Sabina

GOLD & SILVER CORP.

Condensed Consolidated Financial Statements
(unaudited)
Third Quarter ended September 30, 2011

SABINA GOLD & SILVER CORP.

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

	September 30, 2011	December 31, 2010 (note 13)	January 1, 2010 (note 13)
Assets			
Current assets:			
Cash and cash equivalents	$ 80,889	$ 53,563	$ 45,017
Short-term investments	38,900	29,268	-
Accounts receivable	3,044	476	163
Inventory	2,078	1,038	439
Prepaid expenses	326	113	60
Total current assets	125,237	84,458	45,679
Non-current assets:			
Available-for-sale investments (note 4)	110	151	91
Property and equipment (note 5)	4,245	2,842	2,672
Mineral properties (note 6)	187,378	126,895	94,536
Reclamation deposits	354	354	354
Total non-current assets	192,087	130,242	97,653
Total assets	$ 317,324	$ 214,700	$ 143,332
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 4,886	$ 1,520	$ 978
Flow-through share premium liability (note 9)	1,686	2,353	1,211
Capital and other taxes payable	20	28	27
Total current liabilities	6,592	3,901	2,216
Non-current liabilities:			
Provision for site reclamation	1,809	1,809	1,809
Deferred income tax liability (note 12)	24,911	14,315	9,448
Total non-current liabilities	26,720	16,124	11,257
Total liabilities	33,312	20,025	13,473
Equity:			
Share capital (note 7)	296,360	201,282	128,248
Contributed surplus	15,515	9,842	9,300
Accumulated other comprehensive loss	(78)	(15)	(50)
Retained deficit	(27,785)	(16,434)	(7,639)
Total equity	284,012	194,675	129,859
Total liabilities and equity	$ 317,324	$ 214,700	$ 143,332

Nature of operations (note 1)
Commitments (note 11)
Subsequent events (note 14)

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

Approved on behalf of the Board:

"Anthony P. Walsh" Director ***"Terry Eyton"*** Director

SABINA GOLD & SILVER CORP.

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

For the three and nine months ended September 30

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Expenses:				
Administration and general	$ 82	$ 68	$ 684	$ 340
Depreciation	11	12	32	36
Insurance	37	25	98	76
Interest and other	-	(5)	20	27
Listing, transfer and shareholder	128	185	685	544
Professional services	97	85	365	359
Salaries and severance	377	374	1,256	1,096
Share-based payments (note 8)	213	60	4,641	1,111
Travel	115	131	533	444
	1,060	935	8,314	4,033
Loss from operating activities	(1,060)	(935)	(8,314)	(4,033)
Net finance income:				
Interest income	511	115	1,431	189
Amortization of flow-through premium (note 9)	3,437	513	7,542	1,824
	3,948	628	8,973	2,013
Income (loss) before income taxes	2,888	(307)	659	(2,020)
Income tax recovery (expense):				
Current	-	(29)	-	(4)
Deferred (note 12)	(5,479)	(3,256)	(12,010)	(5,509)
	(5,479)	(3,285)	(12,010)	(5,513)
Loss for the period	(2,591)	(3,592)	(11,351)	(7,533)
Other comprehensive income:				
Unrealized gain (loss) on available-for-sale investments, net of tax	(18)	12	(63)	5
Comprehensive loss	$ (2,609)	$ (3,580)	$ (11,414)	$ (7,528)
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.07)	$ (0.06)
Weighted average number of common shares outstanding	160,295,376	129,589,120	156,067,215	120,234,513

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

SABINA GOLD & SILVER CORP.

Condensed Consolidated Statement of Changes in Equity
(unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Share capital:				
Balance, beginning of period	$ 295,669	$ 143,431	$ 201,282	$ 128,248
Shares issued during the period, net of issue costs	459	30,297	94,792	45,699
Flow-through premium transferred to deferred liability (note 9)	-	-	(6,875)	-
Shares issued for royalty acquisition (note 6)	-	-	5,190	-
Fair value of options exercised	232	993	567	1,189
Deferred income tax on share transactions	-	423	1,404	8
Balance, end of period	296,360	175,144	296,360	175,144
Contributed surplus:				
Balance, beginning of period	15,302	10,421	9,842	9,300
Fair value of share-based payments of options vesting	213	61	4,641	1,378
Fair value of share-based payments capitalized to mineral properties	232	129	1,599	129
Fair value of options transferred to share capital	(232)	(993)	(567)	(1,189)
Balance, end of period	15,515	9,618	15,515	9,618
Accumulated other comprehensive income:				
Balance, beginning period	(60)	(57)	(15)	(50)
Unrealized gains (losses) on available for sale investments, net of tax	(18)	12	(63)	5
Balance, end of period	(78)	(45)	(78)	(45)
Retained earnings:				
Balance, beginning of period	(25,194)	(11,580)	(16,434)	(7,639)
Loss for the period	(2,591)	(3,592)	(11,351)	(7,533)
Retained deficit, end of period	(27,785)	(15,172)	(27,785)	(15,172)
Total shareholders' equity	$ 284,012	$ 169,545	$ 284,012	$ 169,545

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

SABINA GOLD & SILVER CORP.

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

Three and nine months ended September 30

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Cash provided by (used in) operating activities:				
Loss for the period	$ (2,591)	$ (3,592)	$ (11,351)	$ (7,533)
Adjustments for:				
Depreciation	11	12	32	36
Deferred income tax expense	5,479	3,256	12,010	5,509
Interest income	(511)	(115)	(1,431)	(189)
Amortization of flow-through premium liability	(3,437)	(513)	(7,542)	(1,824)
Share-based payments	213	60	4,641	1,111
	1,755	2,700	7,710	4,643
Accounts receivable	(794)	30	(1,813)	(492)
Inventories	3,046	1,792	(1,040)	(599)
Prepaid expenses	250	194	(213)	(65)
Accounts payable and accrued liabilities	(3,043)	741	3,366	2,970
Capital and other taxes payable	-	70	(8)	42
Cash used in operating activities	(1,377)	1,935	(3,349)	(1,034)
Interest received	194	5	676	88
Net cash used in operating activities	(1,183)	1,940	(2,673)	(946)
Cash flows provided by (used in) investing activities				
Expenditures on deferred exploration, net of recoveries	(21,045)	(13,110)	(52,986)	(28,091)
Expenditures on property and equipment	(355)	(288)	(2,176)	(795)
Purchase of short-term investments	13,900	(9,975)	(9,632)	(9,975)
Net cash used in investing activities	(7,500)	(23,373)	(64,794)	(38,861)
Cash flows provided by (used in) investing activities				
Issuance of common shares for cash, net of issue costs	459	30,297	94,793	45,699
Net Increase (decrease) in cash and cash equivalents	(8,224)	8,864	27,326	5,892
Cash and cash equivalents, beginning of period	89,113	42,045	53,563	45,017
Cash and cash equivalents, end of period	$ 80,889	$ 50,909	$ 80,889	$ 50,909

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 mineral properties are the Back River Project; the Hackett River Project and the Wishbone Project, all of which are located in Nunavut, Canada.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts recorded as mineral properties is 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. The Company has prepared a cash flow forecast for 2011 and believes that it has sufficient funds to continue operations for at least the next twelve months.

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.

2. Basis of preparation:

(a) Standard of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

These are the Company’s first condensed consolidated interim financial statements for the third quarter of the first annual financial statements to be presented in accordance with International Financial Reporting Standards (“IFRS”) for the year ending December 31, 2011. IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

They do not include all of the information required for full audited annual financial statements.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at November 10, 2011, the date the Board of Directors approved these interim financial statements for issue. Any subsequent changes to IFRS that are issued and effective as at December 31, 2011 could result in a restatement of these interim financial statements, including the transition adjustments recognized on conversion to IFRS.

An explanation of how the transition from Canadian generally accepted accounting principles (GAAP) to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 13.

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening balance sheet at January 1, 2010 for purpose of transition to IFRS.

2. Basis of preparation, continued:

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical costs basis except for financial instruments classified as available-for-sale financial assets, which are measured at fair value, and provision for site reclamation, which is recorded at management's best estimate. In addition these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency:

These 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 the condensed consolidated interim financial statements in conformity with IFRSs 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 areas requiring the use of management estimates relate to the determination of the impairment of mineral properties, the provision for site reclamation, assumptions used in determining share-based payments, deferred income tax valuation allowances and rates for amortization of plant and equipment. Actual results may differ from these estimates.

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

3. Future changes in accounting standards:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements. The Company's assessment of the impact of these new standards and amendments is detailed below.

IFRS 9, Financial Instruments

This standard is set to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 details new requirements for classifying and measuring financial assets. The standard becomes effective for annual periods beginning on or after January 1, 2013 with early adoption allowed. The implementation of this standard is expected to have an impact on the Company; however, the extent of the impact has not yet been determined.

3. Future changes in accounting standards, continued:

IFRS 11, Joint Arrangement

IFRS 11 will replace IAS 31, *Interests in Joint Ventures*. This standard will focus on the rights and obligations of the joint arrangement rather than the current model of focusing on the legal form of the arrangement. IFRS 11 removes the option to apply proportional consolidation and classifies joint arrangements into two types; joint operations and joint ventures. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. This standard will be effective for annual periods beginning on or after January 1, 2013. The Company does not believe that implementation of this standard will have an impact on its consolidated financial statements.

IFRS 12, Disclosures of Involvement with Other Entities

This standard is new and will comprehensively address disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard will be effective for annual periods beginning on or after January 1, 2013. The Company does not believe that implementation of this standard will have an impact on its consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures

IAS 28 has been amended to conform to changes resulting from the issuance/amendment of IFRS 10, IFRS 11 and IFRS 12.

IFRS 13, Fair Value Measurement

IFRS 13 replaces fair value guidance throughout existing IFRS standards, amendments and interpretations with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and details disclosure requirements around fair value measurements. IFRS 13 does not, however, change the requirements regarding which items should be measured or disclosed at fair value. This standard will be effective for annual periods beginning on or after January 1, 2013. The Company does not believe that implementation of this standard will have an impact on its consolidated financial statements.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

4. Investments:

The fair values of investments for the Company's shares of Mega Precious Metals Inc. ("Mega Precious") and Atacama Minerals Corp. ("Atacama") are as follows:

	As at September 30, 2011			As at December 31, 2010		
	Cost	Accumulated unrealized holding gains (losses)	Carrying value	Cost	Accumulated unrealized holding loss	Carrying value
Available-for-sale						
Atacama	31	(3)	28	31	6	37
Mega Precious	140	(58)	82	109	5	114
	$ 171	$ (61)	$ 110	$ 140	$ 11	$ 151

The fair value of these investments has been determined by reference to their quoted closing bid price at the reporting date.

5. Property and equipment:

	As at September 30, 2011			As at December 31,2010		
	Cost	Accumulated amortization	Carrying value	Cost	Accumulated amortization	Carrying value
Exploration camp and equipment	$ 5,712	$ (1,728)	$ 3,984	$ 3,538	$ (983)	$ 2,555
Office & equipment	428	(167)	261	422	(135)	287
	$ 6,140	$ (1,895)	$ 4,245	$ 3,960	$ (1,118)	$ 2,842

(Tabular dollar amounts expressed in thousands of Canadian dollars)

6. Mineral properties:

The following is a summary of exploration and development costs incurred related to the Company's mineral properties:

	Three months ended September 30,		Nine months ended September 30,	
Summary – All Properties	2011	2010	2011	2010
Balance, beginning of period	$ 165,813	$ 110,078	$ 126,895	$ 94,536
Exploration and other expenditures	21,421	13,419	50,157	29,006
Acquisition and selling costs	144	-	10,382	
Proceeds on option agreement	-	-	(56)	(45)
Balance, end of period	$ 187,378	$ 123,497	$ 187,378	$ 123,497

Back River (Nunavut)				
Balance, beginning of period	$ 73,976	$ 37,882	$ 46,027	$ 30,228
Additions:				
Drilling	$ 9,380	$ 4,519	$ 19,269	9,024
Economic assessment	41	14	115	14
Environmental assessment	626	303	1,002	322
Geology & geophysics	601	202	1,242	360
Management & administration	226	147	685	409
Property maintenance	31	-	33	-
Stock-based compensation	231	64	905	179
Support	1,966	886	5,203	2,192
Transportation	1,751	878	4,209	1,900
Depreciation	207	149	544	416
	15,060	7,162	33,207	14,816
Acquisition of royalty	3	-	9,805	-
Balance, end of period	$ 89,039	$ 45,044	$ 89,039	$ 45,044

(Tabular dollar amounts expressed in thousands of Canadian dollars)

6. **Mineral properties, continued**:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Hackett River (Nunavut)				
Balance, beginning of period	$ 73,431	$ 60,854	$ 66,608	$ 55,105
Additions:				
Drilling	(74)	2,535	2,772	5,099
Economic assessment	-	12	22	11
Environmental assessment	2	142	99	252
Geology & geophysics	24	372	458	902
Management & administration	(13)	75	213	261
Property maintenance	2	2	63	107
Stock-based compensation	-	64	693	206
Support	(56)	233	1,100	1,558
Transportation	18	364	754	1,108
Depreciation	81	31	197	75
	$ (16)	$ 3,830	$ 6,371	$ 9,579
Capitalized selling costs	82	-	518	-
Balance, end of period	$ 73,497	$ 64,684	$ 73,497	$ 64,684
Wishbone (Nunavut)				
Balance, beginning of period	$ 9,367	$ 4,449	$ 7,045	$ 2,322
Additions:				
Drilling	4,172	795	4,821	1,733
Geology & geophysics	229	706	1,038	1,567
Management & administration	120	39	233	109
Property maintenance	(1)	-	49	-
Support	1,024	499	1,464	664
Transportation	742	380	1,003	473
	6,286	2,419	8,608	4,546
Acquisition costs	59	-	59	-
Balance, end of period	$ 15,712	$ 6,868	$ 15,712	$ 6,868
Red Lake (Ontario)				
Balance, beginning of period	$ 7,252	$ 6,893	$ 7,102	$ 6,881
Additions:				
Drilling	4	-	201	1
Environmental assessment	-	2	-	2
Geology & geophysics	-	-	3	29
Management & administration	8	6	10	19
Property maintenance	-	-	4	3
Stock-based compensation	-	-	-	9
Support	9	-	9	-
Transportation	-	-	-	2
	21	8	227	65
Proceeds on option agreement	-	-	(56)	(45)
Balance, end of period	$ 7,273	$ 6,901	$ 7,273	$ 6,901
Cook Lake (Manitoba)				
Balance, beginning of period	$ 1,787	$ -	$ 113	$ -
Additions:				-
Drilling	54	-	793	-
Geology & geophysics	29	-	936	-
Property maintenance	(6)	-	-	-
Management & administration	(7)	-	15	-
	70		1,744	-
Balance, end of period	$ 1,857	$ -	$ 1,857	$ -

6. Mineral properties, continued:

Back River and Wishbone (Nunavut)

On June 9, 2009, the Company acquired 100% of the Back River and Wishbone properties in Nunavut, Canada (collectively known as the Back River Assets) from DPM.

The Back River project is comprised of the George and Goose; (including the Llama and Umwelt) gold deposits and contain measured and indicated gold resources of 16.0 million tonnes grading 6.13 g/t Au for 3.15 million ounces and inferred resources of 5.6 million tonnes grading 7.87 g/t Au for 1.42 million ounces of gold.

The Wishbone property covers a large portion of the Hackett River Greenstone Belt and hosts the Company's Hackett River project. The combined properties total approximately 3,000 square km and cover a largely unexplored highly prospective greenstone belt.

On May 31, 2011, the Company completed the purchase of certain royalties on the Back River and Wishbone projects. The royalty required payment of 1.5% of the value of minerals mined until the royalty payments aggregated $5,000,000 after which the royalty decreased to 0.75%. The buyback was completed through the purchase of all issued and outstanding shares of R.A. Olson Consulting Ltd. for $4.5 million in cash and issuing 750,000 common shares of the Company. A value of $5.19 million has been attributed to the shares based on the market value at the time of issue.

The Back River project is subject to NSR royalties payable to various parties. Prior to the acquisition, the George Lake property, was subject to four royalties. Royalty 1 pays 0% on the first 800,000 ounces and pays 5% (gross before deductions) after the first 800,000 ounces of gold produced and Royalties 2 and 3 are deducted from it. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5 million has been paid on each royalty; after $5 million each Royalty 2 and 3 drop by 50%. The Company has purchased RAOCL, the company holding Royalty 2. Royalty 4 pays 0.45% until a total of $7.5 million has been paid after which this royalty also drops by 50%. After eliminating Royalty 2, and depending on gold price and gold production, royalties payable could range from 0.35% to 0.7% on the first 800,000 ounces and 3.5% to 4.25% thereafter.

On the Goose properties, including Goose, Llama, Umwelt, Boot, Needle and Boulder, there are 3 royalties payable to various parties. Royalty 1 pays 0% on the first 400,000 ounces and pays 5% (gross before deductions) after the first 400,000 ounces of gold produced and Royalties 2 and 3 are deducted from it. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5 million has been paid on each royalty; after $5 million each Royalty 2 and 3 drop by 50%. The Company has purchased RAOCL, the company holding Royalty 2. After eliminating Royalty 2, and depending on gold price and gold production, royalties payable could range from 0.35% to 0.7% on the first 400,000 ounces and 3.5% to 4.25% thereafter.

6. Mineral properties, continued:

Hackett River (Nunavut)

The Company's 100% owned Hackett River project consists of approximately 10,637 hectares and is located approximately 480 km northeast of Yellowknife, and approximately 75 km from Bathurst Inlet. The project is located 23 km from the proposed all weather Bathurst Inlet Port and Road to Bathurst Inlet, and 105 km by road from the proposed tidewater port facility. The settlement of Bathurst Inlet, the closest community, is 100 km to the North. The Hackett River volcanic massive sulphide deposit currently consists of five main silver/zinc-rich zones: Main Zone West, Main Zone East, Boot, East Cleaver and the JO Zone. All the zones are located within a 1 km by 4 km window, along the contact between underlying felsic volcanics and overlying pelitic sediments.

On June 2, 2011 the Company announced an agreement with Xstrata Canada Corporation, Xstrata Zinc Canada Division ("Xstrata") to sell the Hackett River property and certain claims on the Wishbone Greenstone belt. Xstrata has agreed to pay cash consideration of $50 million with Sabina reserving a silver production royalty equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. Additionally, Xstrata has agreed to incur not less than $50 million on exploration expenditures on the Properties over a four year period with a view of completing a NI 43-101 compliant feasibility study. If the feasibility study has not been completed by the fourth anniversary, Xstrata can elect to incur additional expenditures of not less than $10 million by each of the next three anniversaries. If at any of the fourth to seventh anniversaries Xstrata has not met the spending requirements and has not completed the feasibility study, Xstrata may elect to pay Sabina the shortfall, failing which, upon notice to Xstrata, Sabina may exercise a right to buy back the Properties for a cash purchase price equal to 100% of the expenditures incurred by Xstrata. Xstrata can pre-empt Sabina's buy back right by electing to pay an advance royalty of $75 million.

Subsequent to the quarter, the Company announced that it had closed the transaction with Xstrata (note 14).

Red Lake and Thunder Bay Properties (Ontario)

(i) Newman-Madsen, Red Lake:

Sabina has a 50% joint venture interest in the Newman-Madsen property with Premier Gold Mines Ltd. ("Premier"). In 2010, Sabina became operator and has commenced drilling operations. In 2009, the Company and Premier completed an option agreement with Mega Precious which granted to Mega Precious an option to acquire 100% of the East My-Ritt portion of the property for $250,000 in cash and 0.5 million Mega Precious shares. Mega Precious must incur exploration expenditures totalling $1.2 million over a 5-year period.

6. Mineral properties, continued:

Red Lake and Thunder Bay Properties (Ontario), continued

(ii) Golden Sidewalk, Red Lake:

The Company owns 100% of its 18 leasehold patent claims on the Golden Sidewalk property. There are no royalties or carried interests attached to the property. The property is located in Skinner township, 67 km east of Red Lake.

(iii) Skinner, Red Lake:

Sabina owns a 100% interest in the 14 claim, 2,900 hectare Skinner property. The property is in Skinner township, 69 km east-northeast of Red Lake and adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $450,000. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions.

(iv) Redaurum, Red Lake:

Pursuant to an option agreement with Goldcorp Inc., the Company has a 20% interest carried to production on the Redarum property located in Red Lake and in close proximity to the past producing Madsen Gold Mine.

Cook Lake (Manitoba):

Sabina has an option agreement dated November 29, 2010 to earn a 100% interest in the Cook Lake properties with Xstrata Canada Corporation, Xstrata Copper Canada Division ("Xstrata Copper"). To earn the 100% option, Sabina must make a $100,000 cash payment to Xstrata Copper (paid) and incur $10 million total exploration expenditures over a five year period, ending November 29, 2015. Xstrata Copper has retained a back-in option; an NSR in the event that the back-in is not exercised; and a right of first refusal for off-take and marketing agreements.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

7. Capital and other components of equity:

Authorized number of common shares

At September 30, 2011 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:

	2011		2010	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	142,422,692	201,282	114,079,038	128,248
Issued for cash, net	16,723,990	93,674	-	(18)
Issued on exercise of share options	215,000	502	25,000	22
Fair value of options exercised	-	255	-	14
Tax effects on share issuance	-	(5,471)	-	-
Issued and outstanding as at March 31	159,361,682	290,242	114,104,038	128,266
Issued for cash	-	(33)	7,950,500	15,083
Issued on extinguishment of royalty	750,000	5,190	-	-
Issued on exercise of share options	82,000	190	322,000	316
Fair value of options exercised	-	80	-	183
Tax effects on share issuance	-	-	-	(417)
Issued and outstanding as at June 30	160,193,682	295,669	122,376,538	143,431
Issued for cash	-	-	11,084,713	28,353
Issued on exercise of share options	166,029	459	1,263,500	1,944
Fair value of options exercised	-	232	-	993
Tax effects on share issuance	-	-	-	423
Issued and outstanding as at September 30	160,359,711	296,360	134,724,751	175,144

Issuance of common shares

Outside of shares issued through the exercise of share options the Company has not issued any shares in the period.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

8. Share based payments:

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

	2011			2010		
	Share options		Average exercise price	Share options		Average exercise price
Outstanding at January 1	7,097,000	$	1.48	7,272,000	$	1.51
Exercised during the period	(215,000)		2.34	(25,000)		0.90
Granted during the period	2,417,000		5.32	1,948,000		1.22
Forfeited or expired during the period	-		-	(200,000)		2.08
Outstanding at March 31	9,299,000	$	2.46	8,995,000	$	1.39
Exercised during the period	(82,000)		2.33	(322,000)		0.98
Granted during the period	24,410		6.89	120,000		1.71
Outstanding at June 30	9,241,410	$	2.47	8,793,000	$	1.45
Exercised during the period	(168,000)		2.81	(1,263,500)		1.54
Granted during the period	100,000		4.97	40,000		2.68
Outstanding at September 30	9,173,410	$	2.49	7,569,500		1.45
Exercisable at September 30	8,848,410	$	2.40	6,739,500	$	1.45

The table below summarizes the outstanding options as at September 30, 2011 by year of expiry. Of the outstanding options, 325,000 which would expire in 2016 were not fully vested at September 30, 2011.

Year	Number		Average exercise price
2011	100,000	$	1.24
2012	1,250,000		2.34
2013	2,016,000		1.22
2014	1,350,000		1.00
2015	1,966,000		1.40
2016	2,491,410		5.32
Total	9,173,410	$	2.49

(Tabular dollar amounts expressed in thousands of Canadian dollars)

8. Share based payments, continued:

Employee compensation cost

During the three months ended September 30, 2011, the Company recorded $445 thousand (2010 - $190 thousand) in share based payment costs, of which $213 thousand (2010 - $60 thousand) is presented as an operating expense in the statement of comprehensive loss and $232 thousand (2010 - $129 thousand) is capitalized to mineral property costs. For the nine months ended September 30, 2011, the Company recorded $6,240 thousand (2010 - $1,506 thousand) in share based payment costs, of which $4,641 thousand (2010 - $1,111 thousand) is presented as an operating expense in the statement of comprehensive loss and $1,598 thousand (2010 - $395 thousand) is capitalized to mineral property costs.

Inputs for measurement of grant date fair values

The weighted average inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following: the Black-Scholes option pricing model with the following weighted average assumptions: a risk-free interest rate of 1.01% (2010 – 2.8%); a divided yield of 0% (2010 – 0%); an expected volatility of 70.35% (2010 – 71.8%) and expected lives of stock options of 3 years (2010 – 4 years). The weighted average fair value of options granted in the period was $2.32 (2010 - $1.45).

Warrants and brokers compensation options

At September 30, the following warrants and brokers' compensation options were outstanding:

	2011		2010	
	Warrants and options	Average exercise price	Warrants and options	Average exercise price
Outstanding, January 1	100,000	$ -	8,900,000	$ 3.23
Outstanding, March 31	100,000	-	8,900,000	3.23
Forfeited or expired	-	-	(5,000,000)	3.60
Outstanding, June 30	100,000	-	3,900,000	2.75
Outstanding, September 30	100,000	$ -	3,900,000	$ 2.75

All warrants outstanding as at September 30, 2011 expire on December 31, 2015 and are exercisable for no further consideration upon the occurrence of the first of several milestones relating to the advancement of the Hackett River Project including the sale of the project.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

9. Flow-through share premium liability:

		Flow-through premium liability
As at December 31, 2010	$	2,353
Amortization		(1,025)
Financing (i)		6,875
As at March 31, 2011		8,203
Amortization		(3,080)
As at June 30, 2011		5,123
Amortization (ii)		(3,437)
As at September 30, 2011	$	1,686

(i) On March1, 2011, the Company completed a bought-deal financing that included the sale of 6,249,815 flow-through shares at a price of $6.60. This price was at a premium of $1.10 to market for a common share for total premium of $6,875 thousand.

(ii) In the period, the Company incurred $20,291 thousand of flow-through eligible expenditures. These expenditures satisfied the requirements related to the flow-through financing resulting in an amortization of the flow-through premium liability to the current period Statement of Comprehensive Loss under Net Finance Income. Of the $3,437 thousand amortized in the three-month period the whole amount relates to the March 2011 financing.

10. Related parties:

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Directors and executive officers also participate in the Company's share option program (note 8).

Certain executive officers are subject to a mutual term of notice of 24 months. Upon resignation at the Company's request, they are entitled to termination benefits up to 24 months' gross salary.

Key management personnel compensation is comprised of:

	For the three months ended,		For the nine months ended,	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Salaries and benefits	$ 354	$ 280	$ 1,133	$ 1,092
Stock-based compensation, non-cash	213	60	4,229	1,070
	$ 567	$ 340	$ 5,362	$ 2,162

(Tabular dollar amounts expressed in thousands of Canadian dollars)

10. Related parties, continued:

During the three months ended September 30, 2011, the Company paid or accrued $1,932 (2010 - $4,970); and for the nine months ended September 30, 2011 $40,679 (2010 - $47,397) to Morton & Company for legal services of which $nil (2010 - $nil) remained outstanding as at September 30, 2011. Morton & Company is related by virtue of a common director. These transactions were in the normal course of operations and the terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions with arm's length parties.

11. Commitments:

The Company is obligated under operating lease agreements for the rental of its corporate head office in North Vancouver and the rental of its offices in Thunder Bay, Ontario. Minimum rental payments in each of the next five years are as follows:

2011	$	36
2012		142
2013		145
2014		129
2015		72
	$	524

(Tabular dollar amounts expressed in thousands of Canadian dollars)

12. Income taxes:

At September 30, 2011, the Company has operating loss carry forwards for income tax purposes of $13.5 million (December 31, 2010 - $8.2 million) expiring in 2029-31 which are available to reduce taxable income. The Company also has investment tax credits totalling approximately $7.4 million (December 31, 2010 - $3.4 million). The tax effect of the significant components within the Company's future tax asset (liability) at September 30, 2011 and December 31, 2010 was as follows:

	September 30, 2011	December 31, 2010
Future income tax assets:		
Non-capital losses	$ 3,653	$ 2,218
Corporate minimum taxes paid	293	293
Share issuance costs	2,012	1,084
Provision for site reclamation	488	488
Other	13	4
	6,459	4,087
Valuation allowance	(293)	(293)
	6,166	3,794
Future income tax liabilities:		
Property and equipment	(147)	(19)
Mineral properties costs in excess of tax basis	(5,049)	(4,811)
Future income tax liability on flow-through shares	(25,881)	(13,279)
Net future income tax liability	$ (24,911)	$ (14,315)

(Tabular dollar amounts expressed in thousands of Canadian dollars)

12. Income taxes, continued:

The income tax expense differs from the amount computed by applying the combined federal and British Columbia provincial income tax rate of 28.5% (December 31, 2010 – 30%) to pre-tax losses as a result of the following:

	Three months ended September 30, 2011	Nine months ended September 30, 2011	Twelve months ended December 31, 2010
Income (loss) before income taxes	$ 2,888	$ 659	$ (1,713)
Computed "expected" tax expense (recovery)	$ 1,702	$ 188	$ (514)
Permanent differences	(1,795)	(816)	(77)
Flow-through shares	5,568	12,603	2,751
Other	4	35	68
Income tax expense	$ 5,479	$ 12,010	$ 2,228

13. Explanation of transition to IFRSs:

As stated in note 2(a), these are the Company's third interim financial statements prepared in accordance with IAS 34.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the three months ended September 30, 2011, the comparative information presented in these financial statements for the three and nine months ended September 30, 2010 and year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

IFRS 1 "First-time Adoption of International Financial Reporting Standards ("IFRS 1")

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle. The Company has elected under IFRS 1 to not apply IFRS 2, Share-based Payments, to share purchase options that were granted on or before November 7, 2002 or to options that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

The Company has elected under IFRS-1 to apply the requirements of IFRS 3, Business Combinations, prospectively from the date of transition.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

13. Explanation of transition to IFRSs, continued:

Adjustments on transition to IFRS

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRSs has affected the Company's financial position and financial performance is in the following tables and the notes that accompany the tables.

Reconciliation of Assets Liabilities and Equity as at January 1, 2010

	Ref	Mineral Properties	Flow-through premium liability	Deferred income tax liability	Share capital	Deficit
As reported under CGAAP		$ 95,534	$ -	$ 8,628	$ 124,361	$ (723)
Effect of transition to IFRSs						
Deferred tax on mineral properties	(a)	(998)	-	(998)	-	-
Flow-through share issuance and amortization of premium	(b)	-	1,211	1,818	3,887	(6,916)
As reported under IFRS		$ 94,536	$ 1,211	$ 9,448	$ 128,248	$ 7,639

As at September 30, 2010	Ref	Mineral Properties	Flow-through premium liability	Deferred income tax liability	Share capital	Deficit
As reported under CGAAP		$ 124,641	$ -	$ 11,326	$ 167,999	$ (3,865)
Effect of transition to IFRSs						
Deferred tax on mineral properties	(a)	(1,144)	-	6,889	-	-
Flow-through share issuance and amortization of premium	(b)	-	23	(3,894)	7,145	(11,307)
As reported under IFRS		$ 123,497	$ 23	$ 14,321	$ 175,144	$ (15,172)

As at December 31, 2010	Ref	Mineral Properties	Flow-through premium liability	Deferred income tax liability	Share capital	Deficit
As reported under CGAAP		$ 128,116	$ -	$ 10,947	$ 196,656	$ (4,866)
Effect of transition to IFRSs						
Deferred tax on mineral properties	(a)	(1,221)	-	(1,221)	-	-
Flow-through share issuance and amortization of premium	(b)	-	2,353	4,589	4,626	(11,568)
As reported under IFRS		$ 126,895	$ 2,353	$ 14,315	$ 201,282	$ 16,434

(Tabular dollar amounts expressed in thousands of Canadian dollars)

13. Explanation of transition to IFRSs, continued:

Reconciliation of loss and comprehensive loss

	Ref	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Net loss – as reported under CGAAP		$ (642)	$ (3,142)	$ (4,143)
Effect of transition to IFRSs				
Tax effects of IFRS changes	(b)	(2,950)	(4,391)	(4,652)
Net loss – as reported under IFRS		$ (3,592)	$ (7,533)	$ (8,795)

(a) Under IFRS, no deferred tax liability is recognized on acquisition of a mineral property asset in a transaction that is not a business combination, and at the time of the transaction, there is no impact on profit and loss for accounting or tax purposes. Under Canadian GAAP, a deferred tax liability is recognized on such a transaction.

On transition to IFRS, the deferred tax liability associated with the Back River acquisition was reversed with an associated reduction in mineral property. In addition, the deferred tax liability related to stock-based compensation capitalized to mineral properties was also reversed.

(b) Under IFRS the premium paid for flow-through shares in excess of the market value of common shares with no flow-through feature is credited to a deferred liability account. As eligible expenditures are incurred, the deferred gain is amortized into earnings for the period.

Under CGAAP, the full proceeds received from issuance of the flow-through shares is recorded to share capital.

Additionally, as it is the Company's policy to capitalize mineral property expenditures, a deferred tax liability is recognized with a corresponding charge to income tax expense. Under CGAAP, this amount was charged to share capital. As a result of this policy change the Company has set up a deferred liability account which relates to the amount of qualifying expenditures yet to be made relating to flow-through financings.

14. Subsequent events:

(i) On October 4, 2011 the Company announced the closing of the sale of its Hackett River project and certain Wishbone claims. As contemplated in the purchase agreement, on October 3, 2011 Xstrata deposited $50 million in escrow pending registration of land transfers and transfers of associated licenses and permits and on November 14, 2011 the transfers were completed and the cash payment has been released from escrow.

14. Subsequent events, continued:

(ii) On October 4, the Company announced that it had agreed to set up a development trust (the "Trust") for the Kitikmeot region of Nunavut. In addition, the Kitikmeot Inuit Association ("KIA") has also agreed to negotiate a long-term land use agreement for the Back River and remaining Wishbone properties.

- The trust will contribute towards KIA development projects that will serve to support sustainable economic development in a currently struggling region. The definitive form of the agreement will incorporate the following terms:
- The Trust would receive 3% of Sabina's net proceeds from the silver royalty retained by Sabina on the Hackett River and Wishbone properties sold to Xstrata Zinc;
- Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure;
- Prior to creation of the Trust, Sabina will pay approximately $1.4 million to an existing KIA fund which provides for development and community initiatives in the Kitikmeot Region.

The Company and the KIA have also agreed to enter into long-term land use agreements for the Back River, and Sabina's remaining Wishbone, properties. Key provisions include an initial seven year term for exploration activities with a provision to extend for an additional two years.

The following Management's Discussion and Analysis (the "MD&A") of the financial condition and results of operations 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 September 30, 2011. The MD&A was prepared as of November 10, 2011 and should be read in conjunction with the Company's annual audited financial statements and related notes for the years ended December 31, 2010 and 2009. All figures are in Canadian dollars unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Overview

Sabina is an emerging precious metals company with the objective of becoming a mid-tier gold producer. The Company is focused on the acquisition, exploration and development of mineral resource properties. The Company's flagship projects are its Back River gold project, its prospective Wishbone grassroots exploration project, and its silver royalty on the Hackett River and certain Wishbone claims, all in Nunavut in the Canadian North. The Company also has interests in exploration properties in the Red Lake gold camp in Ontario and an option on Xstrata's Cook Lake property in northern Manitoba.

Q3 2011 Highlights:

- Exploration drilling continued on the Company's Back River and Wishbone properties; to the end of the quarter 83,910 metres had been drilled. Subsequent to the quarter, on October 7th; the Company's Nunavut exploration camps were closed, concluding a successful 2011 season.

- Third quarter highlights include continued success at Umwelt where the mineralization has been followed an additional 650 m to the south of the drilling completed in 2010 for a total strike length of 1.14 km (1.5 km plunge length). Thick, high grade mineralization has been defined by drilling at the southernmost extension of the drilling and this area has been named the G2 Zone (Good Grade, Good Thickness) and it remains open to the south. Hole 11GSE121 typifies this zone having intersected 14.24 g/t Au over 28.25 m including 29.96 g/t Au over 8.35 m.

- At Llama in the quarter drilling was successful in continuing to trace the mineralization to the south; hole 11GSE077 intersected 10.88 g/t Au over 9.80 m some 100 m south of the known zone. The mineralization remains open and will be the focus of continued drilling in 2012.

- Three new discoveries were reported in the quarter. In July at George, a discovery was made at the Lookout Hill target; hole 11GRL022 returned 5.14 g/t Au over 16.0 m including 11.31 g/t Au over 6.95 m. In August at Goose, a new discovery was made at the Goose Neck target; hole 11GSE087 returned 3.44 g/t Au over 10.25m. Goose Neck is located between the Goose and Umwelt deposits. Also in August at Wishbone, a new discovery was made at the Lucky 7 target; hole SWB11-07 at the Bullwinkle/Lucky 7 target returned 71.30 g/t Au over 1.5 m and 3.35 g/t Au over 14.65 m including 6.45 g/t Au over 4.50 m.

- In September, the Company announced an updated resource estimate for the Goose deposit on the Back River project. This reinterpretation of the deposit as an open pit increases the contained ounces of gold by 358,000 ounces. The new 43-101 compliant resource consists of an Indicated Resource of 7.7 million tonnes grading 4.45 g/t Au for a total of 1.1 million ounces of gold and an Inferred Resource of 0.4 million tonnes grading 3.53 g/t Au for a total of 50,000 ounces of gold within an optimized pit at a cut-off grade of 1.50 g/t Au. In addition, there is also an Inferred Resource of 0.6 million tonnes grading 5.81 g/t Au for a total of 106,000 ounces of gold that is available to be mined by underground methods.

- The Company added personnel to the management group in key areas for project development. Mr. Leon Coetzer was appointed to the position of Vice president, Engineering and Project Development. Mr Coetzer has an extensive background in working on remote projects covering a variety of technical areas. Mr. Matthew Pickard was appointed Director of Environment and Community Relations. Mr. Pickard is a professional geoscientist with significant experience in environmental and permitting management in Nunavut.

- Also in September, the Company announced that it had engaged SRK Engineering Ltd. to commence work on a Preliminary Economic Assessment ("PEA") of a gold mining operation at Back River.

- For the three months ended September 30, 2011, the Company had a loss of $2.6 million or $ 0.02 per share. For the nine months ended September 30, 2011, the Company had a loss of $11.4 million or $ 0.07 per share. The Company had cash and cash equivalents and short-term investments of $ 119.8 million at September 30, 2011.

- Subsequent to the quarter, on October 4, 2011 the Company announced the closing of the sale of its Hackett River project and certain Wishbone claims as contemplated in the purchase agreement. Xstrata Canada Corporation, Xstrata Zinc Canada Division ("Xstrata") deposited $50 million in escrow pending registration of land transfers and on November 14, 2011 all the transfers were completed and the funds were released from escrow. In addition, the Company has retained a silver royalty equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties and 12.5% of all payable silver from the Properties thereafter; the silver royalty will be of no cost to Sabina.

<u>Results of Operations</u>

Back River, Nunavut

On June 9, 2009, the Company completed the acquisition of the Back River and Wishbone properties in Nunavut, Canada (collectively known as the Back River Assets) from Dundee Precious Metals Inc. ("DPM"). The Back River Assets were acquired for $7.0 million in cash and 17 million common shares on closing of the transaction. Additional shares and warrants would be issued upon successful completion of certain development milestones.

The Back River Project is located approximately 520 km NE of Yellowknife and 70 km south of Bathurst Inlet. It is comprised of 45 Federal Mineral Leases and 13 Federal Mining Claims covering approximately 52,324 hectares. The project is divided into 7 properties: Goose, George, Boot, Boulder Pond, Needle, Del and the Bath 1 Claim. The Goose property hosts the Goose, Llama and Umwelt gold deposits and the George property located 50 km to the northwest hosts the George deposits. These deposits together are called the Back River resources and consist of open pit indicated resources of 14.0 million tonnes grading 5.63 g/t Au for 2.56 million ounces of gold, open pit inferred resources of 2.5 million tonnes grading 5.64 g/t Au for 0.5 million ounces of gold, underground indicated resources of 1.8 million tonnes grading 10.00 g/t Au for 0.6 million ounces of gold and underground inferred resources of 3.1 million tonnes grading 9.65 g/t Au for 1.0 million ounces of gold.

Back River Exploration Results

The program objectives for 2011 are:

- Based on drilling completed in 2010; complete an updated NI 43-101 resource calculation on Llama, Umwelt & Goose;
- Commence a Preliminary Economic Assessment (PEA) on Back River incorporating resources from Llama, Umwelt, Goose and George during the second half of 2011;
- Continue to explore existing deposits to expand and extend those deposits;
- Utilize the newly developed "toolbox" to test new exploration targets on the Goose property as well as test similar targets on other Back River claim groups with emphasis on the George claim group.

For the quarter ended September 30, 2011 there were 32,342 metres drilled at Back River. This brings the total metres drilled for the year to 62,021. The camp was closed for the season on October 7th. To the end of September, Back River had exploration expenditures of $33.2 million (excluding royalty acquisition costs). As of October 31st, there were approximately 260 samples still pending which will be reported on as results are made available.

Highlights from the 2011 exploration program include the continued success at Umwelt where the mineralization has been followed an additional 650 m to the south of the drilling completed in 2010 for a total strike length of 1.14 km (1.5 km plunge length). Thick, high grade mineralization has been defined by drilling at the southernmost extension of the drilling and this area has been named the G2 Zone (Good Grade, Good Thickness) and it remains open to the south.

Hole 11GSE121 typifies this zone having intersected 14.24 g/t Au over 28.25 m including 29.96 g/t Au over 8.35 m. Additional significant results from Q3 drilling at Umwelt include:

- Hole 11GSE052 returned 12.58 g/t Au over 26.0 m including 27.16 g/t Au over 9.0 m;
- Hole 11GSE075 returned 13.43 g/t Au over 24.40 m including 34.40 g/t Au over 8.25 m;
- Hole 11GSE099 returned 14.62 g/t Au over 13.85 m including 27.56 g/t Au over 5.00 m;
- Hole 11GSE089 returned 7.32 g/t Au over 24.40 m including 54.54 g/t Au over 1.55 m, and,
- Hole 11GSE096 returned 5.19 g/t Au over 60.20 m including 9.02 g/t Au over 26.30 m.

Drilling at Llama focussed on minor gaps in the resource model as well as attempting to extend and expand the mineralized zone both along strike and down plunge. The deposit has been challenging to expand, as it has a complicated structure marked by faulting and displacement of the host iron formation to the south. After a short break, drilling at Llama resumed during the third quarter and was successful in continuing to trace the mineralization to the south. Significant results include hole 11GSE077 which intersected 10.88 g/t Au over 9.80 m some 100 m south of the known zone and hole 11GSE046 which returned 3.57 g/t Au over 43.7 m. The mineralization remains open and will be the focus of continued drilling in 2012.

Elsewhere on the Goose property, encouraging results were returned from the Goose Neck area located between the Goose and Umwelt deposits; hole 11GSE087 returned 3.44 g/t Au over 10.25 m in silicified and sulphidized oxide iron formation and follow-up drilling has encountered similar style mineralization.

Application of Sabina's "tool box" was focussed on the George property during the first half of 2011 with success being demonstrated by some encouraging results first at Trigger and most recently at the Lookout Hill discovery. In the third quarter, hole 11GRL022 which targeted moderately folded oxide iron formation with quartz veining and sulphidation intersected 5.14 g/t Au over 16.00 m including 11.31 g/t Au over 6.95 m.

On September 20, 2011, the Company released an updated National Instrument 43-101 ("NI 43-101") compliant Resource Estimate for the Back River project that includes the potential new open pit resource at Llama and Umwelt, the reassessed potential open pit resource at Goose and the existing known underground resources at George (summarized in the table below).

Back River Mineral Resources

Classification	Location	Tonnes ('000s)	Grade (g/t Au)	Ounces ('000s)
Indicated	Llama*	1,860	9.4	562
	Umwelt*	4,601	6.0	900
	Goose**	7,697	4.5	1,101
	George**	1,838	10.0	590
Total Indicated		**15,996**	**6.13**	**3,153**
Inferred	Llama*	981	5.7	180
	Umwelt*	1,067	6.4	221
	Goose**	1,006	4.8	156
	George**	2,563	10.5	866
Total Inferred		**5,617**	**7.87**	**1,423**

Notes: *

1. CIMM definition standards were followed for mineral resources.
2. The Qualified Person for the Goose, Llama and Umwelt Mineral Resource estimate is Patti Nakai-Lajoie, P. Geo.
3. Mineral Resources are estimated at a pit discard cut-off grade of 0.76 g/t Au and 90% recovery.
4. Mineral Resources are estimated using an average long-term gold price of US$1200 per ounce.

5. Bulk densities used were 3.02 t/m3 in iron formation; 2.80 t/m3 in greywacke; 3.0 t/m3 in gabbro; 2.73 t/m3 in felsic dyke; and 1.80 t/m3 in overburden.
6. High assays were capped at 70 g/t Au at Llama and 60 g/t Au at Umwelt.
7. The Llama drill hole database contains 74 surface diamond drill holes and the Umwelt drill hole database contains 60 surface diamond drill holes, at approximate spacings of 25m, 50m and 100m.

Notes: **
1. The Qualified Person for the George Mineral Resource estimate is Doug Cater, P. Geo.
2. Numbers may not add due to rounding.

On September 29, 2011, the Company engaged SRK Engineering Ltd. to complete a preliminary economic assessment (PEA) on the Back River Project. The PEA will be comprised of the new resources at Goose (discussed above) and updated Umwelt and Llama resources incorporating 2011 drilling and the current resources at George. The Company expects that the PEA would be completed by the end of March 2012. Concurrent with the PEA process, the Company intends to commence environmental and permitting work in the first quarter of 2012.

On October 4, the Company announced that it had agreed to set up a development trust (the "Trust") for the Kitikmeot region of Nunavut. In addition, the Kitikmeot Inuit Association ("KIA") has also agreed to negotiate a long-term land use agreement for the Back River and remaining Wishbone properties.

- The trust will contribute towards KIA development projects that will serve to support sustainable economic development in a currently struggling region. The definitive form of the agreement will incorporate the following terms:
- The Trust would receive 3% of Sabina's net proceeds from the silver royalty retained by Sabina on the Hackett River and Wishbone properties sold to Xstrata Zinc;
- Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure;
- Prior to creation of the Trust, Sabina will pay approximately $1.4 million to an existing KIA fund which provides for development and community initiatives in the Kitikmeot Region.

The Company and the KIA have also agreed to enter into long-term land use agreements for the Back River, and Sabina's remaining Wishbone, properties. Key provisions include an initial seven year term for exploration activities with a provision to extend for an additional two years.

Wishbone, Nunavut

The Wishbone Greenstone Belt surrounds the Hackett River Project as well as other smaller base and precious metal deposits. The combined Wishbone properties, containing 181 mining claims, total approximately 3,000 km^2 and cover a largely unexplored highly prospective greenstone belt with the potential for both gold and VMS style deposits. Wishbone claims (133 claims) that had a high potential for VMS deposit discovery were included as part of the sale of Hackett River to Xstrata. Sabina retained Wishbone claims (48 claims) along the south eastern edge of the property that cover geological units which are similar to the gold-bearing hosts at Back River and are potential gold targets. In August, Sabina staked 73 new claims as the result of the Company's exploration discoveries. Including the new mineral claims, the Wishbone property consists of 121 claims covering approximately 100,000 ha.

Wishbone Exploration Results

The Company completed 11,629 metres of drilling in 2011 on the Wishbone properties for total expenditures of $8.6 million. Drilling commenced in early June with two drills in operation. Work initially began in the Bullwinkle area and then relocated to the Rocky area in July returning to Bullwinkle in September. Both areas are underlain by highly folded oxide and silicate iron formations. The iron formations in the Rocky area are locally very highly sulphidized with abundant pyrite and pyrrhotite.

The highlight of the program to-date has been the discovery at Lucky 7 in the Bullwinkle area. Hole SWB11-07 intersected 71.30 g/t Au over 1.50 m in an altered fault gouge zone with shearing, quartz veining and up to 5% pyrite and pyrrhotite. A second zone in the same hole graded 3.35 g/t Au over 14.65 m including 6.45 g/t Au over 10.25 m.

This later zone consists of silica rich breccia fragments in a dark quartz-feldspar-biotite-pyrrhotite matrix. Assays from follow-up drilling completed in September are still pending.

At Rocky, numerous wide, low grade intersections have been made in pyrrhotite-rich silicate and oxide iron formation. Hole SWB11-10 intersected a 34.15 m interval that graded 1.07 g/t Au including 5.97 g/t Au over 1.85 m. Hole SWB11-11 intersected 0.83 g/t Au over 26.20 m including 2.46 g/t Au over 1.80 m on the same geophysical target some 375 m to the northeast. Further assay results are pending.

Hackett River, Nunavut

Sale of Hackett River to Xstrata:

In 2010, the Company's focus shifted to its gold assets due to significant exploration success at Back River. On June 2, 2011, the Company announced that it had entered into a definitive agreement to sell its 100% owned Hackett River property and certain claims on the Wishbone Greenstone belt (the "Properties") to Xstrata.

Under the terms of the Agreement, Xstrata agreed to pay cash consideration of $50 million. Sabina also reserves a silver production royalty equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties and 12.5% of all payable silver form the Properties thereafter; the silver royalty will be at no cost to Sabina.

Additionally, following closing, Xstrata is required to spend not less than $50 million on the Properties ("FS Expenditures") with a view to completing a NI 43-101 compliant feasibility study by the fourth anniversary of the completion date of the transaction. If the feasibility study has not been completed by this date, Xstrata can elect to incur additional FS Expenditures of not less than $10 million by each of the next three anniversaries.

If at any of the fourth, fifth, sixth or seventh anniversaries, Xstrata has not met the spending requirement and has not completed the feasibility study, Xstrata may elect to pay Sabina the shortfall, failing which, upon notice to Xstrata, Sabina may exercise a right to buy back the Properties for a cash purchase price equal to the 100% of the FS Expenditures incurred by Xstrata. The buyback right also applies if Xstrata has not, by the seventh anniversary of the completion date, publicly announced a definitive decision to begin construction of a mine within 12 months following the seventh anniversary. Xstrata can pre-empt Sabina's buyback right by electing to pay an advance royalty of $75 million in three instalments of $25 million over three years.

On October 4, 2011 the Company announced the closing of the sale of its Hackett River project and certain Wishbone claims. As contemplated in the purchase agreement, on October 3, 2011 Xstrata deposited $50 million in escrow pending registration of land transfers and on November 14, 2011 the transfers were completed and the cash payment was released from escrow.

Red Lake, Ontario Properties

The Company owns or has a partial interest in four Red Lake properties: Newman-Madsen (50%), Golden Sidewalk (100%), Skinner (100%) and Redaurum (20% carried interest). Recent activities have been focused on the Newman-Madsen property.

Newman-Madsen

Sabina has a 50% joint venture interest on the Newman-Madsen property with Premier Gold Mines Ltd. ("Premier"). Evaluation is currently underway to assess recent encouraging results by competitors working adjacent to the property and a late fall 2011 drill program is anticipated.

Golden Sidewalk

The Golden Sidewalk property is comprised of 18 leasehold patent claims. There are no royalties or carried interests attached to the Golden Sidewalk property. The Golden Sidewalk Property, hosting the past-producing Bathurst Mine, is located within the Birch-Uchi greenstone belt. No work is planned for this property in 2011.

Skinner

The Skinner property is comprised of 14 mineral claims. The property is adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $450,000. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions. No work is planned for this property in 2011.

Redaurum

The Redaurum property is located within in close proximity to the past producing Madsen Gold Mine. As a result of an option agreement with Goldcorp, the Company has a 20% carried interest to production on the Redaurum property.

Cook Lake, Manitoba

The Cook Lake properties are located in the Snow Lake region of Northern Manitoba and consist of 78 claims totalling 4,938 hectares adjacent to the north and west of HudBay Minerals' newly discovered Lalor deposit. Sabina has an option to earn up to a 100% interest in the property by completing exploration work totalling $10 million over a five year period, ending November 2015.

In early 2011, Sabina completed ground TEM and Titan 24 geophysical surveys and drilled a total of 2,713 m in 4 holes. The drilling and geophysics has helped define the location of the stratigraphy that hosts the Lalor deposit as it crosses onto the Cook Lake North property. A drill program to test high priority anomalies commenced in September, 2011 and is planned to be completed in Q4 2011 with total expenditures in the quarter of approximately $1.0 million.

<u>Summary of Results</u>

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

	2011 Q3	**2011 Q2**	**2010 Q1** (1)	**2010 Q4**
Revenue/other income	$ 511	$ 581	$ 339	$ 188
Earnings/(loss)	(2,591)	(3,002)	(5,758)	(1,001)
Per share	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.01)
	2010 Q3	**2010 Q1** (2)	**2010 Q1** (3)	**2009 Q3** (4)
Revenue/other income	$ 115	$ 49	$ 25	$ (52)
Earnings/(loss)	(642)	(1,729)	(1,031)	1,216
Per share	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.02

Notes:

Q1 and 2 for 2011 and 2010 are presented using IFRS, all other quarters are presented under GAAP.

(1) During the three months ended March 31, 2011, the Company reported a loss of $5,758 thousand which included $4,195 thousand for stock based compensation. In the quarter the Company granted 2,417,000 stock options to employees and directors.

(2) During the three months ended June 30, 2010 the Company reported a deferred income tax expense of $1,226 thousand related to expenditures made on the Dec 2009 flow-through financing.

(3) During the three months ended March 31, 2010, the Company reported a loss of $1,523 thousand which included $885 thousand for stock-based compensation. In the quarter the Company granted 1,948,000 stock options to employees and directors.

(4) During the three months ended December 31, 2009, the Company recorded earnings of $1,216 thousand compared with a loss of $485 thousand during prior three month period. These earnings were recognized during the fourth quarter of 2009 as a result of the Company's sale of its 2.8 million shares of Premier Gold Mines Ltd. for net proceeds of $9.2 million resulting in a gain of $6.3 million of which $5.4 million was recognized during the quarter. Partially offsetting the gain was a write down of $3.3 million which was recorded in the quarter on the Company's Del Norte exploration property in British Columbia.

Overall Performance

For the three month period ended September 30, 2011, the Company reported a net loss of $2.6 million compared to a loss of $3.6 million in 2010. The loss in Q3 2011 was lower than the same period last year as a result of a lower deferred income tax expense and higher interest income and increased amortization of the flow-through premium.

Operating expenses in Q3 2011 were $1.0 million as compared to $0.9 million in 2010, higher by $0.1 million due primarily to higher share based payment costs, which increased by $153 thousand. Share based payment costs increased due to a higher fair value in Q3 2011 which resulted from a higher underlying share price. The number of share based payments granted or vested in the period did not change materially from 2010.

Interest income for Q3 2011 was $0.5 million as compared to $115 thousand in 2010. The cash balance averaged $129.4 million in Q3 2011 compared to $55.0 million in Q3 2010 and the realized interest rate was 1.58% compared to 0.84% in 2010.

Deferred income tax expense has increased by $2.2 million in Q3 2011 as compared to Q3 2010. The increase of $2.2 million relates to increased flow-through financings in late 2010 and early 2011 as compared to Q1 2010. The combined 2010 and 2011 financings were greater than the comparable period in Q1 2010 resulting in higher deferred tax effects. Additionally, IFRS requires that flow-through premium liabilities are amortized based on actual exploration expenditures incurred. Consequently, increased exploration expenditures in Q3 2011 over the same period in 2010 resulted in a higher amortization of the deferred liability; $3.4 million in 2011 versus $0.5 million in 2010.

For the nine month period ended September 30, 2011, the Company reported a net loss of $11.4 million compared to a loss of $7.5 million in 2010. The loss in 2011 is higher than the same period in 2010 as a result of increased deferred income tax expense and increased operating expenses offset by increased interest income and increased amortization of the flow-through premium.

Year to date operating expenses were $8.3 million compared to $4.0 million for the same period 2010. The variance of $4.3 million is mainly due to increases in general and administration and share-based compensation. General and administration increased by $0.3 million due to recruiting costs incurred to fill a number of vacancies including CEO; VP Engineering and Project Development; and Director, Environment and Community Relations. Share-based compensation increased by $3.5 million over 2010 due to the increased share price of the Company which is a key variable in the estimate of fair value. Additionally, $0.1 million variance lies in increased listing costs associated with the March 2011 financing. Salaries and severance increased $0.2 million as additional staff were hired in 2011 to continue to advance the Company's projects.

Interest income for the year-to-date 2011 was $1.4 million compared to $189 thousand in 2010. Interest increased due to a higher average cash balance of $127.5 million versus $45.3 million in 2010. As well, the effective interest rate increased to 1.50% from 0.56% in 2010.

Deferred income tax expense increased by $6.5 million year-to-date 2011 as compared to 2010 and amortization of the flow-through premium in 2011 was $7.5 million compared to $1.8 million in 2010. The drivers of these variances are the same as those discussed above for the third quarter results.

The primary costs incurred by the Company are associated with deferred exploration expenditures on its mineral properties. In Q3 2011, deferred expenditures were $21.4 million compared to $13.4 million in Q3 2010. The increase of $8.0 million results from increased exploration activity, primarily at Back River and Wishbone to follow up on significant discoveries in 2010. Additionally, the Company acquired an option on the Cook Lake property in November 2010 and as a result there was no comparable spending in 2010 on the property. Transactions on Hackett River (sale to Xstrata) and Back River (purchase of royalty) resulted in expenditures of an additional $144 thousand in the quarter which was capitalized to those projects.

In Q3, Back River incurred spending of $15.1 million (2010 - $7.2 million); Wishbone of $6.3 million (2010 - $2.4 million); Hackett River had recoveries of $16 thousand (2010 - $3.8 million); Red Lake of $21 thousand (2010 - $8 thousand); and Cook Lake $70 thousand (2010 – nil).

Back River's increase in spending of $7.9 million over Q3 2010, comes as a result of increased drilling following the successes of the 2010 drill campaign. The Company drilled over 32,000 metres in Q3 2011 at Back River, an increase of 55% from 2010. Hackett River saw a significant decrease in spending in Q3 2011 as compared to Q2 2010 due to the pending sale of the project. All drilling was stopped after the announcement of the sale which closed in Q4 2011. Wishbone has seen an increase of $3.9 million in Q3 2011 over Q3 2010 as resources originally destined for Hackett River were moved to Wishbone subsequent to the sale of Hackett River to Xstrata. In Q3 2011, drilling at Wishbone completed 9,411 metres, an increase of 112% over the same period in 2010.

For the year-to-date, Back River had spending (excluding costs of royalty acquisition) of $33.2 million (2010 - $14.8 million); Wishbone of $8.6 million (2010 - $4.5 million); Hackett River of $6.4 million (2010 - $9.6 million); Red Lake of $227 thousand (2010 - $65 thousand) and Cook Lake of $1.9 million (2010 - $nil). Additionally, the Company incurred $10.4 million ($4.5 million cash, $5.2 million shares and $0.2 million in expenses) to purchase certain Back River and Wishbone royalties and incurred $0.5 million related to the planned sale of Hackett River to Xstrata.

Liquidity and Capital Resources

The Company had cash and cash equivalents and short-term investments of $119.8 million at September 30, 2011 compared to cash and cash equivalents of $82.8 million at December 31, 2010.

On March 1, 2011 the Company completed a bought-deal financing qualified by short-form prospectus of 10,454,650 common shares (including over allotment of 15% or 1,363,650 common shares) at a price of $5.50 per common share and 6,061,000 flow-through common shares at a price of $6.60 per flow-through common share for gross proceeds of $97,503,175. The Company paid a syndicate of underwriters a 5% cash commission. Concurrent with the public financing the Company completed a private, non-brokered financing of 188,515 flow-through shares and 19,825 common shares, both at the same prices as the public financing for gross proceeds of approximately $1.4 million. The gross proceeds of these flow-through financings must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2012.

The Company believes it has sufficient cash resources and liquidity to sustain its planned activities through 2012. The future exploration and development of the Back River project may require the Company to raise additional capital through a combination of project debt and equity financings. The Company's strategy will be to use equity financing to fund exploration activities and the maximum amount of project debt available to build mining infrastructure until sufficient cash flow is generated from mining operations.

The Company has used, and intends to use, the net proceeds of the equity financing completed in March 2011 as follows:

Use of Proceeds from the March 2011 Financing	Estimated Costs ($)
Back River Project exploration and development	52,000,000
Hackett River Project exploration and development	21,000,000
Wishbone Project exploration	8,000,000
General and administrative expenses and working capital	12,500,000
Subtotal:	93,500,000
Net proceeds from March 2011 Financing still held in cash and short-term investments	62,370,042

Financial Instruments

The fair values of the Company's financial instruments consisting of cash, guaranteed investment certificates, accounts receivable and accounts payable and accruals approximate their carrying value because of their short term to maturity. The fair value of the marketable securities included in available for sale investments is determined with reference to quoted market prices.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 80,889	$ -	$ -	$ 80,889
Short-term investments	38,900	-	-	38,900
Available-for-sale investments	110	-	-	110
	$ 119,899	$ -	$ -	$ 119,899

Liabilities and Contingencies

On June 9, 2009, the Company completed an asset purchase agreement to acquire the Back River Assets from DPM for the following consideration:

(i) At closing, $7.0 million in cash and 17 million common shares (approximately 18.8% of the number of outstanding common shares post-transaction);
(ii) 5 million Series A Special Warrants; and,
(iii) 5 million Series B Special Warrants.

The Special Warrants are exercisable to receive one common share and one-half of one common share purchase warrant. The Series A Special Warrants are to be exercisable upon a decision to proceed to a feasibility study or proceed to production on the Back River Assets and in consideration of other events. The Series B Special Warrants are to be issued upon a positive production decision on the Back River Assets and in consideration of other events.

The Company has the legal obligation to reclaim exploration camps for which it holds water licenses and exploration and mining agreements. The Company has issued deposits totalling approximately $0.4 million in relation to these obligations and has recognized a provision for site reclamation of $1.8 million as described below.

Contractual Obligations

The Company is obligated under operating lease agreements for the rental of its corporate head office in North Vancouver and the rental of its exploration offices in Ontario, which expire in the next five years. Minimum rental payments, net of income from sublease, in each of the next five years are as follows:

2011	$ 35,512
2012	142,146
2013	145,298
2014	129,741
2015	72,144
	$ 524,842

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, no capital lease agreements and no long-term debt obligations.

Outlook

The Company's strategic plan is to focus on exploring and developing its primary assets in Nunavut: the Back River and Wishbone projects. Based on recent success on the Back River gold project, the Company has accelerated its plans to advance the Back River project, with an aim to develop the Company into a mid-tier gold producer.

The Company completed a mineral resource estimate for the Llama and Umwelt deposits at Back River in March 2011 and in September 2011 re-evaluated and updated the resource at Goose to reflect the open pit potential. A further update of the Umwelt resource including the 2011 drilling results has been initiated and is expected to be completed in Q4 2011. Work on a PEA on Back River has also been initiated and is expected to be completed in by the end of March 2012. The Company plans to begin the permitting process for Back River early in 2012, concurrent with the PEA process. The Company has added key positions to its management group, including Mr. Matthew Pickard, Director of Environmental and Community Relations and Mr. Leon Coetzer, Vice President, Engineering and Project Development.

The Company continues to evaluate gold projects outside of Nunavut, particularly in Red Lake, Ontario at the Newman-Madsen property. A drill program designed to test extensions of recent discoveries on adjacent properties by other parties is scheduled to commence in late Q4 2011.

In November 2010, Sabina entered into an option agreement with Xstrata on its Cook Lake property in northern Manitoba that is adjacent to Hudbay Minerals' Lalor discovery. The Company completed geophysical surveys and commenced drilling targets in late 2010 and early 2011. Drilling has recommenced in September at Cook Lake with the objective of testing high quality Titan 24 anomalies.

On October 24th, the Company announced that Mr. Rob Pease, P. Geo had been appointed President and CEO of the Company effective November 14, 2011. Mr. Pease will be replacing Mr. Tony Walsh, who announced his wish to retire to the Board earlier this year. Although he will be stepping down as CEO, Mr. Walsh will remain a director of the Board.

Transactions with Related Parties

For the three month period ended September 30, 2011, the Company paid or accrued $1,932 to Morton & Company (2010 - $4,970) which is a related party by virtue of a common director. For the nine months ended September 30, 2011 the Company paid or accrued $40,679 (2010 - $47,397). These transactions were in the normal course of operations and are measured at the exchange value as agreed upon by the related parties.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities; as well as the reported expenses during the reporting period. Such estimates and assumptions affect the determination of the potential impairment of long-lived assets and the determination of stock-based compensation and deferred income taxes. Management re-evaluates its estimates and assumptions on an ongoing basis; however, due to the nature of estimates, actual amounts could differ from its estimates. The most critical accounting policies upon which the Company depends are those requiring estimates of reserves and resources, future recoverable products and assumptions of future commodity prices.

Accounting for Exploration and Development Costs

Exploration expenditures related to mineral properties are deferred only if it is probable that these costs will be recovered from future operations. The carrying values of mineral properties are assessed at the balance sheet date to determine whether any persuasive evidence exists that the properties may be permanently impaired. The Company's progress in its development activities towards its planned operations is a key factor to be considered as part of the ongoing assessment of the recoverability of the carrying amount of capital assets and deferred exploration and development costs. If there is persuasive evidence of impairment, the asset is written down to its estimated net recoverable value. Deferred acquisition, exploration and development expenditures totalled $187.4 million at September 30, 2011 ($126.9 million – December 31, 2010).

Asset Retirement Obligations

The Company recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the acquisition, construction, development and/or normal use of the assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset which is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any changes in the obligation that result from changes in estimated cash flows are recognized as adjustments of the carrying amount of the related long-lived asset and are amortized over the remaining life of the asset.

At September 30, 2011, the Company had a provision for site reclamation of $1.4 million in relation to the Back River exploration camps, which was recognized on acquisition of the properties. Additionally, the Company had a provision for site reclamation of $0.4 million for the Hackett River exploration camp. Key activities required to be carried out and used in estimating the costs include: removal of Back River exploration camps, reclamation of site pads, re-vegetation as needed and post-closure site monitoring.

Stock-based Compensation

Stock-based compensation is accounted for using the fair value based method. Under the fair value based method, compensation cost is measured at fair value of the options at the date of grant and is expensed over the vesting period of the award. The Company estimates the fair value using the Black-Scholes option pricing model.

Future Changes in Accounting Standards

International Financial Reporting Standards (IFRS) Initial Adoption Plan

In 2008, the Accounting Standards Board confirmed that IFRS will replace Canadian GAAP ("GAAP") for publicly accountable enterprises for the periods beginning on or after January 1, 2011, including the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with IFRS as issued by the International

Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Company's first IFRS condensed interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with CGAAP.

Transition to International Financial Reporting Standards

As stated in Note 2 of the condensed interim financial statements, these are the Company's first condensed interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied as follows:

- preparing the condensed interim financial statements for the three and nine months ended September 30, 2011;
- comparative information for the three and nine months ended September 30, 2010;
- statement of financial position as at December 31, 2010; and
- preparation of an opening IFRS statements of financial position on the transition date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the three and nine months ended September 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with CGAAP.

An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is discussed in the following paragraphs.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

1) Business combinations

   IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company takes advantage of this election and applies IFRS 3 to business combinations that occurred on or after January 1, 2010. There is no adjustment required to the January 1, 2010 statement of financial position on the transition date.

2) Share-based payment transactions

   IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

Under IFRS, the Company would be required to develop an accounting policy to specifically identify which expenditures on exploration and evaluation activities would be recorded as assets. Unlike IFRS, GAAP indicates that exploration costs may initially be capitalized if the Company considers that all costs have the characteristics of property, plant and equipment. Under IFRS, exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired. Transition to IFRS resulted in a January 1, 2010 adjustment of ($998 thousand) to the mineral property account due to a reversal of deferred income tax effects.

Flow-through share financing is a subject that is specifically addressed under CGAAP that has no equivalent guidance under IFRS. As such, the Company has elected to adopt a policy by which the premium paid for flow-through shares in excess of the market value of common shares with no flow-through feature is credited to a deferred liability account and included in income at the time the qualifying expenditures are made. As a result of this policy change the Company has set up a deferred liability account for $2,353 (as at December 31, 2010) which relates to the amount of qualifying expenditures yet to be made relating to flow-through financings.

There has also been an increase to share capital by $4,626 (as at December 31, 2010) that relates both to the reversal of the premium associated with the flow-through which would reduce share capital and the reversal of deferred income tax effects related to the flow-through financings resulting in the net increase.

The deferred tax liability account has also increased by $4,589 (as at December 31, 2010) relating to the deferred income tax effects and timing of incurring qualifying flow-through expenditures.

Deficit has increased by $11,568 (as at December 31, 2010) as under IFRS the premium paid for flow-through shares would have be charged to income as qualifying expenditures were made. These adjustments account for historical flow-through issuances and their associated expenditures.

Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9 Financial Instruments: effective for accounting periods commencing on or after January 1, 2013; and
- IFRIC 19 Extinguishment Financial Liabilities with Equity Instruments: effective for accounting periods commencing on or after July 1, 2010.

Disclosure Controls and Procedures ("DC&P")

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of DC&P. Management conducted an assessment of the effectiveness of the DC&P in place as of December 31, 2010 and concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in filings. Any system of control over disclosure procedures, particularly for junior exploration companies, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all inaccuracies. These limitations include limited personnel available for such work, geographical logistics and human error among others. The Board of Directors assess the integrity of the public financial disclosures through the oversight of the Audit Committee.

Internal Control Over Financial Reporting ("ICFR")

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of ICFR. Management conducted an assessment of the effectiveness of the ICFR in place as of September 30, 2011 and concluded that such procedures are adequate and effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with International Financial Reporting Standards. Any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors assess the integrity of the public financial disclosures through the oversight of the Audit Committee.

Outstanding Share Data

As at November 10, 2011, there were 160,513,183 common shares outstanding. There were options and warrants outstanding to purchase an aggregate of 9,098,410 common shares. The options were granted to certain of the Company's executive officers, directors, employees and consultants (8,999,410 stock options) and the warrants were granted in connection with an extinguishment agreement with Teck Resources Limited (100,000 warrants).

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 from the System for Electronic Data Analysis and Retrieval (SEDAR) website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

Risks and Uncertainties

Exploration and Development of Mineral Resource Properties

The mineral exploration business is risky and most exploration projects will not become mines. Commercial development of any Sabina property will occur only if sufficient quantities of minerals with a sufficient average grade are discovered. If a mineral discovery is made, substantial financial resources will be required to establish ore reserves, develop processes to extract metal from the ore and develop mining and processing facilities at a given site.

Due to the location of the Hackett River Project and the Back River Projects, there is presently no infrastructure available to explore or, if a production decision with respect to any of such Projects is ultimately made, develop or engage in production from these Projects. As a result of the lack of infrastructure, access to these Projects is limited. However, no assurance can be given that any of the Company's projects in Nunavut will be sufficiently commercially viable to support the capital cost of developing the facilities to increase their accessibility.

Calculation of Reserves, Resources and Metal Recoveries

There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and the corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties. To date, the Company has not established reserves on any of its mineral properties.

Title to Assets

Although the Company has received title opinions for properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's claims may be subject to prior unregistered agreements or transfers and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired to confirm that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The ability of Sabina to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Sabina's principal sources of financing are the issuance of common shares, entering into option agreements, selling investment securities or selling interests in its mineral properties. Sufficient funding for future exploration and development of its properties may not be available when and as required. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Precious and Base Metal Price Fluctuations

The ability of the Company to raise funds to continue exploration of the mineral properties in which it has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not being able to continue its planned exploration programs. Declining market prices for these metals could materially adversely affect the Company's operations and financial condition.

Government Regulation

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Competitive Conditions

The profitability of any prospect is dictated by the market for minerals, which is influenced by many factors including changing production costs, supply and demand, inflation, and the political environment. The Company's success is also dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive exploration projects and targets. The competition for highly qualified personnel is strong and there is no guarantee that the Company will be able to retain or attract such personnel.

Forward Looking Statements

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 statements. By their nature, forward-looking statements are 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 statements. 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 statements 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 statements, whether as a result of new information, future events or otherwise except as required by applicable law.