Sabina

GOLD & SILVER CORP.

Condensed Consolidated Interim Financial Statements

(unaudited)

Quarters Ended March 31, 2019 and 2018

SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Financial Position
(unaudited)
(Expressed in thousands of Canadian dollars)

		March 31, 2019		December 31, 2018
Assets				
Current assets:				
Cash and cash equivalents	$	35,144	$	45,370
Short-term investments		3,500		5,000
Accounts receivable (note 4)		745		677
Inventory		2,288		2,551
Prepaid expenses and deposits		456		847
		42,133		54,445
Marketable securities (note 5)		97		226
Property and equipment (note 6)		60,592		50,654
Mineral properties (note 7)		343,856		346,200
Hackett silver royalty		34,754		34,754
Other assets		9,313		9,304
Total assets	$	490,745	$	495,583
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	7,189	$	6,212
Current portion of lease obligation		432		131
		7,621		6,343
Lease obligation		152		-
Provision for site reclamation		2,661		2,661
Deferred income tax liability (note 12)		32,630		34,379
Total liabilities		43,064		43,383
Equity:				
Share capital (note 8)		507,389		506,637
Contributed surplus		28,158		28,151
Deficit		(87,866)		(82,588)
Total equity		447,681		452,200
Total liabilities and equity	$	490,745	$	495,583

Nature of operations (note 1)
Subsequent event (note 14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Bruce McLeod" Director "Tony Walsh" Director

SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Comprehensive Loss
(unaudited)
(Expressed in thousands of Canadian dollars, except per share amounts)

	Three months ended March 31, 2019	2018
Expenses:		
Administration and general	$ 58	$ 137
Depreciation	102	5
Insurance	26	24
Listing, transfer and shareholder	254	314
Professional services	143	377
Salaries and severance	477	469
Share-based payments (note 9(a))	457	1,877
Travel	48	38
Write-down of mineral properties (note 7)	5,736	-
	7,301	3,241
Loss from operating activities	(7,301)	(3,241)
Net finance income:		
Interest income	304	316
Amortization of flow-through premium (note 10)	-	559
Unrealized (loss) gain on change in fair value of marketable securities	(56)	80
Gain on the disposition of marketable securities	29	-
	277	955
Loss before income taxes	(7,024)	(2,286)
Deferred income tax recovery (expense) (note 12)	1,746	(324)
Loss and comprehensive loss for the period	$ (5,278)	$ (2,610)
Loss per share, basic and diluted	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	288,365,751	246,347,302

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders’ Equity
(unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2019	2018
Share capital:		
Balance, beginning of period	$ 506,637	$ 396,377
Shares issued, net of share issue costs	(13)	62,127
Fair value of options transferred to share capital	761	7
Deferred income tax effect of flow through shares and issuance costs	4	1,067
Balance, end of period	507,389	459,578
Contributed surplus:		
Balance, beginning of period	28,151	25,054
Fair value of share-based payments included in operating expenses (note 9(a))	457	1,877
Fair value of share-based payments capitalized to mineral properties (note 9(a))	311	986
Fair value of options transferred to share capital	(761)	(7)
Balance, end of period	28,158	27,910
Deficit:		
Balance, beginning of period	(82,588)	(77,273)
Reclassification on the adoption of IFRS 9, Financial Instruments	-	861
Loss for the period	(5,278)	(2,610)
Balance, end of period	(87,866)	(79,022)
Total equity	$ 447,681	$ 408,466

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Cash Flows
(unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2019	2018
Cash provided by (used in) operating activities:		
Loss for the period	(5,278)	(2,610)
Adjustments for:		
Depreciation	102	5
Deferred income tax (recovery) expense	(1,746)	324
Interest income	(304)	(316)
Unrealized loss (gain) on change in fair value of marketable securities	56	(80)
Gain on disposition of marketable securities	(29)	-
Amortization of flow-through premium liability	-	(559)
Share-based payments	457	1,877
Write-down of mineral properties	5,736	-
	(1,006)	(1,359)
Accounts receivable	(5)	(694)
Inventory	263	(1,835)
Prepaid expenses and deposits	391	(927)
Accounts payable and accrued liabilities	161	258
	(196)	(4,557)
Net interest received	241	185
Net cash provided by (used in) operating activities	45	(4,372)
Cash flows provided by (used in) investing activities:		
Expenditures on deferred exploration	(2,551)	(2,480)
Expenditures on property and equipment	(9,193)	(1,662)
Other assets	(9)	-
Net proceeds (purchases) of short-term investments	1,500	(4,000)
Proceeds on disposition of marketable securities	102	-
Net cash used in investing activities	(10,151)	(8,142)
Cash flows provided by (used in) financing activities:		
Issue of common shares for cash, net of share issue costs	(13)	62,127
Capital lease payments	(107)	(11)
Net cash provided by (used in) financing activities	(120)	62,116
Net increase (decrease) in cash and cash equivalents	(10,226)	49,602
Cash and cash equivalents, beginning of period	45,370	14,124
Cash and cash equivalents, end of period	35,144	63,726

Supplemental cash flow information (note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Nature of operations

Sabina Gold & Silver Corp. (the “Company” or “Sabina”) was incorporated in June 1966 under the laws of the Province of British Columbia. On October 28, 2009 the Company changed its name from Sabina Silver Corporation to Sabina Gold & Silver Corp. The Company’s principal business activity is the exploration and development of mineral property interests. The Company’s principal assets are the Back River gold project (“Back River Project”) and its silver royalty on the Hackett River project, both of which are located in Nunavut, Canada. The Company also has exploration properties in Nunavut and in the vicinity of the Red Lake gold camp in Ontario.

The financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the process of exploring and evaluating its mineral property interests and has not yet determined whether its mineral properties, other than the Back River property, are economically viable. The Company has completed a feasibility study for the Back River Project which demonstrates positive economics and has advanced the environmental assessment for the project. The Company has not yet determined if necessary financing for the construction of the Back River Project can be obtained on satisfactory terms. The underlying value and the recoverability of the amounts recorded as mineral properties and silver royalty are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, and future profitable production or proceeds from the disposition of the mineral property interest. Management has forecast its cash requirements for the next year and believes that the Company has sufficient funds to continue operations for at least the next twelve months. This assessment is based on the Company's budget, its available cash and short-term investments, the proceeds from a financing that closed on April 4, 2019 (note 14) and that certain of the Company's expenditures are discretionary in nature, and which can be deferred as required without significant impact on the Company or its mineral properties.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements (IAS 34, Interim Financial Statements) and do not contain all the information required for annual financial statements. Other than as described in note 3, these statements follow the same accounting policies and methods of application of the most recent annual audited financial statements. Accordingly, they should be read in conjunction with the most recent annual audited financial statements of the Company.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 13, 2019.

b) Basis of measurement and consolidation

These condensed consolidated interim financial statements include the financial results of Sabina and its wholly owned subsidiary, Sabina Back River Ltd. All significant intercompany balances and transactions are eliminated on consolidation.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss financial assets and share based compensation, which are measured at fair value, and provision for site reclamation, which is recorded at management’s best estimate of the present value of costs to be incurred in the future. Additionally, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. All tabular financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant judgement is applied in the determination of the Company's ability to continue as a going concern. Significant areas requiring the use of management estimates relate to the assessment of impairment of its mineral properties and the Hackett silver royalty, the provision for site reclamation, share-based payments (note 9(a)), and deferred income tax assets (note 12). Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Changes in accounting standards

Current change – IFRS 16, Leases

The Company adopted IFRS 16, which replaces IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

Transition

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

An assessment was made and the impact to the Company's consolidated financial statements was to set up a lease liability and a corresponding right-of-use asset of $0.6 million (included within office and equipment in note 6) for its office lease as at January 1, 2019. Certain contracts qualified as short-term or low value leases and met the scope exemption for disclosure. As a result of applying this scope exemption, the Company recognizes the lease payments associated with these short-term or low value leases as an expense on a straight-line basis over the lease term. No other significant differences have been identified in relation to the adoption of IFRS 16.

Accounting policy

As a result of adopting this standard, the Company has changed its accounting policy for leases retrospectively. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

(Tabular amounts expressed in thousands of Canadian dollars)

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

4. Accounts receivable

	March 31, 2019	December 31, 2018
GST receivable	$ 377	$ 330
Interest receivable	253	191
Other receivables	115	156
	$ 745	$ 677

5. Marketable securities

At March 31, 2019 and December 31, 2018, the Company's marketable securities were comprised of common shares of Pure Gold Mining Inc. ("Pure Gold") which were recorded in the consolidated statement of financial position at their fair values, which have been determined by reference to their quoted closing bid price at the reporting date. At March 31, 2019 the Company had 172,500 common shares of Pure Gold with a fair value of $0.1 million. At December 31, 2018 the Company had 347,500 common shares of Pure Gold with a fair value of $0.2 million.

During the three months ended March 31, 2019, the Company sold 175,000 common shares (2018 – nil) of Pure Gold for net proceeds of $0.1 million (2018 – $nil).

(Tabular amounts expressed in thousands of Canadian dollars)

6. Property and equipment

Cost	Pre-development infrastructure and equipment	Exploration camp and equipment	Office and equipment	Total
Balance at January 1, 2019	$ 47,841	$ 24,605	$ 238	$ 72,684
Additions	10,032	-	579	10,611
Balance at March 31, 2019	$ 57,873	$ 24,605	$ 817	$ 83,295
Accumulated depreciation				
Balance at January 1, 2019	$ (1,208)	$ (20,650)	$ (172)	$ (22,030)
Depreciation	(420)	(151)	(102)	(673)
Balance at March 31, 2019	$ (1,628)	$ (20,801)	$ (274)	$ (22,703)
Carrying value				
At January 1, 2019	$ 46,633	$ 3,955	$ 66	$ 50,654
At March 31, 2019	$ 56,245	$ 3,804	$ 543	$ 60,592

During the three months ended March 31, 2019, pre-development capital additions were $10.0 million (2018 – $7.4 million), comprised mainly of construction expenditures for the winter ice road and include capitalized depreciation of $0.4 million.

7. Mineral properties

The following is a summary of cumulative exploration and evaluation costs incurred:

Summary - by property	March 31, 2019	December 31, 2018
Back River (Nunavut)	$ 339,177	$ 335,786
Wishbone (Nunavut)	4,679	4,679
Red Lake (Ontario)	-	5,735
	$ 343,856	$ 346,200

During the three months ended March 31, 2019, the Company recorded a write-down of $5.7 million (2018 – $nil) on its Red Lake properties.

The following is a detailed continuity of cumulative exploration and evaluation costs incurred at Back River:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Back River (Nunavut)		
Balance, beginning of period	$ 335,786	$ 296,460
Additions:		
Surface access rights	509	-
Drilling and camp support	140	1,983
Detailed engineering and pre-development activities	1,397	1,912
Environmental and permitting	628	984
Geology and geophysics	189	123
Management and administration	54	131
Property maintenance	12	71
Share-based payments (note 9(a))	311	986
Depreciation	151	369
	3,391	6,559
Balance, end of period	$ 339,177	$ 303,019

(Tabular amounts expressed in thousands of Canadian dollars)

8. Share capital and other components of equity

At March 31, 2019, the authorized share capital of the Company was comprised of an unlimited number of common shares without par value. The number of issued and outstanding common shares is as follows:

	2019		2018	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	288,134,292	506,637	226,888,181	396,377
Issued for cash, net of share issuance costs	-	(13)	24,930,000	62,114
Issued on exercise of stock options	653,223	-	10,000	13
Fair value of options exercised	-	761	-	7
Deferred income tax effect of share issue cost	-	4	-	1,067
Flow-through share premium liability (note 11)	-	-	-	-
Issued and outstanding at March 31	288,787,515	507,389	251,828,181	459,578

On January 19, 2018, the Company completed a private placement financing of 24,930,000 common shares at $2.65 per share for gross proceeds of $66.1 million and net proceeds of $62.1 million after deducting transaction costs of $4.0 million.

9. Share-based payments

a) Share purchase options

The number and weighted average exercise prices of outstanding share options are as follows:

	2019			2018		
	Number of options		Average exercise price	Number of options		Average exercise price
Outstanding as at January 1	13,091,500	$	1.14	12,234,500	$	1.14
Exercised during the period	(653,223)		0.84	(10,000)		1.26
Forfeited or expired during the period	(1,136,027)		0.98	(1,960,000)		2.75
Granted during the period	2,565,000		1.24	3,150,000		2.07
Outstanding at March 31	13,867,250		1.18	13,414,500		1.12
Not vested at March 31	(2,630,417)		1.53	(878,333)		1.53
Exercisable as at March 31	11,236,833	$	1.10	12,536,167	$	1.09

As permitted under the Company's Stock Option Plan, an option holder may choose to exercise options as stock appreciation rights (“SARs”) with no cash proceeds. In such a case, the difference between the number of options exercised and the number of shares issued is included in forfeited or expired options in the table above.

During the three months ended March 31, 2019, a total of 1,729,250 options were exercised, of which nil were exercised for cash proceeds (2018 – 10,000 options for cash proceeds of $0.01 million). The entire amount of 1,729,250 options were exercised as SARs, resulting in the issuance of 653,233 common shares and the forfeiture of 1,076,017 options (2018 SARs – nil).

During the three months ended March 31, 2019, the Company granted 2,565,000 options with a weighted average exercise price of $1.24 per option and a term of 5 years. These options vest over a three year period (25% at date of grant and 25% at each of the next three anniversary dates).

(Tabular amounts expressed in thousands of Canadian dollars)

The following table summarizes the outstanding options as at March 31, 2019 by year of expiry:

Year	Number of options		Average exercise price
2020	5,492,000	$	0.61
2021	190,000		0.91
2022	2,181,500		1.32
2023	3,445,000		1.99
2024	2,558,750		1.24
Outstanding at March 31, 2019	13,867,250		1.18
Not vested at March 31, 2019	(2,630,417)		1.53
Exercisable at March 31, 2019	11,236,833	$	1.10

Employee compensation cost

During the three months ended March 31, 2019, the Company recorded $0.8 million (2018 - $2.9 million) in share-based payment costs, of which $0.5 million (2018 - $1.9 million) is presented as an operating expense in the consolidated statement of comprehensive loss and $0.3 million (2018 - $1.0 million) is capitalized to mineral property costs.

Inputs for measurement of grant date fair values

The grant date fair values of share options were measured based on the Black-Scholes option pricing model. The weighted average inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following: a risk-free interest rate of 1.9% (2018 – 1.9%); a dividend yield of 0% (2018 – 0%); an expected volatility of 61% (2018 – 67%) and expected lives of stock options of 5.0 years (2018 – 5.0 years). The weighted average fair value of options granted in the year was $0.71 per option (2018 - $1.14 per option). The expected volatility is estimated by considering historic average share price volatility.

b) Share purchase warrants

During 2018 the Company issued 4 million common share purchase warrants at an exercise price of $1.93 per share. The warrants may not currently be exercised and are subject to vesting conditions associated with financings. If the warrants vest, they may be exercised for 5 years after vesting, subject to an acceleration provision.

c) Back River share consideration

In connection with the original asset purchase dated June 9, 2009 to acquire the Back River assets from Dundee Precious Metals ("DPM"), the Company agreed to provide future equity consideration in the event certain milestones related to the project were met. At March 31, 2018, the remaining consideration consists of 5 million common shares of the Company, which would be issuable upon a positive production decision for the Back River Project.

10. Flow-through premium liability

		2019		2018
January 1	$	-	$	1,116
Amortization		-		(559)
March 31	$	-	$	557

(Tabular amounts expressed in thousands of Canadian dollars)

11. Related parties

Key management personnel, comprised of directors and officers, received compensation as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Salaries and benefits	$ 542	$ 414
Stock-based compensation, non-cash	439	2,065
	$ 981	$ 2,479

12. Income taxes

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes gives rise to the following deferred tax assets and liabilities:

	March 31, 2019	December 31, 2018
Deferred tax assets/(liabilities)		
Tax loss carry forwards	$ 33,410	$ 31,809
Financing costs	1,560	1,679
Provision for closure and reclamation	718	718
Other	3	18
Flow-through share effect on mineral properties	(54,451)	(54,451)
Mineral properties	(14,542)	(15,404)
Property and equipment	672	1,252
Net deferred tax liabilities	$ (32,630)	$ (34,379)

Sabina has tax loss carry forwards at March 31, 2019 of approximately $123.7 million expiring from 2031 to 2039 (December 31, 2018 – $117.0 million).

The income tax expense differs from the expected amount calculated using the combined Canadian federal and provincial statutory income tax rates as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Loss before income taxes	$ (7,024)	$ (2,286)
Canadian federal and provincial tax rates	27.0%	27.0%
Expected income tax recovery	1,896	617
Share based compensation and other permanent differences	(128)	(345)
Flow-through renunciation	-	(595)
Other	(22)	(1)
Income tax recovery/(expense)	$ 1,746	$ (324)

(Tabular amounts expressed in thousands of Canadian dollars)

13. Supplemental cash flow information

	Three months ended March 31, 2019	2018
Change in accounts payable and accrued liabilities related to mineral property costs	$ 379	$ 2,725
Change in accounts payable and accrued liabilities related to the purchase of property and equipment	438	5,781
Addition to property and equipment related to right of use asset and lease obligation (note 3)	560	-
Depreciation capitalized to mineral property costs (note 7)	151	369
Depreciation capitalized to property and equipment (note 7)	420	-
Share-based payments capitalized to mineral property costs (note 10(a))	311	986
Fair value of stock options allocated to share capital upon exercise (note 9)	761	7

14. Subsequent event

Flow-Through Financing

On April 4, 2019, subsequent to quarter end, the Company completed a private placement financing of 3,361,907 flow-through common shares at $1.55 per share for gross proceeds of $5.2 million. The gross proceeds must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2020.

This Management’s Discussion and Analysis (“MD&A”) of Sabina Gold & Silver Corp. (“Sabina” or “the Company”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the three months ended March 31, 2019. The MD&A was prepared as of May 13, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2019 and the audited consolidated financial statements for the year ended December 31, 2018, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All figures are in Canadian dollars unless otherwise stated.

Overview

Sabina is an emerging precious metals company with the objective of becoming an intermediate gold producer through the exploration and development of its mineral resource properties. The Company’s flagship assets are its 100% owned Back River gold project (“Back River Project”) (feasibility study completed in September 2015 and environmental assessment completed in December 2017), and its silver royalty on the Hackett River project, both located in Nunavut, Canada.

Q1 2019 Highlights:

- The Company had cash and cash equivalents and short-term investments of $38.6 million at March 31, 2019.
- During the quarter, Sabina advanced pre-development activities for the Back River Project, most notably the continued construction of the 172km winter ice road (“WIR”) from Bathurst Inlet port facility (“Port Facility”) to the Goose site. This work allows for the completion of the transport of last summer’s sealifted materials and equipment from the Port Facility to the Goose site. Of strategic significance, this served to de-risk a key logistics component of the project and provided opportunities to enhance the route in future years. Construction of the WIR was completed in late April 2019, at which time the haulage of key equipment and materials from the Port Facility to the Goose site commenced. Haulage of heavy and critical loads was prioritized and has been completed and WIR activities concluded for the season on May 11, 2019.
- The Project Development team performed a due diligence review of different mineral processing plants currently in operation for their application to the Back River Project, with the Company selecting FLSmidth as the major vendor of process plant equipment. Additionally, the team commenced development of an engineering, procurement, and construction (“EPC”) contract for the process plant and truck shop. The proposed vendor for this critical project component is a joint venture between Sedgman Canada and CGT Industrial (Clark Builders, the Gisborne Group and Tarpon Energy Services), collectively (“SCGT”), which builds upon the engineering work that they have performed to date. The EPC contract structure is fixed price with a performance guarantee.
- During the quarter, the Company prepared for its spring drill program, which commenced in early April following the opening of the Goose site in late March. Approximately 8,000 meters of drilling is planned to follow up on the successes from 2018, namely around the Nuvuyak discovery approximately one kilometer to the west of the Goose Main Deposit where drill hole 18GSE545 intersected 11.58 g/t gold over 39.50 meters. Other targets for the spring program include the high-grade portions of the Llama extension and north Vault at the Umwelt underground.
- Subsequent to quarter end on April 4, 2019, the Company completed a non-brokered private placement of 3,361,907 flow-through common shares at a price of $1.55 per share for gross proceeds of $5.2 million. The gross proceeds must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2020.
- For the three months ended March 31, 2019, the Company reported a net loss of $5.3 million or $0.02 per share, which includes a write-down on non-core Red Lake mineral properties. Excluding the impact of the mineral property write-down, the adjusted net loss for the quarter would be $1.1 million or $0.00 per share.

Results of Operations

Back River, Nunavut (100% ownership)

The Back River Project is located approximately 520 km NE of Yellowknife and 70 km south of Bathurst Inlet, and is comprised of 48 Federal Mineral Leases and 18 Federal Mining Claims covering approximately 55,000 hectares. It is divided into the Goose, George, Boot, Boulder, Del and Bath properties, with the Goose property hosting the Goose Main, Llama, Echo and Umwelt gold deposits, and the George property (located approximately 50 km northwest of Goose) hosting six known gold deposits.

The 2019 work program is focused on advancing the Back River Project and includes:

1. Additional de-risking of mine construction by completion of:
    a. WIR construction and haulage of materials to Goose site from the Port Facility;
    b. Detailed selection of process plant equipment and the major vendors suppliers;
    c. Development of an engineering, procurement, and construction ("EPC") contract for the process plant, including fixed pricing with a performance guarantee;
    d. Goose site construction, including earthworks to prepare the process plant site, pads and access roads; (Some this work will likely be deferred and capital may be reallocated to other project development activities depending of ongoing review of priorities)
    e. Detailed engineering to support initial mine development, bulk earthworks, process plant and tailings storage facility construction and completion of issued-for-construction drawings;
    f. Procurement of the process plant major equipment certified drawings and approximately 1.0 million litres of fuel for 2019 and initial activities in 2020;
    g. A sea-lift of construction equipment which was previously purchased to be delivered to the Port Facility during the summer of 2019;
2. An exploration program of approximately 8,000 meters commencing in the spring, focused on Nuvuyak, Llama extension and other targets primarily at Goose;
3. Advancement of remaining minor licenses and authorizations.

Back River Project Exploration

During 2019, Sabina will continue to conduct multi-stage exploration and target initiatives at Back River that will consist of drilling, geologic mapping and rock sampling across a number of target areas, till and soil sampling and geophysics surveys.

The Goose site opened in late-March 2019 and drilling commenced in early April. An approximate 8,000 meter spring drill program will follow up on the drilling successes from 2018. The top priority for drilling will be to continue to grow the Nuvuyak discovery, , and to further target the high-grade portions of the Llama extension and north Vault area which is located in the Umwelt underground

<u>Nuvuyak Gold Zone (Goose Main Trend)</u>

Drilling in 2018 resulted in the discovery of a new large-scale gold zone named "Nuvuyak", highlighted by discovery hole 18GSE545 which returned 11.58 g/t over 39.50 m (See news release August 20, 2018). To date the Nuvuyak target has been tested over an approximate strike length of 200 metres. The target shows strong internal gold endowment and geologic similarities to other gold deposits including Llama, Umwelt and Goose Main. The Nuvuyak discovery remains open and untested in all directions. Drilling in 2019 will focus on continued scoping of size and grade continuity with step-outs, up and down plunge of the 2018 drilling.

<u>Llama Extension</u>

The Llama extension zone has now been drilled over 500 m down plunge of the currently defined Llama underground resource. Multiple high-grade intercepts, including drill hole 17GSE516B which returned 9.48 g/t Au over 38.55 m and drill hole 18GSE530 which returned 15.67 g/t Au over 23.25 m highlight the potential for high-grade mineral zones within the broader >500 m extension target area. Two initial drill holes have been planned to first, test the continuity of the gold structure and second, advance our understanding of the gold potential in the high value gold zones.

Umwelt Vault Zone

Drilling in 2019 plans to continue to test the continuity of higher than average grade potential in the Umwelt underground area known as the "Vault" zone. Initial drill testing will commence with one hole, located approximately 150 meters north (or up-plunge) of the Vault zone, in an area that shows potential for thickened iron formation with higher gold grades. Additional areas will continue to be targeted based on the success of initial drilling results with the objective of better defining opportunities for resource optimization.

Back River Project Development

On September 14, 2015, the Company completed and announced results of its 3,000 tonne per day ("tpd") feasibility study ("3KFS") on its Back River Project. Base case economics in Canadian dollars were based on a gold price of US$1,150 per ounce and an exchange rate of 0.80 (US$:C$). The 3KFS highlights include:

- An after-tax internal rate of return of 24.2%;
- A net present value of $480 million based on a 5% discount rate;
- Life-of-mine ("LOM") after-tax net cash flow of $782 million on gross revenues of $3.2 billion;
- Payback period of 2.9 years (from start of operations);
- Annual LOM gold production of 198,000 ounces, 244,000 ounces per year in the first 8 years;
- Most of production from open pit mining (72% LOM) with no underground production scheduled until year 3;
- Initial capital estimate of $415 million and sustaining capital estimate of $185 million;
- Total LOM cash costs of US$534 per ounce of (including third party royalties, refining and transport);
- LOM all-in sustaining cash costs of US$598 per ounce (including sustaining capital);
- A total of 12.4 million tonnes of ore to be milled over 11.8 years
- LOM average grade of 6.3 g/t gold and metallurgical recoveries of 93%;
- Base case assumptions of delivered diesel price of $0.91 per litre for power generation; and
- LOM open pit strip ratio of 10.5:1.

On October 29, 2015, the Company completed and filed its NI 43-101 compliant technical report on the Back River Project entitled "Technical Report for the Initial Project Feasibility Study on the Back River Gold Property, Nunavut, Canada" dated October 28, 2015 on www.sedar.com.

During 2017, project activities were focused around the completion of basic engineering and certain value engineering initiatives. This work was tasked to SCGT (process, infrastructure, and overall project assembly), Golder and Associates (geotechnical, waste/water management, closure), Nor-Ex Ice Engineering (winter road design), Kitnuna BBE Expediting (logistics and transportation) and Nuna West Mining Ltd. and Matrix Kitikmeot Ltd. (early construction works at the MLA and Goose project site).

Project activities in 2018 were focused around several key areas:

- Detailed engineering, including selection of the major vendor for the supply of the majority of the gold plant and developing an updated integrated project execution schedule;
- Pre-development activities at the Port Facility, including the completion of earthworks for the camp pad, construction laydown areas, freight storage pad, shoreline landing pads, desalination pad, and gravel airstrip;
- Procurement of key pieces of equipment and supplies, including a Hercules flight campaign early in the year and two sealifts in the second half of the year, the latter utilizing different sea routes to understand the logistics of supply route options from the east and west.

In Q1 2019, work was focused on construction of the WIR, which started at the Port Facility and advanced south to the Goose site. The 170 kilometer road was completed in mid-April, at which time the haulage of equipment and materials from the Port Facility to the Goose site commenced. Additionally, development of an EPC contract was centered primarily on the scope and cost, with a targeted contract execution in Q2 2019.

Mr. Angus Campbell, P. Geo. and Vice-President, Exploration and Mr. Vincy Benjamin, P.Eng., Director, Project Development are Qualified Persons under the terms of NI 43-101 and have reviewed the technical content of this MD&A for the Back River Project and approved its dissemination.

Back River Project Community and Social Responsibility

Environmental Assessment and Permitting

Following an extensive environmental assessment process that spanned several years, in December 2017 the Minister of Indigenous and Northern Affairs Canada accepted the recommendation of the Nunavut Impact Review Board ("NIRB") that the Back River Project should proceed to the final licensing phase. This enabled the NWB to commence public review of the Type A and Type B water license applications related to initial development, mine construction and operations at the Back River Project.

Early in 2018 Sabina received the Type B water license, allowing it to proceed with pre-development activities, including infrastructure works at the Port Facility as well as earthworks to establish all weather roads between the deposits, camp sites and the mill site. This was followed by receipt of the Type A water license in November, which represents a key step in the environmental permitting process and will enable all activities at site including mine construction and operations.

Sabina requires additional authorizations or approvals from various federal and territorial departments throughout the construction and operational phases of the Project. These include, but may not be limited to:

Authorization/Approval	**Anticipated date of Receipt**
MDMER Schedule 2 Listing for Tailing Storage Facility	H2 2019 to H2 2020
Fisheries and Oceans Canada Fisheries Offset Plan & Letter of Authorization	Q2 2019 and ongoing
Crown-Indigenous Relations and Northern Affairs ("CIRNA") Land Lease (x2) • Lightering Barge Terminal	Received in April 2019
Transport Canada Navigation Protection Program Approval • Lightering Barge Terminal	Received in January 2019
Transport Canada Navigation Protection Program Approval (x2) • Llama Lake Dewatering • Umwelt Lake Dewatering	Q2 2019 Q2 2019

The majority of these approvals or authorizations require 30 to 120 days from submission to receipt.

In December 2017, Sabina commenced the process under the Metal and Diamond Mines Effluent Regulation ("MDMER") related to operation of the tailings storage facility as contemplated in the 3KFS. Under Schedule 2 of MDMER, waterbodies frequented by fish must be approved and listed in the Regulations if a deleterious material is proposed to be placed in the waterbodies. In March 2019, Environment and Climate Change Canada ("ECCC") commenced its consultation process of Inuit in the area. The Company anticipates that the Schedule 2 process could be successfully completed in approximately 12-24 months following ECCC's completion of the Regulatory Impact Analysis Statement. As such, Sabina expects the Schedule 2 process to be completed well in advance of the initial deposition of tailings in late Q4 2022.

Land Tenure Agreements

The Kitikmeot Inuit Association ("KIA"), which represents the interests of Inuit beneficiaries in the region under the Nunavut Agreement, is the surface title holder of 104,278 square kilometers of Inuit owned lands in the Kitikmeot region, including the majority of the lands that comprise the Back River Project, and was a participant in the project's environmental assessment process.

In April 2018, the Company announced completion of a definitive Framework Agreement ("FA") with KIA, which provides the commercial leases authorizing mine and development and operations. The FA is a comprehensive 20-year agreement which sets out rights and obligations with respect to surface land access on Inuit owned land and includes an IIBA and other obligations required by the Nunavut Agreement. Key ongoing financial provisions include annual payments to KIA, a 1% net smelter royalty on production at Back River, and investments in regional wealth creation initiatives in the Kitikmeot.

Summary of Results

(Expressed in thousands of dollars, except per share amounts)

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Total assets	$ 490,745	$ 495,583	$ 476,609	$ 472,964	$ 455,291	$ 384,394	$ 387,802	$ 380,166
Loss	(5,278)	(1,456)	(1,545)	(565)	(2,610)	(1,332)	(469)	(566)
Per Share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)

Quarterly losses are impacted by the timing and quantum of mineral property write-downs, share-based payments, the amortization of flow-through share premiums, and associated tax impacts.

Overall Performance

For the three months ended March 31, 2019, the Company reported a net loss of $5.3 million compared with $2.6 million in the comparative quarter of 2018. The difference was largely the result of a mineral property write-down of $5.7 million on the Company's non-core Red Lake mineral properties, partially offset by lower share-based payments, professional fees and deferred income taxes combined with a decrease in net finance income.

Operating expenses in the current quarter were $7.3 million compared to $3.2 million in Q1 2018. Period-over-period favourable/(unfavourable) variances are summarized below.

Expense	Variance ($ millions)	Description
Professional services	0.2	No financial advisory and independent engineering fees in the current quarter for Back River Project financing as was incurred in Q1 2018.
Share-based payments	1.4	Lower fair value of stock options granted in Q1 2019, combined with the impact of those options vesting over a 3-year period (versus immediately for most options granted in Q1 2018).
Write-down of mineral properties	(5.7)	Write-down of non-material Red Lake mineral properties.

For the three months ended March 31, 2019 net finance income was $0.7 million less than the same period in 2018 due primarily to the amortization of the flow-through premium associated with flow-through financings completed in 2017, for which there was no corresponding amount in the current quarter.

For the three months ended March 31, 2019, deferred income tax recovery was $1.7 million (2018 – tax expense of $0.3 million), driven primarily by the mineral property write-down, which accounted for $1.5 million (2018 – $nil) of the recovery.

For the three months ending March 31, 2019, deferred exploration and evaluation expenditures were $3.4 million compared to $6.6 million in Q1 2018. Year-over-year favourable/(unfavourable) variances are summarized below.

Capitalized Exploration Expenditures	Variance ($ millions)	Description
Surface access rights	(0.5)	2019 annual payment to KIA as required by the FA
Drilling and camp support	1.8	Drilling in Q1 2018 commenced in early March, whereas in Q1 2019 drilling commenced in early April
Detailed engineering and pre-development activities	0.5	Majority of the decrease in Q1 2019 driven by the lack geotech drilling compared to Q1 2018
Environmental and permitting	0.4	Majority of the decrease in Q1 2019 due to lack of expenditures for land tenure negotiations (i.e. FA) and Type A Water License when compared to Q1 2018
Share-based payments	0.7	Lower fair value of stock options granted in Q1 2019, combined with the impact of those options vesting over a 3-year period (versus immediately for most options granted in Q1 2018)

Depreciation	0.2	Decrease in depreciation driven by certain exploration assets becoming fully amortized during 2018

During the three months ended March 31, 2019, pre-development capital additions were $10.0 million (2018 – $7.4 million), comprised mainly of construction expenditures for the WIR and include capitalized depreciation of $0.4 million.

Outlook

The Company's strategic plan is focused on exploring and developing its primary asset, the 100% owned Back River Project, with the objective of becoming a gold producer. In 2015, the Company reported the results of two feasibility studies (6KFS and 3KFS), both of which demonstrated positive project economics. The Company believes that the 3KFS presents the best option for Sabina to initially commence production in the Back River district.

The Company forecasts expenditures of approximately $41 million for its planned activities in 2019. As noted above in the section entitled "Results of Operations", work programs for 2019 for the Back River Project will continue a two-pronged approach focusing on project development activities that continue to reduce execution risk and continuing high value exploration. Included in the 2019 budget were discretionary expenditures of $6-8 million for earthworks programs at Goose site. The Company currently expects that some of the discretionary Goose activities will likely be deferred and the capital re-allocated to other 2019 project development activities. Capital is expected to be re-allocated to higher WIR costs, which are forecast to be approximately $2-3 million higher than budget. Capital may also be reallocated to other site infrastructure construction and equipment and supplies procurement.

With respect to project financing, as previously reported, the Company has advanced negotiations for a debt package and believes it could be completed on favourable terms. However, the Company believes that financing in the current equity market would result in an unacceptable level of dilution to our shareholders. The Company plans to continue its approach of measured project advancement by continuing to focus on activities that add value and de-risk the project. The Company will continue to be opportunistic and disciplined when exploring financing options. Depending on market sentiment for equity financing and timing for successful completion of project financing, first gold production from Back River is targeted to be Q4 2022.

Liquidity and Capital Resources

The Company had cash and cash equivalents and short-term investments of $38.6 million at March 31, 2019 compared to $50.4 million at December 31, 2018.

Subsequent to the quarter, on April 4, 2019, the Company completed a non-brokered private placement of 3,361,907 flow-through common shares at a price of $1.55 per share for gross proceeds of $5.2 million, which must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2020.

The Company forecast its cash requirements for the next fiscal year and believes it has sufficient cash resources and liquidity to sustain its ongoing activities. This assessment is based on the Company's budget, its available cash and short-term investments, and the fact that certain of the Company's expenditures are discretionary in nature and can be deferred as required without significant impact on the Company or its mineral properties. The future exploration and development of the Back River Project will require the Company to raise additional capital through a combination of debt and equity financings.

Financial Instruments

The fair values of the Company's financial instruments consisting of cash and cash equivalents, short term investments, accounts receivable, and accounts payable and accruals approximate their carrying values because of their short terms to maturity. The fair value of marketable securities is determined based on quoted market prices.

At March 31, 2019, the Company had 172,500 common shares of Pure Gold with a fair value of $0.1 million (December 31, 2018 – 347,500 shares at $0.2 million).

Liabilities and Contingencies

To date the Company has the legal obligation to reclaim exploration camps for which it holds water licenses and exploration and mining agreements and has recorded a provision for site reclamation of $2.6 million. The Company has issued total security deposits of $7.3 million related to these obligations, with the difference between the provision and the funding representing future planned disturbances.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements and no long-term debt obligations.

Critical Accounting Estimates

The preparation of the Company’s consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

See Critical Accounting Estimates in the Company’s 2018 annual MD&A as well as note 3 of the 2018 audited consolidated financial statements for a detailed discussion of the areas in which critical accounting estimates are made.

Estimates, judgments, and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

New Accounting Standards

On January 1, 2018, the Company adopted IFRS 16, Leases which replaces IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. Under IFRS 16, a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets will be initially measured at cost, which includes the initial measurement of the lease liabilities and other costs, less lease incentives. Lease liabilities will initially be measured at the present value of future lease payments and subsequently measured at amortized cost using the effective interest method. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

The Company adopted IFRS 16 using the modified retrospective approach without restatement of comparative amounts. An assessment was made and the impact to the Company’s consolidated financial statements was to set up a lease liability and a corresponding right-of-use asset of $0.6 million for its office lease as at January 1, 2019. Certain contracts qualify as short-term or low value leases and meet the scope exemption for disclosure only. No other significant differences have been identified in relation to the adoption of IFRS 16. See note 3 to the condensed consolidated interim financial statements as at March 31, 2019 for further information related to the adoption of IFRS 16.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Sabina's management is responsible for establishing and maintaining adequate disclosure controls and internal control over financial reporting. Any system of internal controls, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of our financial statements. There have been no changes in our disclosure controls and internal control over financial reporting during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Due to inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and implemented, they may not prevent or detect all inaccuracies on a timely basis. These limitations include limited personnel available for such work, geographical logistics and human error among others. The Board of Directors assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

Outstanding Share Data

As at May 13, 2019, there were 292,149,422 common shares outstanding and there were options and warrants outstanding to purchase an aggregate of 22,877,250 common shares.

Risks and Uncertainties

For full details on the risks and uncertainties affecting the Company, please refer to the Company's audited annual consolidated financial statements and notes, annual MD&A and annual information form for the year ended December 31, 2018. These documents may be obtained or viewed on the SEDAR website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

Additional Information

Sabina is a Canadian public mineral exploration company listed on the TSX Exchange trading under the symbol "SBB" and is a reporting issuer in British Columbia and Alberta. Additional information relating to the Company may be obtained or viewed on the SEDAR website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

Forward Looking Information

This MD&A provides management's analysis of Sabina's historical financial and operating results and provides estimates of Sabina's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking information. By their nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking information. Sabina's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur or, if any of them do so, what benefits Sabina will derive there from. Sabina disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable law.