to 4 years’ construction timeline for this infrastructure.

The planned 2020 programs require workers to live and work in close quarters, as well as increased travel to remote communities and regions where health care is not readily available. Because of the COVID-19 pandemic, our planned 2020 programs have been substantially reduced in scope to ensure compliance with pandemic restrictions and safeguard the health and well-being of our contractors, employees, and the communities we work in and engage with. The pandemic has resulted in a later field season start date and, because of the safety requirements to mitigate the potential spread of the virus, the productivity of data collection will also be significantly reduced, delaying important field work until next field season.

The generally challenging local weather conditions and mountainous terrain combined with the absence of road access restrict field activities to a period ranging between late May to late September and with the onset of winter conditions, significant safety hazards occur which make the extension of work programs into winter months impractical.



Project: KSM - Schedule Overvi Date: Mon 6/15/20	Task		Inactive Milestone		Start-only		Critical Split	
	Split		Inactive Summary		Finish-only		Progress	
	Milestone		Manual Task		External Tasks		Manual Progress	
	Summary		Duration-only		External Milestone			
	Project Summary		Manual Summary Rollup		Deadline			
	Inactive Task		Manual Summary		Critical			

Because of the pandemic restrictions, Seabridge has implemented the following corporate decisions:

- Camp capacity used to support both our Iskut and KSM Work Programs has been reduced from 50 persons to a maximum of 25 (including camp service personnel);
- The restricted camp capacity has resulted in the following program cutbacks:
  - The MTT drilling program at the KSM Project has been reduced from 40 holes to a maximum of 10 holes. This program reduction results in the following:
    - The data gathering phase for the MTT is pushed out one year; and,
    - This results in a one year minimum delay of a Feasibility Study and a delay of:
      - Corporate Board approval; and,
      - Submission of the Mines Act application and subsequent regulatory review (minimum of 12 months) of the application to authorize the construction of the MTT
  - Environmental programs have been reduced in scope to reduce pressures on camp capacity; and,
  - The Archeological Mitigation program scheduled to mitigate a significant archaeological site located on the Mine Site has been delayed as the KSM camp does not have the capacity to host the crew in addition to the crews required to service the MTT drilling program. This results in the following:
    - A one year delay in the construction of a road from the existing KSM camp site to Mitchell Valley, an activity that is essential to achieving “substantially started”.

As highlighted in the detailed project schedule outlined in Table 3, any delays in the planned 2020 data gathering activities will push back the start of the Feasibility Study activities, as data gathering must occur within the fairer weather associated with the summer and early fall seasons at the site, followed by detailed data evaluation and processing. All of these processes take time and their timelines simply cannot be compressed given that the schedule driver is the time of year when the data can be collected. Therefore, as data gathering must now be spread over two field seasons (2020 and 2021), this delay pushes out the finalization of the data reports to be evaluated within a Feasibility Study and ultimately impacts the schedule for Board approval.

Information on the virulence and transmissibility of the COVID-19 virus is still in its infancy. Concerns to date have been generally focused on the impacts of the virus on the 2020 field season; however, given the expected arrival of a second and third waves of the virus, and in the absence of an effective vaccine (which is highly uncertain), impacts to the 2021 field season similar to the 2020 field season are considered highly probable.

Indigenous communities are very concerned about the virus pandemic and they have taken steps to protect their people from outside sources of infection. Concerns regarding the potential impact of the pandemic spread from workers servicing our camps have been expressed by the Gitanyow and Tahltan Nations and Seabridge has committed to minimizing their risk of a spread. An announcement from the Tahltan Central Government dated June 8 on the TCG website, highlights these concerns:

- “Despite new data showing COVID is no longer active throughout much of the province, both BC’s medical health officer and some First Nations say it’s important to stay vigilant. Nations like the Tahltan in the north and Heiltsuk on the coast have asked all visitors--including members from outside the territory--to hold off travelling there this summer. That’s unlikely to change anytime soon.”

“We are still doing everything we can to ask people to not bring the risk into our communities this year,” Tahltan Central Government president Chad Day said. The nation has cancelled its annual general assembly, which normally takes place over a week in early July and attracts members from across Canada and the US. “Unlike some other places where they have flattened the curve, we cannot afford to have any curve in Tahltan Territory. If we have a positive case up there, usually medivac situations take several hours and there would only be one helicopter in the area that was adequately prepared to do a medivac.”

Significant concerns also exist with respect to the timing of the approval for Seabridge’s Fish Compensation Plans, which is administered by the Federal government. As was highlighted in the previous sections of this letter, the approval of the fish compensation plans (one plan to compensate for habitat loss and two separate plans required under the Metal Diamond Mining Effluent Regulations (MDMER) is a key milestone for KSM as it unlocks the ability to initiate construction activities for the project road access corridors and within the TMF footprint and therefore the MTT. Regulatory review by the Federal Department of Fisheries and Oceans (DFO), including community consultation, would normally be expected to require at least 12 months.

Submission of these plans for Federal regulatory approval have already been impacted by the COVID-19 pandemic. Our submission was to occur in the spring of 2020, however the submission dates were delayed until July for the fish habitat loss compensation plan and October for the MDMER plans because of financial concerns associated with the onset of the pandemic. Submission of these three plans requires a cash outlay by Seabridge of \$10M CDN to cover anticipated security requirements and Seabridge was uncertain of its ability to obtain these funds from financial markets due to the pandemic impact. For this reason the application submissions were delayed.

Further delays in the Fishery applications of four to six months are expected in addition to the anticipated 12 month regulatory review because of the impact of the pandemic on Crown consultation. Such delays would have numerous knock-on effects on other project components such as initiating and completing road construction and dewatering of the TMF.

As was highlighted within the BC Government's Bulletin "*Consulting During the COVID-19 Emergency*", dated March 27, 2020, (policy is attached to this letter) the following was stated:

- For new consultation processes: agencies should critically review any new consultation processes and consider initiating consultation processes based on priority and time sensitivities. This may mean delaying consultation activities for the time being.

These concerns also exist with the federal government, as stated on the DFO website:

- We recognize that, because of the pandemic, Indigenous communities and organizations are focusing efforts on emergency and essential services, and on prioritizing the health and safety of their community members, families, and Elders; and,
- Officials will continue to work with Indigenous partners in a way that is respectful of, and responsive to, their circumstances, and as flexible as possible.

***2. Information that shows how the lack of willingness of investors to commit to advancing the project is directly related to the COVID-19 Emergency and clarifies how this could have a direct effect on the project's ability to meet its substantial start deadline. Specifically, please clarify how this unwillingness in 2020 is critical to the project's timeline.***

As was highlighted in our March 30, 2020 memo, the pandemic has also significantly impacted the investment climate for a large project such as KSM. Seabridge has consistently maintained that construction of the \$6.7 Billion project cannot be initiated without a joint venture partner; one with the financial and technical ability to construct and operate the Project in an environmentally responsible and socially acceptable manner.

In recent months, we have had significant engagement with several large mining companies who are looking to KSM to maintain their production profile and who want to have a project in Canada. We were advised by a syndicate of two highly desirable prospective partners that we should expect their proposal for a joint venture in March of this year. We were subsequently advised that this proposal would not be advanced at this time due to the impact of the coronavirus on their companies.

COVID-19 has temporarily interrupted all of our negotiations with prospective partners. Each of them has been hard hit by the impact of the virus on commodity markets and prices, especially copper which is a key product of KSM, and they have indicated that they cannot conclude their negotiations with us until the global economy has stabilized. Several companies have curtailed their due diligence efforts in order to protect their personnel, which necessarily means further delays in coming to an agreement.

The impact of the COVID-19 pandemic on the mining project acquisition/investment market is succinctly summarized in a document titled “*KSM Process and Market Update*” dated June 2020, which was prepared by BMO Capital Markets for the Seabridge Board. BMO is acting as our advisor to help secure a suitable partner(s) for KSM. This document highlights the following information:

- Given its large scale and capital requirements (pre-production capital of US\$5.2 billion), there are a select number of counterparties who are technically and financially capable of partnering with Seabridge:
  - The large copper companies are better positioned than gold companies to build and ultimately operate a project of KSM’s scale.
- The COVID-19 pandemic has had an unprecedented impact on global financial markets, resulting in increased uncertainty and volatility;
- The gold price and gold equities have outperformed, supported by unprecedented government stimulus and historically low yields which have encouraged investors to flock to gold as the ‘safe haven’ asset but conversely, base metals, and copper in particular, have suffered from slowing demand as economies and infrastructure growth around the world have been severely impacted, compounding a period of lower, range-bound prices in the face of the US trade war with China;
- Potential partners evaluating the KSM opportunity have faced material challenges within their own businesses as a result of COVID-19:
  - Rather than deploy capital on external investment opportunities, these companies have reduced or cut production guidance, dividends and capital spending;
  - Their key focus remains the health and safety of their employees and the communities in which they operate;
  - A majority of companies have re-directed efforts internally and are less focused on external investment; and,
  - Prior crises suggest a return to normalized levels of external investment can be prolonged, particularly for large scale projects, typically for 18 to 24 months after the end of a crises.

Not having a JV partner this year impacts our ability to initiate and ultimately complete the project Feasibility Study under which a favourable project investment can be made and site construction would normally be initiated. The lack of a major mining partner in 2020 ultimately risks our ability to meet the standards of “substantially started”.

The impact of the COVID-19 pandemic on large mining companies is further highlighted by press releases from the following companies, which are attached to this letter:

- Freeport McMoran Press Release, dated April 24, 2020, which stated:
  - Highlights of Revised Operating Plans:

- \$1.3 billion reduction (~18 percent) in 2020 estimated operating costs;
  - \$800 million reduction (~30 percent) in 2020 estimated capital expenditures; and,
  - \$100 million reduction (~20 percent) in 2020 estimated exploration and administrative costs.
- Galore Creek Project Press Release, dated April 28, 2020, stating:
    - Due to the COVID-19 pandemic and the resulting economic uncertainties faced by the mining industry, expenditures on the Galore Creek project have been reduced in 2020, deferring the start of the planned Prefeasibility Study. A core team and funding are in place to meet current permit, environment and community obligations.
  - Antofagasto Minerals Press Release, dated April 6, 2020 which suspends the expansion of the Los Pelambres Mine known as the Inco Project;
    - ANTOFAGASTA MINERALS SUSPENDS INCO PROJECT CONTRACTING COMPANIES AGREEMENTS
      - This action, which will be periodically reviewed based on the evolution of the emergency, will in principle apply for an estimated maximum period of 120 days and, in most cases, does not imply the contract will be terminated. "This is a temporary suspension that has been taken as it is not possible to continue with the construction of the project as originally planned and is only for the duration of the emergency, as we hope to resume work as soon as possible," explained Francisco Walther, Vice President of Projects at Antofagasta Minerals.
  - Newmont Press Release of March 17, 2020 which highlights a ramp down of activity at the Yanacocha Mine;
    - Newmont announced today that Coronavirus-related government restrictions in Peru will require safely ramping down mining operations at Yanacocha while gold production from leach pads and managing critical safety and environmental activities will continue.

Additionally, several newspaper articles including a May 27, 2020 article written by Reuters and a second one dated May 29 from the Financial Post (both articles are attached to this letter) highlight the severe disruption of the copper markets due to the COVID-19 pandemic which results in a direct impact on the viability of operating copper mines. Several major mining copper companies are among those which previously have shown an interest in KSM.



**3. Information that would help substantiate that any decision made to vary the Act is in the public interest.**

Granting the KSM Project additional time to achieve a “substantially started” determination is in the public interest and will assist BC in addressing the negative economic impacts of the COVID-19 pandemic. The Conference Board of Canada, in a May 28, 2020 article written by Andrew Duffy of the Times Colonist, suggests that BC’s economy will contract by 3.8% in 2020 as a result of the pandemic. The economic challenges to the BC and Canadian economies resulting from COVID-19 are further evidenced by a June 5, Financial Post article, written by Geoffrey Morgan, “*Canada’s LNG dreams frustrated as global demand shrinks for the first time in 8 Years*”. This article highlighted that the coronavirus pandemic has knocked down demand for power worldwide, with Wood Mackenzie analysts expecting a 2.7 per cent contraction in global LNG demand, marking the first time in eight years that demand for the commodity has fallen.

The KSM project is a major investment project for British Columbia and will also contribute significantly to the Canadian economy. A report titled “*Assessment of the Economic Benefits Generated by the KSM Mine Project*” dated November 2018 concludes that over a 59-year period, in excess of \$54.6 billion would be spent on both capital and operations including an estimated \$47.9 billion directly into the British Columbia economy.

The estimate for the total GDP generated by KSM into the BC economy over the life of the mine is \$30.6 billion. The GDP generated within the province is expected to peak during the construction period with \$738.0 million in Y-1. The level of economic activity generated in the rest of the country is assessed at \$20.1 billion in GDP for a national total of \$50.7 billion over 59 years (six years of construction and 52 years of operation): an annual average of \$859.6 million. The split for BC vs the rest of the country is therefore about 60% - 40%. Direct GDP represents about 22.2% of total GDP for British Columbia (\$6.8 billion) followed by \$15.1 billion in indirect GDP (49.5%) for suppliers and \$8.7 billion of induced GDP (28.3 %) generated by household expenditures.

The number of full time employment equivalents (FTE) generated by the KSM mine for residents of British Columbia is estimated at 280,698 with peak employment of about 6,644 FTE during the first year of production (Y+1). Over 59 years, this is equivalent to an annual average of 4,758 FTE for residents of British Columbia. A total of 162,958 FTE would be filled by residents from the rest of the country with a peak of 4,531 in Y-1.

For Canada as a whole, the number of FTE generated by the KSM mine over its life is expected to total 443,656 with peak employment of 10,737 FTE during the first year of production (Y+1). Hence, the annual average is equivalent to 7,520 FTE. The total number of FTE generated by the KSM Project is thus split 63% - 37% between BC and the rest of the country.

About 17.1% of total employment for British Columbia residents would be direct employment (47,903). Employees of various suppliers would total 159,280 indirect FTEs (56.7%) and induced FTEs would come at 73,515 FTE (26.2%). The annual average of 4,758 FTE for BC residents would represent 0.22% of total employment based on 2017 job numbers. This annual

average for FTE is also equivalent to 6.5% of the total numbers of jobs added to the Provincial economy between 2016 and 2017 (73,636).

Total fiscal revenues for the Government of British Columbia are estimated at \$7.6B over the life of the Project. Revenues for the Federal Government are expected to total \$7.8B. The governments of other provinces and territories would share another \$1.7B. Hence, the two senior levels of governments are projected to collect an estimated \$17.1B over the life of the mine.

Fiscal revenues for the Government of British Columbia will come from four main sources: mineral tax (\$2.6B), corporate tax on Seabridge Gold earnings (\$2.0B), personal income tax on the work force (\$663.2M) and other sources of revenues such as sales tax, fuel tax and various other taxes and fees (\$2.2B).

The potential economic benefits associated with KSM will provide a meaningful contribution to the economy of British Columbia. The average annual GDP generated by the Project over the life of the KSM mine totals up to \$518.2M. This represents 0.18% of the 2016 provincial GDP. This average is equivalent to 2.8% of the \$18.2B added to the provincial economy between 2016 and 2017. The potential fiscal revenues for the British Columbia government average \$128.1M per year, a number that would represent 0.29 % of government's estimated \$43.7B in fiscal revenues for 2017-2018.

The importance of KSM to BC and the size of the project is further highlighted when compared to other BC based mining projects granted environmental assessment approval between 2006 – 2019 as highlighted in Table 4. The total amount of GDP calculated for KSM of \$50.7B CDN over the life of the project dwarfs the potential GDP contribution of the next largest GDP contribution of approximately \$1.0B CDN from the Blackwater Project.

These are measures of impacts economy wide, but the KSM Project will have important benefits to the northern economy and, in particular, would offer significant benefits to indigenous communities. Under our agreements with the Nisga'a Nation and the Tahltan Nation, each Nation will receive in the hundreds of millions in financial payments directly (in addition to any share of the Mineral Tax revenue), and many tens of millions of dollars in employment opportunities and contracting opportunities will be made available on a priority basis for Nisga'a and Tahltan members and businesses. We also expect that Gitanyow, Gitxsan and Tsetsaut.Ski km Lax Ha members and businesses will share in KSM work. Further, considerable funding is committed to the education of the Nisga'a and Tahltan Nation members under our agreements with them, and a mine operator would typically have education programs that other indigenous would be entitled to access. The communities of Stewart and Hazelton in particular could also see renewed vitality from the KSM being built., as well as Terrace and Smithers

**Summary of Economic Benefits of British Columbia Mines (predicted in Environmental Assessment Certificate Applications), 2006 to 2019**

Projects	Brule	Galore Creek	Hermann Mine	Mt Milligan	Roman Coal	Kitsault	Line Creek Phase II	Brucejack	Fording River	Murray River	Baldy Ridge	Kemess	Red Mountain	Blackwater
Environmental Assessment Certificate Date	4-Jul-06	16-Feb-07	24-Nov-08	16-Mar-09	14-Dec-12	18-Mar-13	25-Sep-13	25-Mar-15	10-Sep-15	1-Oct-15	19-Sep-16	13-Mar-17	5-Oct-18	21-Jun-19
Federal decision date	-	4-Jun-07	-	11-Dec-09	-	31-Aug-06	-	30-Jul-15	-	-	-	-	14-Jan-19	15-Apr-19
Mine life (years)	11	23	10	15.3	15	16	18	22	25	31	35	13	6	17
<b>Construction<sup>1</sup></b>														
Capital costs (M\$)	200.0	1,720.2	59.0	917.0	323.0	837.0	62.4	663.5	1,430.5	554.9	600.0	431.4	143.0	1,814.0
Direct project employment (PY)	200	553	31	780	287	960	193	870	1,587	1,766	1,652	1,484	358	2,436
Direct project suppliers (PY)	-	-	-	1,820	508	2,196	131	1,510	1,562	-	1,458	1,538	318	3,262
Indirect employment (PY)	-	1,044	37	93	290	1,174	78	722	863	3,778	515	1,469	170	2,157
Induced employment (PY)	-	546	-	710	208	992	69	809	834	3,921	71	1,238	102	1,807
GDP contribution (M\$)	-	151.4	-	310.1	17.0	469.0	35.7	643.8	-	545.5	348.0	379.0	81.2	937.0
Local tax revenues (M\$)	-	3.7	-	3.9	-	8.0	0.5	0.0	7.8	-	-	5.8	0.8	13.0
Provincial tax revenues (M\$)	-	23.1	-	32.7	4.6	27.0	1.8	8.7	38.5	43.5	38.7	45.1	4.4	82.0
Federal tax revenues (M\$)	-	22.6	-	32.8	2.9	41.0	3.0	18.0	40.7	51.0	39.6	32.6	6.5	86.0
<b>Operation<sup>2</sup></b>														
Operating expenditures (M\$)	67.0	-	-	156.0	9.3	120.0	220.0	14.9	796.0	260.7	-	150.6	32.4	313.8
Direct project employment (PY)	250	-	84	400	376	270	485	562	1,036	746	1,079	371	194	396
Direct project suppliers (PY)	-	-	-	330	334	192	407	349	1,648	-	573	289	33	348
Indirect employment (PY)	-	-	101	280	227	108	262	500	912	2,865	268	410	19	186
Induced employment (PY)	-	-	-	230	198	91	177	255	563	2,681	297	322	37	200
GDP contribution (M\$)	-	-	-	104.1	101.0	64.0	117.5	178.9	-	423.1	273.2	105.9	24.7	335.0
Local tax revenues (M\$)	-	-	-	1.7	1.7	1.0	2.9	2.3	7.6	-	5.6	0.6	0.2	4.0
Provincial tax revenues (M\$)	-	-	-	10.8	8.6	4.0	6.2	4.5	40.4	30.8	12.4	5.2	0.6	21.0
Federal tax revenues (M\$)	-	-	-	12.0	10.9	4.0	7.4	7.8	40.2	35.0	25.8	5.8	1.0	33.0
<b>Decommissioning / Closure<sup>1</sup></b>														
Decommissioning and closure costs (M\$)	-	-	-	31.0	-	28.8	-	-	-	8.1	-	-	-	101.0
Direct project employment (PY)	-	-	-	80	-	51	-	-	-	-	-	-	-	363
Direct project suppliers (PY)	-	-	-	65	-	97	-	-	-	-	-	-	-	334
Indirect employment (PY)	-	-	-	55	-	55	-	-	-	-	-	-	-	145
Induced employment (PY)	-	-	-	45	-	46	-	-	-	-	-	-	-	116
GDP contribution (M\$)	-	-	-	20.7	-	26.0	-	-	-	-	-	-	-	70.0
Local tax revenues (M\$)	-	-	-	0.3	-	0.3	-	-	-	-	-	-	-	1.0
Provincial tax revenues (M\$)	-	-	-	2.2	-	0.9	-	-	-	-	-	-	-	7.0
Federal tax revenues (M\$)	-	-	-	2.4	-	0.9	-	-	-	-	-	-	-	6.0

M\$ = millions of Canadian dollars; total is expressed as it appeared in original Applications and has not been standardized to a calendar year equivalent.

PY = person-years

- = information not applicable or not provided in Application.

<sup>1</sup> Construction and Decommissioning/Closure phase numbers represent totals for the entire project phase.

<sup>2</sup> Operations phase numbers represent annual averages for duration of project phase.

Total given for all project phases.

Source: Individual project applications posted on British Columbia Environmental Assessment Office's E-PIC public registry (available at: <https://projects.eao.gov.bc.ca/>).

Granting KSM a further extension to its Environmental Assessment Certificate also furthers other important provincial objectives such as the following:

- Advancing the Participation of Indigenous Peoples in the Minerals Sector: KSM has been a leader in Indigenous engagement and partnerships. Through its agreements it has committed to a variety of measures to support indigenous cultural activities and make its job site a more receptive, supportive and respectful environment for indigenous participation;
- Protecting the Environment: The Canadian mineral exploration and mining industry is required to meet higher environmental standards than many other mining jurisdictions. Building the KSM Project would provide an opportunity for BC and Canadian companies to showcase themselves as: (i) "best-in-class" suppliers to the global mineral industry of sustainable and environmentally responsible solutions to meet the global demand for metals; and (ii) a provider of the raw materials necessary for innovation in many other sectors, including clean tech, manufacturing, transportation, high-tech, aerospace and defence;
- Addressing climate change: KSM would produce billions of pounds of copper, a metal vital to the move to a lower carbon economy, thereby supporting the Province's goal of electrifying industrial projects: Our recent development work has included expanding the planned use of electricity at the KSM Project, dramatically decreasing the originally planned consumption of diesel fuel and the resulting emissions; and,
- Utilization of Northwest Transmission Line. KSM will utilize the Northwest Transmission Line and be a very significant power purchaser along the line for many decades. In addition, the construction of KSM will result in the Project paying the Province a significant percentage of the cost of construction of the Northwest Transmission Line.

Promoting reconciliation with BC Indigenous groups and the transition to a lower carbon future are goals that the BC Government is actively promoting and supporting. An extension of the Certificate therefore supports important social objectives as well as economic ones.

### ***Conclusions***

Seabridge has worked hard to advance KSM in a responsible and transparent manner. We have spent over \$300 million and we have worked constantly and consistently to develop and maintain our "social license" as evidenced by last year's positive approval of our agreement with the Tahltan Nation. Industry and government need projects like KSM to meet the demands of the global economy. The economic opportunity KSM represents, the quality of our technical work and the hard-won value of our social license have been recognized by some of the world's largest and most successful mining companies who have spent millions of dollars in due diligence to verify our progress and KSM's worth. We are therefore very confident that we will obtain the partner KSM needs when the global economy stabilizes and the project will move forward to construction and operation.

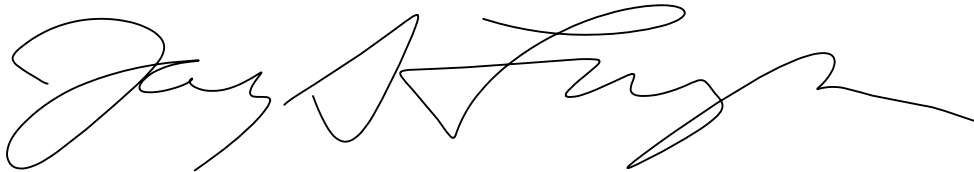
We believe it is in the interests of the BC Government, the communities of northwest BC and its Indigenous peoples for the Minister to grant a further extension to the KSM Environmental Assessment Certificate of at least two years based on the following:

- The known impact of the pandemic on our work programs and the potential for further disruption to our industry into next year;
- The known impact of COVID-19 (by at least 18 to 24 months) on the investment decisions of major mining companies who would be legitimate joint venture partners for the Project; and,
- The economic and social benefits for the Province, Canada, Treaty Nations, First Nations, local contractors, employees and other stakeholders.

An additional Certificate extension for the Project would not impose a cost on the Province or require the dedication of scarce resources and is within the Minister's purview to grant. It would however, greatly support the timely expenditure of hundreds of millions of dollars on the Project.

We thank you for the opportunity to provide additional information to the Environmental Assessment Office and we would appreciate an opportunity to discuss this letter with you in detail and to address any outstanding questions that may exist. We will also continue our discussions with our Indigenous partners to ensure that they are kept fully informed of our progress.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Jay Layman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jay Layman  
President & Chief Operating Officer  
cc. Rudi P. Fronk, Chairman & Chief Executive Officer, KSM Mining ULC

JL/RBM/RM/....

Attachments