

# Seabridge Gold

**Metals & mining**
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## Traditional outperformer in gold bull markets

In KSM and Courageous Lake, Seabridge has explored and developed two world-class assets with a combined resource of 90.3Moz, of which 63.1% is in the measured and indicated categories. Both are in North America, both have the potential to form the basis of large, long-life, low-cost mines and both have been the subject of pre-feasibility studies conducted in 2012. KSM will be the subject of an updated PFS, which is scheduled for imminent release. In the meantime, investors can buy shares in SEA at a resource multiple (market cap/total attributable resource) of c US\$7/oz, which is less than the global average cost of discovery of such a resource.

### Kerr-Sulphurets-Mitchell (KSM)

Comprising 64.0Moz in total (of which 76.6% is in the measured and indicated categories), KSM is the largest undeveloped gold deposit in North America and among the top 10 in the world, on a par with Pascua-Lama, Donlin, Pueblo Viejo, Boddington and Penasquito. A pre-feasibility study (PFS) conducted in 2012 demonstrated the potential for a 508koz per year open pit mine (851koz in the first seven years) subsequently configured for block caving over c 50 years for an initial capital cost of US\$5.3bn and ongoing operating costs of US\$141/oz net of by-products. According to the PFS, the post-tax NPV of the project is US\$2.5bn (at US\$1,330/oz Au, US\$3.45/lb Cu and US\$25.20/oz Ag and a 5% discount rate) and the IRR 11.5% (before tax). KSM received its state Environmental Assessment Certificate in July 2014 and final federal approval in December 2014. Since then, Seabridge has been granted permits for the first 2.5 years of construction and is working on the balance. An update to the PFS is expected imminently, while subsequent drilling has been successful in identifying high-grade zones beneath the surface porphyry deposits (Deep Kerr and the Iron Cap Lower zone deposit).

### Courageous Lake

Courageous Lake in the Northwest Territories (near the Diavik and Ekati diamond mines) is Canada's second largest undeveloped gold resource, after KSM. Comprising a total inventory of 11.9Moz Au, a PFS conducted in 2012 envisaged a project with an NPV of US\$92m (at US\$1,384/oz and a 5% discount rate) and an IRR of 7.3% for an initial capital investment of US\$1.52bn.

### Other assets

Located 30km away from KSM, Seabridge acquired Iskut with its purchase of Snip Gold in June 2016. Drilling has now commenced at the property, which management believes has the potential to identify either KSM-type gold-copper porphyry mineralisation or high-grade Pretium-type gold mineralisation.

#### Historical financials

Year end	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/14	0.0	(7.1)	(0.27)	0.00	N/A	N/A
12/15	0.0	(6.4)	(0.18)	0.00	N/A	N/A

Source: Company sources

**Price C\$14.48**
**Market cap C\$783m**

C\$1.2902/US\$

#### Share price graph



#### Share details

Code	SEA
Listing	TSX/NYSE
Shares in issue	54.1m

#### Business description

Seabridge Gold (SEA) was conceived in 1999 as a gold-in-the-ground ETF. Since then, it has pursued an unbroken strategy of growing reserve & resource ownership per share for 17 years by evaluating, acquiring, exploring, upgrading, expanding, developing and (where appropriate) selling investments in gold deposits.

#### Bull

- North American assets.
- World-class scale.
- KSM amenable to low-cost block caving.
- Signed benefit agreement with key Treaty Nation.
- Generated >US\$40m from asset sales historically.

#### Bear

- High stock price volatility with respect to gold price.
- Low valuation constrains management action.
- High initial capex.

#### Analyst

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