Sabina

GOLD & SILVER CORP.

Condensed Consolidated Financial Statements
(unaudited)

Third Quarter ended September 30, 2013

SABINA GOLD & SILVER CORP.

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

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 55,001	$ 51,394
Short-term investments	14,000	65,000
Accounts receivable (note 5)	1,355	1,981
Inventory	1,580	3,115
Prepaid expenses	1,423	1,242
Total current assets	73,359	122,732
Non-current assets:		
Investment in Mega Precious Metals	80	72
Property and equipment (note 6)	18,800	10,669
Mineral properties (note 7)	241,953	175,809
Hackett silver royalty (note 8)	34,754	34,754
Reclamation deposits	359	359
Total non-current assets	295,946	221,663
Total assets	$ 369,305	$ 344,395
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,731	$ 2,552
Flow-through share premium liability (note 11)	-	308
Capital and other taxes payable	-	2
Total current liabilities	7,731	2,862
Non-current liabilities:		
Provision for site reclamation	2,151	2,151
Deferred income tax liability (note 14)	39,578	33,887
Total non-current liabilities	41,729	36,038
Total liabilities	49,460	38,900
Equity:		
Share capital (note 9)	350,562	330,121
Contributed surplus	21,990	18,734
Accumulated other comprehensive loss	(129)	(128)
Retained deficit	(52,578)	(43,232)
Total equity	319,845	305,495
Total liabilities and equity	$ 369,305	$ 344,395

Nature of operations (note 1)
Commitments (note 13)
Subsequent event (note 10d)

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

Approved on behalf of the Board:

"Robert Pease" 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)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Expenses:				
Administration and general	$ 79	$ 97	$ 366	$ 274
Depreciation	11	12	33	36
Insurance	44	37	123	108
Interest and other	(3)	-	12	7
Listing, transfer and shareholder	178	166	717	708
Professional services	281	75	638	378
Salaries and severance	458	871	1,555	1,784
Share-based payments (note 10)	29	200	2,529	3,261
Travel	159	63	392	297
	1,236	1,521	6,365	6,853
Loss from operating activities	(1,236)	(1,521)	(6,365)	(6,853)
Net finance income:				
Interest income	330	633	1,228	1,794
Amortization of flow-through premium (note 11)	924	2,058	1,484	3,186
	1,254	2,691	2,712	4,980
Income (loss) before income taxes	18	1,170	(3,653)	(1,873)
Income tax recovery (expense):				
Deferred (note 14)	(4,097)	(5,784)	(5,693)	(7,256)
Loss for the period	(4,079)	(4,614)	(9,346)	(9,129)
Other comprehensive income:				
Unrealized gain (loss) on Investment in Mega Precious Metals, net of tax	41	45	(1)	2
Comprehensive loss	$ (4,038)	$ (4,569)	$ (9,347)	$ (9,127)
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.05)
Weighted average number of common shares outstanding	188,678,338	173,300,222	179,688,912	165,355,637

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, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Share capital:				
Balance, beginning of period	$ 349,605	$ 329,219	$ 330,121	$ 297,336
Shares issued during the period, net of issue costs	530	115	21,018	34,154
Flow through premium transferred to deferred liability (note 11)	-	-	(1,176)	(3,268)
Fair value of options exercised	427	130	599	749
Deferred income tax effect of shares issuance costs	-	-	-	493
Balance, end of period	350,562	329,464	350,562	329,464
Contributed surplus:				
Balance, beginning of period	22,380	19,294	18,734	15,454
Fair value of share-based payments of options vesting (note 10)	29	200	2,529	3,261
Fair value of share-based payments capitalized to mineral properties	8	-	1,326	1,398
Fair value of options transferred to share capital	(427)	(130)	(599)	(749)
Balance, end of period	21,990	19,364	21,990	19,364
Accumulated other comprehensive income:				
Balance, beginning period	(170)	(123)	(128)	(80)
Unrealized gain (loss) on available-for-sale investments, net of tax	41	45	(1)	2
Balance, end of period	(129)	(78)	(129)	(78)
Retained deficit:				
Balance, beginning of period	(48,499)	(33,619)	(43,232)	(29,104)
Loss for the period	(4,079)	(4,614)	(9,346)	(9,129)
Retained deficit, end of period	(52,578)	(38,233)	(52,578)	(38,233)
Total shareholders' equity	$ 319,845	$ 310,517	$ 319,845	$ 310,517

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 months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash provided by (used in) operating activities:				
Loss for the period	$ (4,079)	$ (4,614)	$ (9,346)	$ (9,129)
Adjustments for:				
Depreciation	11	12	33	36
Deferred income tax expense	4,097	5,784	5,693	7,256
Interest income	(330)	(633)	(1,228)	(1,794)
Amortization of flow-through premium liability	(924)	(2,058)	(1,484)	(3,186)
Share-based payments	29	200	2,529	3,261
	2,883	3,305	5,543	5,573
Accounts receivable	446	(1,013)	(626)	(1,711)
Inventories	2,265	4,261	1,535	(2,418)
Prepaid expenses	155	68	(181)	(656)
Accounts payable and accrued liabilities	(2,617)	1,377	5,179	7,024
Capital and other taxes payable	(2)	-	(2)	(13)
Cash provided by (used in) operating activities	(949)	3,384	2,102	(1,330)
Interest received	316	136	2,482	2,080
Net cash used in operating activities	(633)	3,520	4,584	750
Cash flows provided by (used in) investing activities				
Expenditures on deferred exploration, net of recoveries	(24,890)	(25,458)	(62,638)	(56,854)
Expenditures on property and equipment	(210)	(1,964)	(10,357)	(8,773)
Redemption/(purchase) of short-term investments	19,000	5,100	51,000	11,900
Purchase of reclamation deposits	-	-	-	(75)
Net cash used in investing activities	(6,100)	(22,322)	(21,995)	(53,802)
Cash flows provided by financing activities				
Issuance of common shares for cash, net of issue costs	530	115	21,018	34,154
Net cash generated in financing activities	530	115	21,018	34,154
Net increase (decrease) in cash and cash equivalents	(6,203)	(18,687)	3,607	(18,898)
Cash and cash equivalents, beginning of period	61,204	79,798	51,394	80,009
Cash and cash equivalents, end of period	$ 55,001	$ 61,111	$ 55,001	$ 61,111

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 and the Wishbone Project, both of which are located in Nunavut, Canada.

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

The Company is in the process of exploring 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 and believes that it has sufficient funds to continue operations for at least the next twelve months.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting.

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

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 8, 2013

(b) Basis of measurement:

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

2. Basis of preparation, continued:

(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, share-based payments, deferred income tax assets 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. Revisions 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 period ended September 30, 2013 or have become effective for periods beginning on or after January 1, 2013, and have been considered in preparing these condensed consolidated interim 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, 2015 with early adoption allowed. The implementation of this standard is expected to have an impact on the Company; the Company is currently evaluating the impact of the standard.

The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 10 Consolidated Financial Statements for accounting periods on or after January 1, 2013;
- IFRS 11 Joint Arrangement for accounting periods on or after January 1, 2013;
- IFRS 12 Disclosures of Involvement with Other Entities for accounting periods on or after January 1, 2013;
- IFRS 13 Fair Value Measurement for accounting periods on or after January 1, 2013;
- IFRS 19 Employee Benefits for accounting periods on or after January 1, 2013;
- IAS 27 Separate Financial Statements for accounting periods on or after January 1, 2013; and
- IAS 28 Investments in Associates and Joint Ventures

(Tabular dollar amounts expressed in thousands of Canadian dollars)

4. Cash and cash equivalents:

	September 30, 2013	December 31, 2012
Bank balances	$ 3,551	$ 294
Redeemable investments	51,450	51,100
Cash and cash equivalents	$ 55,001	$ 51,394

5. Accounts receivable:

	September 30, 2013	December 31, 2012
GST receivable	$ 1,014	$ 462
Interest receivable	276	1,514
Other trade receivables	65	5
Total trade and other receivables	$ 1,355	$ 1,981

6. Property and equipment:

Cost	Exploration camp and equipment	Office and equipment	Total
Balance at January 1, 2013	$ 13,734	$ 528	$ 14,262
Additions	5,180	7	5,187
Balance at March 31, 2013	18,914	535	19,449
Additions	4,951	10	4,961
Balance at June 30, 2013	23,865	545	24,410
Additions	182	27	209
Balance at September 30, 2013	$ 24,047	$ 572	$ 24,619
Accumulated amortization			
Balance at January 1, 2013	$ (3,380)	$ (213)	$ (3,593)
Additions	(632)	(11)	(643)
Balance at March 31, 2013	(4,012)	(224)	(4,236)
Additions	(660)	(11)	(671)
Balance at June 30, 2013	(4,672)	(235)	(4,907)
Additions	(902)	(10)	(912)
Balance at September 30, 2013	$ (5,574)	$ (245)	$ (5,819)
Carrying value			
At March 31, 2013	$ 14,902	$ 311	$ 15,213
At June 30, 2013	$ 19,193	$ 310	$ 19,503
At September 30, 2013	$ 18,473	$ 327	$ 18,800

(Tabular dollar amounts expressed in thousands of Canadian dollars)

Cost		Exploration camp and equipment		Office and equipment		Total
Balance at January 1, 2012	$	4,352	$	504	$	4,856
Additions		3,044		9		3,053
Balance at March 31, 2012		7,396		513		7,909
Additions		3,953		2		3,955
Balance at June 30, 2012		11,349		515		11,864
Additions		1,958		7		1,965
Balance at September 30, 2012	$	13,307	$	522	$	13,829

Accumulated amortization		Exploration camp and equipment		Office and equipment		Total
Balance at January 1, 2012	$	(1,596)	$	(165)	$	(1,761)
Additions		(210)		(12)		(222)
Balance at March 31, 2012		(1,806)		(177)		(1,983)
Additions		(385)		(21)		(406)
Balance at June 30, 2012		(2,191)		(198)		(2,389)
Additions		(600)		(3)		(603)
Balance at September 30, 2012	$	(2,791)	$	(201)	$	(2,992)
Carrying value						
At March 31, 2012	$	5,590	$	336	$	5,926
At June 30, 2012	$	9,158	$	317	$	9,475
At September 30, 2012	$	10,516	$	321	$	10,837

(Tabular dollar amounts expressed in thousands of Canadian dollars)

7. Mineral properties:

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

Summary – All Properties	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Balance, beginning of period	$ 216,154	$ 145,245	$ 175,809	$ 112,085
Exploration and other expenditures	25,799	26,048	66,161	58,755
Acquisition costs	-	-	-	542
Proceeds on option agreement	-	-	(17)	(89)
Balance, end of period	$ 241,953	$ 171,293	$ 241,953	$ 171,293

The following is a summary of exploration and development costs incurred by property:

Balance	2013	2012	2013	2012
Back River (Nunavut)	$ 215,560	$ 142,624	$ 215,560	$ 142,624
Wishbone (Nunavut)	15,853	15,406	15,853	15,406
Red Lake (Ontario)	9,018	8,746	9,018	8,746
Cook Lake (Manitoba)	-	3,787	-	3,787
Nipigon (Ontario)	1,522	730	1,522	730
	$ 241,953	$ 171,293	$ 241,953	$ 171,293

Back River (Nunavut)				
Balance, beginning of period	$ 189,969	$ 118,375	$ 149,797	$ 92,191
Additions:				
Drilling	13,608	13,211	29,442	26,125
Economic assessment	1,410	1,301	10,828	2,417
Environmental assessment	3,993	3,450	8,074	5,970
Geology & geophysics	527	507	1,030	1,067
Management & administration	386	339	1,065	921
Property maintenance	-	-	6	15
Stock-based compensation	8	-	1,326	1,167
Support	3,083	2,401	7,587	6,627
Transportation	1,674	2,451	4,212	4,933
Depreciation	902	589	2,193	1,191
	25,591	24,249	65,763	50,433
Balance, end of period	$ 215,560	$ 142,624	$ 215,560	$ 142,624

(Tabular dollar amounts expressed in thousands of Canadian dollars)

7. Mineral properties, continued:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Wishbone (Nunavut)				
Balance, beginning of period	$ 15,719	$ 13,609	$ 15,705	$ 9,342
Additions:				
Drilling	-	838	-	3,523
Geology & geophysics	80	371	87	555
Management & administration	-	26	-	211
Property maintenance	-	-	7	4
Stock-based compensation	-	-	-	231
Support	54	382	54	893
Transportation	-	180	-	647
	134	1,797	148	6,064
Balance, end of period	$ 15,853	$ 15,406	$ 15,853	$ 15,406
Red Lake (Ontario)				
Balance, beginning of period	$ 8,960	$ 8,731	$ 8,820	$ 7,389
Additions:				
Drilling	20	2	139	852
Geology & geophysics	-	-	-	7
Management & administration	38	10	70	33
Property maintenance	-	3	6	12
	58	15	215	904
Acquisition costs	-	-	-	542
Proceeds on option agreement	-	-	(17)	(89)
Balance, end of period	$ 9,018	$ 8,746	$ 9,018	$ 8,746
Cook Lake (Manitoba)				
Balance, beginning of period	$ -	$ 3,783	$ -	$ 2,997
Additions:				
Drilling	-	3	-	749
Geology & geophysics	-	(8)	-	28
Management & administration	-	8	-	9
Depreciation	-	1	-	4
	-	4	-	790
Balance, end of period	$ -	$ 3,787	$ -	$ 3,787
Nipigon (Ontario)				
Balance, beginning of period	$ 1,506	$ 747	$ 1,487	$ 166
Additions:				
Geology & geophysics	10	(17)	29	564
Management & administration	6	-	6	-
	16	(17)	35	564
Balance, end of period	$ 1,522	$ 730	$ 1,522	$ 730

7. Mineral properties, continued:

(a) Back River and Wishbone (Nunavut)

The Back River project is primarily comprised of the George and Goose (including the Llama and Umwelt) gold deposits.

The Wishbone property covers a large portion of the Hackett River Greenstone Belt and hosts the Hackett River project. The combined properties total approximately 3,000km^2 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 $5.0 million 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. (“RAOCL”) for $4.5 million in cash and the issue of 750,000 common shares of the Company. A value of $5.19 million has been attributed to the shares based on their market value at the time of issue. As a result of the transaction, RAOCL became a wholly owned subsidiary of the Company.

The Back River project is subject to net smelter return (“NSR”) royalties payable to various parties. The George Lake property is 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 after deducting Royalties 2 and 3. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5.0 million has been paid on each royalty; after $5.0 million each, Royalties 2 and 3 drop by 50%. The Company owns 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.

The Goose property, which includes the Goose, Llama, Umwelt, Boot, Needle and Boulder claims, has 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 after deducting Royalties 2 and 3. 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 Royalties 2 and 3 each drop by 50%. The Company owns 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.

(b) Red Lake and Thunder Bay Properties (Ontario)

(i) Newman-Madsen, Red Lake:

The Company owns a 100% interest in the Newman-Madsen property. Previously, Sabina had a 50% joint venture interest in the Newman-Madsen property with Premier Gold Mines Ltd. (“Premier”). On January 17, 2012, Sabina completed the purchase of Premier’s interest in the joint venture for a cash payment of $0.5 million and a 0.5% NSR royalty on the Property granted to Premier. 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 $0.3 million in cash and 0.5 million Mega Precious shares. Mega Precious must incur exploration expenditures totalling $1.2 million over a 5-year period.

7. Mineral properties, continued:

(b) 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-northeast 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 $0.5 million. 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.

(c) Cook Lake (Manitoba):

Sabina had 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 had to make a $0.1 million cash payment to Xstrata Copper (paid) and incur $10.0 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.

In the fourth quarter of 2012, the Company completed a review of the Cook Lake results and decided to not continue exploration efforts on the Cook Lake property. Accordingly, costs aggregating $3.8 million relating to Cook Lake were written-off. On January 15, 2013 notice was given to Xstrata Copper indicating that the Company had terminated the option agreement as per the terms of the agreement. Expenditures on the property exceeded the committed expenditures required under the agreement resulting in no additional commitment on the part of the Company.

(d) Nipigon (Ontario)

Sabina owns a 100% interest in the 107 claim, 25,000 hectare Nipigon project located approximately 100km north of Thunder Bay, Ontario. The Nipigon project is located along the same iron formation that hosts the Beardmore-Geraldton gold camp.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

8. Hackett silver royalty:

The Hackett River project is located approximately 480 km northeast of Yellowknife and approximately 60 km from the Back River project.

On October 4, 2011 the Company completed the sale of the Hackett River property and certain claims on the Wishbone project to Xstrata Zinc for cash consideration of $50.0 million along with Sabina reserving a silver production royalty (the "Hackett 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 (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. Additionally, Xstrata Zinc has agreed to incur not less than $50.0 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 of the sale, Xstrata Zinc can elect to incur additional expenditures of not less than $10.0 million by each of the next three anniversaries. If at any of the fourth to seventh anniversaries Xstrata Zinc has not met the spending requirements and has not completed the feasibility study, Xstrata Zinc may elect to pay Sabina the shortfall, failing which, upon notice to Xstrata Zinc, Sabina may exercise a right to buy back the Properties for a cash purchase price equal to 100% of the expenditures incurred by Xstrata Zinc. Xstrata Zinc can pre-empt Sabina's buy back right by electing to pay an advance royalty of $75.0 million.

Disposition price allocation		
Cash received, net of transaction costs	$	45,558
Hackett River mineral properties		(73,106)
Wishbone mineral properties		(6,586)
Capital assets, net		(997)
Elimination of provision for site reclamation		377
Subtotal		(34,754)
Allocation to Hackett Royalty	$	34,754

Due to the contingent nature of the Hackett Silver Royalty, the value of the royalty has been assigned based on the residual value of cash proceeds and net carrying value of the assets rather than fair value based on potential future cash flows.

9. Capital and other components of equity:

Authorized number of common shares

At September 30, 2013 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:

(Tabular dollar amounts expressed in thousands of Canadian dollars)

9. Capital and other components of equity, continued:

	2013		2012	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	173,532,149	330,121	160,638,183	297,336
Issued on exercise of share options	45,283	-	500,454	764
Tax effect on share issuance	-	(25)	-	-
Fair value of options exercised	-	172	-	619
Issued and outstanding as at March 31	173,577,432	330,268	161,138,637	298,719
Issued for cash, net	14,699,295	20,488	12,103,509	33,275
Flow-through premium transferred to deferred liability	-	(1,176)	-	(3,268)
Issued on exercise of share options	-	-	-	-
Tax effect on share issuance	-	25	-	493
Issued and outstanding as at June 30	188,276,727	349,605	173,242,146	329,219
Issued for cash, net	-	-	-	-
Issued on exercise of share options	714,167	530	179,672	115
Fair value of options exercised	-	427	-	130
Issued and outstanding as at September 30	188,990,894	350,562	173,421,818	329,464

Issuance of common shares

On June 11, 2013, the Company completed a non-brokered private placement financing. The financing was comprised of 14,699,295 flow-through common shares at $1.40 per share for gross proceeds of $20,579,013. The gross proceeds of the flow-through financing must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2014.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

10. Share based payments:

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

	2013		2012	
	Share options	Average exercise price	Share options	Average exercise price
Outstanding at January 1	10,253,410	$ 2.81	9,253,410	$ 2.53
Exercised during the period	(200,000)	2.05	(715,000)	2.32
Cancelled during the period	(15,000)	2.72	-	-
Granted during the period	2,965,000	2.75	2,685,000	3.83
Outstanding as at March 31	13,003,410	2.80	11,223,410	2.86
Exercised during the period	-	-	-	
Forfeited or expired during the period	(618,500)	1.47	(70,000)	5.37
Granted during the period	415,000	1.27	250,000	2.11
Outstanding as at June 30	12,799,910	2.82	11,403,410	2.85
Exercised during the period	(1,047,500)	0.95	(460,000)	1.93
Granted during the period	-	-	150,000	2.94
Forfeited or expired during the period	(400,000)	2.39	(350,000)	3.70
Outstanding as at September 30	11,352,410	3.01	10,743,410	2.84
Exercisable at September 30	11,102,410	$ 3.05	10,743,410	$ 2.84

(Tabular dollar amounts expressed in thousands of Canadian dollars)

10. Share based payments, continued:

The following table summarizes the outstanding options as at September 30, 2013 by year of expiry.

Year	Number		Average exercise price
2013	50,000	$	0.38
2014	1,270,000		1.00
2015	1,681,000		1.42
2016	2,416,410		5.09
2017	2,655,000		3.68
2018	3,280,000		2.56
Total	11,352,410	$	3.01

(a) Employee compensation cost

During the three months ended September 30, 2013, the Company recorded $36,000 (2012 - $200,000) in share based payment costs, of which $29,000 (2012 - $nil) is presented as an operating expense in the statement of comprehensive loss and $8,000 (2012 - $nil) is capitalized to mineral property costs. Stock based compensation in the period related to options granted earlier in the year were subject to a one year vesting period.

During the nine months ended September 30, 2013, the Company recorded $3.9 million (2012 - $4.7 million) in share based payment costs, of which $2.5 million (2012 - $3.3 million) is presented as an operating expense in the statement of comprehensive loss and $1.3 million (2012 - $1.4 million) is capitalized to mineral property costs.

At September 30, 2013, an amount of $95,000 remains to be charged in future periods (until May 2014) related to the grant of stock options.

(b) Inputs for measurement of grant date fair values

The grant date fair values of share options were measured based on the Black-Scholes option pricing model. The weighted average inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following: a risk-free interest rate of 1.18% (2012 – 1.21%); a dividend yield of 0% (2012 – 0%); an expected volatility of 68.0% (2012 – 67.9%) and expected lives of stock options of 3 years (2012 – 3 years). No options were granted in the third quarter of 2013, as such, the weighted average fair value of options granted in the period was $nil (2012 - $1.33).

(c) Stock appreciation rights (“SAR”)

The Company’s share purchase option plan provides the option holder the right to exercise their options and received the value appreciation of the Company’s shares. Under a SAR plan, the option holder will receive shares upon exercise of their rights based on the Company share price equal to the difference between the Company share price upon exercise of the SAR and their strike price as set at the grant date.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

10. Share based payments, continued:

(d) Warrants

At September 30, 2013 the following warrants were outstanding:

Special purchase warrants:

The following special purchase warrants have been issued in relation to the acquisition of the Back River assets that are exercisable upon certain conditions being met.

(i) 5 million Series A Special Unit Warrants; and

(ii) 5 million Series B Special Unit Warrants.

The Series A Special Unit Warrants are exercisable for no additional consideration 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 Unit Warrants are exercisable for no additional consideration upon a positive production decision on the Back River Assets and in consideration of other events. The Special Unit Warrants are exercisable to receive one common share and one-half of one common share purchase warrant. One whole share purchase warrant entitles the holders to purchase one common share at a price of $1.07 per share until June 9, 2014.

Subsequent to the nine months ended September 30, 2013, the Company announced its decision to proceed with the commencement of the feasibility study for the Back River assets. In accordance with the terms of the special purchase warrants, on October 9, 2013, the Company issued 5 million shares and 2.5 million share purchase warrants.

11. Flow-through share premium liability:

	2013	2012
As at January 1	$ 308	$ 1,128
Amortization (i)	(308)	(1,128)
As at March 31	-	-
Financing (ii)	1,176	3,268
Amortization (iii)	(252)	-
As at June 30	924	3,268
Amortization (iv)	(924)	(2,058)
As at September 30	$ -	$ 1,210

(i) In Q1 2013, the Company incurred sufficient flow-through eligible expenditures related to the financing completed in June 2012 to satisfy the requirement of the flow-through financing. The flow-through premium received on the June 2012 financing was $3.5 million and amortized over the period in which the funds were used.

(ii) On June 11, 2013, the Company completed a non-brokered private placement that included the sale of 14,699,295 flow-through shares at a price of $1.40 for gross proceeds of $20.6 million. This price was at a premium of $0.08 to market for a common share for a total premium of $1.2 million.

(iii) In Q2 2013, the Company incurred $4.4 million of flow-through eligible expenditures. These expenditures relate to the financing completed in June 2013 of $20.6 million.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

(iv) In Q3 2013, the Company incurred $16.2 million of flow-through eligible expenditures. These expenditures relate to the financing completed in June 2013 of $20.6 million, satisfying the requirements of the Income Tax Act (Canada) related to the flow-through financing.

12. 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 10).

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. In the three month period, 2012, an executive officer was terminated and received a severance payment totaling $0.4 million.

Key management personnel compensation is comprised of:

	For the three months ended, September 30		For the nine months ended, September 30	
	2013	2012	2013	2012
Salaries, severance and benefits	$ 450	$ 947	$ 1,755	$ 1,964
Stock-based compensation, non-cash	36	200	2,314	3,113
	$ 486	$ 1,147	$ 4,069	$ 5,007

13. 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 three years are as follows:

2013	$ 37
2014	130
2015	72
	$ 239

14. Income taxes:

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

	September 30, 2013	December 31, 2012
Tax loss carry forwards	$ 6,651	$ 4,660
Financing costs	1,198	1,683
Provision for closure and reclamation	581	581
Other	17	17
Flow-through share effect on mineral properties	(47,940)	(41,489)
Mineral properties	119	663
Property and equipment	(204)	(2)
Deferred tax liabilities	$ (39,578)	$ (33,887)

(Tabular dollar amounts expressed in thousands of Canadian dollars)

As at September 30, 2013, no deferred tax assets are recognized on the following temporary differences as it is not determinable that sufficient future taxable profit will be available to realize such assets.

	September 30, 2013	December 31, 2012
Corporate minimum taxes carried forward	$ 293	$ 293
Unrecognized deferred tax assets	$ (293)	$ (293)

The Company has tax loss carry forwards at September 30, 2013 of $24.6 million (December 31, 2012 - $17.3 million) that expire in 2032 and 2033.

The Company's tax expense is comprised of the following:

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Deferred tax expense	$ 4,097	$ 5,784	$ 5,693	$ 7,256
Income tax expense	$ 4,097	$ 5,784	$ 5,693	$ 7,256

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2012 – 28.5%) as follows:

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Expected tax expense (recovery)	$ (31)	$ 370	$ (986)	$ (452)
Share based compensation and other permanent items	(240)	(556)	291	(34)
Flow-through renunciation	4,365	5,968	6,451	7,797
Other	3	1	(63)	(56)
Income tax expense	$ 4,097	$ 5,784	$ 5,693	$ 7,256

The following Management's Discussion and Analysis ("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 period ended September 30, 2013. The MD&A was prepared as of November 8, 2013 and should be read in conjunction with the Company's September 30, 2013 unaudited consolidated financial statements and related notes and the Company's December 31, 2012 annual audited financial statements and related notes. 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 focused on the objective of becoming a mid-tier gold producer through acquisition, exploration and development of mineral resource properties. The Company's primary assets are its Back River gold project, its prospective Wishbone grassroots exploration project, and its silver royalty on the Hackett River project and certain Wishbone claims, all located in Nunavut, Canada. The Company also has exploration properties in the Red Lake gold district and Nipigon, both in Ontario.

Q3 2013 Highlights:

- The Company had cash and cash equivalents and short-term investments of $69.0 million at September 30, 2013.
- For the three and nine month periods ended September 30, 2013, the Company reported losses of $4.1 million or $0.02 per share and $9.3 million or $0.05 per share, respectively.
- In the third quarter, the Company had a total of up to eight drill rigs operating on its Back River project, (five at Goose camp and three at George camp) with combined production of over 38,000 metres drilled during the period. Significant highlights include positive assays from infill drilling on the Llama deposit; holes 13GSE312 returning 11.93g/t over 15.20m and 13GSE309 returning 4.97g/t over 7.75m. Infill drilling at Umwelt also yielded positive results, including hole 13GSE337 which returned 19.27 g/t Au over 18.60m, and hole 13GSE340 which assayed 24.13 g/t Au over 21.85m. At George, shallow resource extension drilling at LCP South also returned positive results, with hole 13GRL152 returning 24.96 g/t Au over 11.25m and hole 13GRL150 returning 13.46 g/t Au over 12.75m.
- Subsequent to the quarter, on October 9 the Company announced the results of the Preliminary Feasibility Study ("PFS"). Highlights of the PFS include:
    - Post-tax IRR of 16.5% and NPV (at 5% discount rate) of $290 million;
    - Life of mine ("LOM") post-tax net cash flow of $582 million on gross revenues of $3.3 billion with a payback period of 3.3 years (from start of operations);
    - Processing rate of 5,000 tpd producing an average of ~287,000 oz Au per year from open pit and underground operations for a total of 2.4 million oz Au;
    - Initial capital of $605 million and sustaining capital of $226 million;
    - Total cash costs of $685/oz Au LOM including royalties, refining and transport;
    - Base assumptions of $1,350/oz Au and a constant exchange rate of 0.95 (US$/Cdn$).

Results of Operations

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 (see below in Liabilities and Contingencies section for details of contingent shares and warrants).

The Back River Project ("the 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 16 Federal Mining Claims covering approximately 58,179 hectares. The project is divided into Goose, George, Boot, Boulder, Needle, Del and Bath. The Goose property hosts the Goose, Llama and Umwelt gold deposits. The George property, located 50 km to the northwest, hosts the George gold deposits.

Back River Exploration Results

Exploration work during Q3 continued to focus on a combination of deposit infill drilling, deposit extension drilling, drilling of prospective exploration targets, as well as geo-technical and geo-mechanical drilling. Drilling during the quarter was completed at the Goose, George, Boot and Boulder areas, with a total of approximately 36,235 being drilled during the quarter. Additional information regarding the following exploration results may be obtained in the Company's press releases on the Company's website at www.sabinagoldsilver.com.

At the Goose property, a program of infill drilling at the Llama and Umwelt deposits within the proposed open pit shells was completed with the purpose of the conversion of a portion of the indicated resource material to the measured category. Results from the Llama drilling released during the quarter include; holes 13GSE312 returning 11.93g/t over 15.20m and 13GSE309 returning 4.97g/t over 7.75m. Results from the Umwelt drilling released during the quarter include 19.27 g/t Au over 18.60m in hole 13GSE337 and 24.13 g/t Au over 21.85m in hole 13GSE340 .

Near deposit exploration drilling at Goose has been focused on a number of exploration targets that demonstrate potential for discovery of near surface mineralization. Targets were identified during ongoing compilation and interpretation of geological, geochemical and geophysical data sets. An additional focus was directed towards the definition and scoping of a possible near surface resource at the Echo target. Results and interpretation of this zone of mineralization which is located approximately 1500m west of the Goose Main deposit is currently in progress. Compilation, evaluation and release of assay results from a number of drill holes are still pending.

At the George property, drilling was completed at a number of zones including; Locale 2, Fold Forest target and LCP South zone. At the LCP South zone drilling successfully tested a mineralized zone with approximately 200m of strike to depths of over 200m. Results from the LCP South zone released during the quarter include 24.96 g/t Au over 11.25m in drill hole 13GRL152, and 13.46 g/t Au over 12.75m in drill hole 13GRL150.

At the Boot and Boulder properties which are located approximately 20 km north and northwest of the Goose property an exploration drilling program was directed towards the testing of numerous targets with the purpose of discovery of new zones of shallow mineralization. A program of field mapping and rock sampling was carried out prior to drilling in a number of areas to better define areas of potential prior to drilling. Complete assay results for drilling at Boot and Boulder have not yet been received.

Back River Project Development

In August 2012, the Company initiated a PFS, engaging Tetra Tech. to act as the lead consultant responsible for overall delivery of the PFS, process and infrastructure design, operating and capital expenditures and economic modelling; AMC Consultants Ltd. responsible for geology and mining and Knight Piésold Consultants Ltd. responsible for tailings design, geo-technical, and hydrogeology. Work on the PFS continued in Q3 2013 and, as noted above, was completed in early Q4 (see Q3 2013 Highlights section for summary of PFS results).

The Back River site was opened for the season in late January 2013 in order to allow drilling to begin in late February. In addition, significant geo-technical, geo-mechanical and condemnation drill programs were completed in Q2 2013 to support a FS which is scheduled to begin in Q4 2013.

A number of improvements were completed at the Goose camp during the 2013 field season, including an all-weather airstrip and expansion of the bulk fuel containment. A quarry was established and a mobile crushing plant commissioned in close proximity to the camp to provide crushed rock and gravel needed for the completion of these projects. The airstrip is a 900 meter long, all-weather airstrip currently servicing multiple Buffalo or Dash series aircraft flights on a weekly basis. The airstrip provides a significant increase in flexibility and cost savings in operations, transportation and logistics at the Goose site.

On February 15, 2013, the Company announced its updated mineral resource estimate for Back River (summarized below) incorporating the results from the 2012 drilling campaign. The 43-101-compliant Technical Report was filed on April 2, 2013 and is entitled, Back River Gold Property, Nunavut Territory Canada, and can be found at www.sedar.com or on the Company's website at www.sabinagoldsilver.com.

Classification	***Location***	***Tonnes (kt)***	***Au (g/t)***	***Ounces (koz)***
Open Pit Measured	Goose	2,168	4.4	304
Open Pit Indicated	Goose	4,616	4.1	609
	Llama	3,085	5.8	577
	Umwelt	4,780	5.6	867
Total Open Pit Indicated		**12,481**	**5.1**	**2,053**
Total Open Pit M&I		**14,649**	**5.0**	**2,357**
Underground Indicated	Goose	998	7.2	232
	Llama	501	7.2	115
	Umwelt	3,817	8.4	1,026
	George	4,230	6.8	925
Total Underground Indicated		**9,546**	**7.5**	**2,298**
Total M&I OP + UG		***24,195***	***6.0***	***4,655***
Open Pit Inferred	Goose	156	3.4	17
	Llama	23	5.6	4
	Umwelt	134	3.4	15
Total Open Pit Inferred		**313**	**3.6**	**36**
Underground Inferred	Goose	298	6.7	65
	Llama	780	7.7	192
	Umwelt	1,926	9.9	612
	George	4,348	7.3	1,015
Total Underground Inferred		**7,352**	**8.0**	**1,884**
Total Inferred OP + UG		***7,665***	***7.8***	***1,920***

Notes:

1. CIM definition standards were used for the Mineral Resources.
2. The Qualified Persons are Dinara Nussipakynova, P Geo. and Andrew Fowler MAusIMM CP (Geo) both of AMC Mining Consultants (Canada) Ltd.
3. Open pit Mineral Resources are constrained by an optimized pit shell at a gold price of $1500 oz Au.
4. The cut-off grade applied to the open pit resource is 1.0 g/t Au and the underground is 4.0 g/t Au.
5. Metallurgical recovery varies with gold grade. For example, for the average grade of the open pits recoveries ranges between 88-89%.
6. The George Mineral Resources (LCP - North, LCP - South, Locale 1, Locale 2, GH & Slave) were estimated within mineral domains expanded to a minimum width of 2 m.
7. Using drilling results to December 31, 2012.
8. Numbers may not add due to rounding.

Note: *Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be* *converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.*

The 2013 drilling results and field work are being evaluated and remodelled which will be update the mineral reserve and resource estimate that will form the basis of the 2014 FS. The new estimate is expected to be completed in early 2014.

On October 9, 2013, the Company announced its mineral reserve estimate for Back River (summarized below) incorporating the results from the 2012 drilling campaign. The associated Technical Report was filed on November 11, 2013 and is entitled, Technical Report and Prefeasibility Study for the Back River Gold Property, Nunavut, Canada, and can be found at www.sedar.com or on the Company's website at www.sabinagoldsilver.com.

Area	*Classification*	*Tonnes (kt)*	*Au (g/t)*	*Contained Au (koz)*
Total Open Pit	Proven	1,890	4.56	277
	Probable	10,935	5.40	1,900
Total Underground	Proven	-	-	-
	Probable	2,165	8.11	564
Total Back River Property	**Proven**	**1,890**	**4.56**	**277**
	Probable	**13,100**	**5.85**	**2,464**

Notes:

1. For the open pit mineral reserve estimate, a 1.52 g/t COG was used for the Goose deposits and a 2.00 g/t COG was used for the George deposit
2. A COG of 6.00 g/t was used for the underground mineral reserve estimate, based on an operating cost estimate of $231.30/t.
3. A gold price of US$1,250/troy ounce is assumed
4. Mineral reserves are based on measured and indicated mineral resources only
5. An exchange rate of Cdn$1.00 to US$1.00 was assumed.
6. Mineral reserve estimate of the Back River deposits was estimated by Herbert Smith P.Eng of AMC, a Qualified Person under NI43-101.

Note: *The mineral reserve estimations take into consideration on-site operating costs (mining, processing, site services, general and administration), geotechnical analysis for both open pit wall angles and underground stop size, metallurgical recoveries, and selling costs in determining cut-off grades. In addition, the mineral reserves incorporate allowances for mining recovery and dilution, and overall economic viability.*

The Company is targeting to update its Back River mineral resource estimate with the 2013 exploration drilling in early 2014.

In June, 2012, the Company submitted a preliminary project description ("PPD") for the Back River Project to the Nunavut Impact and Review Board ("NIRB") and other required permitting authorities and Inuit organizations. The PPD marked the commencement of the environmental assessment phase of the Project. Following a review of the submission, NIRB recommended to the Minister of Aboriginal Affairs and Northern Development that the Project should advance to a Part 5 or Part 6 Screening. The Minister of Aboriginal Affairs and Northern Development Canada has concurred with NIRB's screening decision dated September 25, 2012 recommending that the Back River Project move forward to a Part 5 regional public review. In May, 2013, the Company received the final project scope and guidelines for development of the environmental impact statement (EIS) for the Project. Work on the draft EIS commenced following this decision. During Q3, the Company collected final environmental and socio-economic baseline data in the Project area. The baseline data will be used to determine potential effects, both positive and negative, of the proposed Project and potential infrastructure locations. The Company expects that the draft EIS will be completed and submitted to NIRB in early 2014

Hackett River Silver Royalty, Nunavut

The Hackett River project consists of approximately 10,637 hectares and is located approximately 480 km northeast of Yellowknife and approximately 60 km from the Back River project.

On October 4, 2011 the Company completed the sale of the Hackett River property and certain claims on the Wishbone project to Xstrata Canada Corporation, Xstrata Zinc Canada Division ("Xstrata Zinc") for cash consideration of $50 million along with Sabina reserving a silver production royalty (the "Hackett 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 (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. Additionally, Xstrata Zinc 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 of the sale, Xstrata Zinc 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 Zinc has not met the spending requirements and has not completed the feasibility study, Xstrata Zinc may elect to pay Sabina the shortfall, failing which, upon notice to Xstrata Zinc, Sabina may exercise a right to buy back the Properties for a cash purchase price equal to 100% of the expenditures incurred by Xstrata Zinc. Xstrata Zinc can pre-empt Sabina's buy back right by electing to pay an advance royalty of $75 million.

Xstrata Zinc has completed work to advance the project. Key project accomplishments in 2012 were: completion of 51,500 meters of diamond drilling, including 43,500 meters of exploration both near known deposits and on new targets and 8,000 meters of geotechnical and metallurgical drilling; baseline environmental studies; and, commencement of a pre-feasibility study. Xstrata Zinc has been active on the project in 2013 working at Hackett River and proposed infrastructure sites.

In June 2013, Glencore completed the purchase of Xstrata and Xstrata's Canadian division became Glencore Canada Ltd ("Glencore")

On May 2, 2013, Glencore reported updated mineral resources for the Hackett River project as at December 31, 2012; a total of 82 million tonnes of mineral resources were reported in the mineral resource statement comprised of indicated resources of 25 million tonnes (Zn 4.2%, 0.6 Pb%, 0.5 Cu%, Ag 130 g/t, Au 0.3 g/t) and inferred resources of 57 million tonnes (Zn 3.0%, 0.5 Pb%, 0.4 Cu%, Ag 100 g/t, Au 0.2 g/t). Glencore disclosed that Aline Côté, Project Manager for Xstrata Zinc, served as the Competent Person in connection with this mineral resource estimate. This compares to Glencore's prior year resource of a total of 61 million tonnes comprised of measured resources of 20 million tonnes (Zn 4.7%, 0.6 Pb%, 0.4 Cu%, Ag 140 g/t, Au 0.3 g/t) and inferred resources of 41 million tonnes (Zn 4.0%, 0.6 Pb%, 0.4 Cu%, Ag 100 g/t, Au 0.2 g/t).

Glencore is not an issuer in Canada and therefore is not obliged to file a 43-101 technical report on the new resource. As Hackett River is a material asset to Sabina, securities regulations require that Sabina complete a technical report on the project. The process of compiling this report is underway; the Company will file the report when it is completed.

Earlier this year, the Company and Glencore jointly submitted an updated project proposal for the BIPR project that contemplates infrastructure for the Hackett River project and region. In 2013, work has focused on completing a draft EIS on BIPR for filing later this year. Work included a geotechnical drilling program to assess the foundation material around the proposed port area. Preliminary results suggest material in the currently proposed port area is not adequate and further geotechnical drilling has been planned to assess a more suitable port area in the immediate vicinity. As a result, the draft EIS will not be filed until this work has been completed. It should be noted the Back River PFS does not utilize the BIPR project. The Back River PFS has a standalone port facility design to be used in conjunction with winter roads.

Wishbone, Nunavut Property

The Wishbone Greenstone Belt surrounds the Hackett River Project as well as other smaller base and precious metal deposits. The Wishbone properties cover a largely unexplored highly prospective greenstone belt with the potential for both gold and VMS style deposits. Wishbone claims that had a high potential for VMS deposit discovery were included as part of the sale of Hackett River to Xstrata. Sabina retained certain 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 2011, Sabina staked 75 new claims as the result of the Company's exploration discoveries. Including the new mineral claims, the Company's Wishbone property consists of 108 claims and 1 lease covering approximately 94,974 hectares. Mapping and sampling in portions of the Wishbone claims considered to be highly prospective and lacking adequate previous work was carried out during the quarter.

Red Lake, Ontario Properties

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

Newman-Madsen

In 2012, the Company acquired the interests from its joint-venture partner (Premier Gold Mines Ltd) in the Newman-Madsen property for a cash payment of $0.5 million and a 0.5% net smelter return royalty on the property.

The Newman-Madsen property is composed of 46 patented mining claims located in the Red Lake Mining Division of Ontario, 3.5 km southwest of the Town of Red Lake and 4.5 km northeast of Claude Resources Ltd.'s Madsen Mine. Eight of these claims (East My Ritt) are subject to an option agreement with Mega Precious Metals Inc. ("Mega"). On May 6, 2013, the Company received notice that Mega was exercising its rights to acquire 100% of the mineral rights of the East My Ritt property and the transfer process is currently ongoing.

During the first half of 2013 the company completed a 40 km IP survey on a portion of the project area. Survey data will be used to further asses and aid in geologic assessment of the property and definition of possible drill targets.

Golden Sidewalk

The Golden Sidewalk property is composed 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 new work has been completed or planned on this property during 2013.

Skinner

The Skinner property is composed 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 $0.5 million. 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 new work has been completed or planned on this property during 2013.

Redaurum

The Redaurum property is located within 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.

Nipigon, Ontario

In the fall of 2011, the Company staked 70 mineral claims covering over 16,000 hectares in an area approximately 100 km north of Thunder Bay, Ontario. The Nipigon Project is 100% owned by the Company and is located along the same iron formation that hosts the Beardmore-Geraldton gold camp. This prospective trend has historic gold production of over 4.5 million ounces of gold from four mines: the McLeod-Cockshut, Hard Rock and Mosher mines in Geraldton, and the Leitch Mine in Beardmore.

In early 2012, a 2,200 km airborne survey was completed which identified a number of prospective conductors. In the second half of 2012, a number of these targets were drill tested in 13 drill holes for a total of 3,746 m. Targeting was focused on zones with both geophysical and geological characteristics with potential for the presence of mineralized iron formation. All assays have been received with no anomalous gold values being returned. Geologic assessment of the property continues.

Summary of Results

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

		2013 Q3 (1)		2013 Q2 (2)		2013 Q1		2012 Q4
Revenue/other income	$	330	$	439	$	459	$	569
Earnings/(loss)		(4,079)		(1,604)		(3,663)		(4,999)
Per share	$	(0.02)	$	(0.01)	$	(0.02)	$	(0.03)
		2012 Q3 (3)		**2012 Q2**		**2012 Q1**		**2011 Q4**
Revenue/other income	$	633	$	572	$	589	$	645
Earnings/(loss)		(4,614)		(343)		(4,172)		(1,319)
Per share	$	(0.03)	$	(0.00)	$	(0.02)	$	(0.01)

Notes:

(1) During the three months ended September 30, 2013 the Company's reported loss of $4.1 million includes recognition of flow-through premium amortization of $0.9 million and deferred income tax expense of $4.1 million, both related to the renunciation of the qualifying exploration expenditures as required by flow-through financing agreement.

(2) During the three months ended June 30, 2013 the Company's reported loss of $1.6 million includes recognition of flow-through premium amortization of $0.3 million and deferred income tax expense of $1.0 million, both related to the renunciation of the qualifying exploration expenditures as required by flow-through financing agreement.

(3) During the three months ended September 30, 2012 the Company's reported loss of $4.6 million includes recognition of flow-through premium amortization of $2.1 million and deferred income tax expense of $5.8 million, both related to the renunciation of the qualifying exploration expenditures as required by flow-through financing agreement.

Overall Performance

For the three and nine month periods ended September 30, 2013, the Company reported a net loss of $4.1 million and $9.3 million respectively compared to a loss of $4.6 million and $9.1 million in the same periods of 2012. The loss in the three month period ended September 30, 2013 decreased by $0.5 million compared to the same period in 2012, primarily due to decrease in the 2013 deferred income tax expense. For the nine month period ended September 30, 2013, the loss was higher compared to the same period ended 2012 by $0.2 million; this was mainly due to a decreased in net finance income, partially offset by decrease deferred tax expense

Operating expenses for the three month period ended September 30, 2013 were $1.2 million compared with $1.5 million for the same period 2012. The decrease is mainly due to a $0.4 million severance charge in 2012 that the Company did not incur in 2013 and a $0.2 million increase of professional services primarily due to the increase in legal fees and professional support for process improvement initiatives.

Cumulative 2013 operating expenses were $6.4 million compared to $6.9 million for the same period 2012. Salaries and severance decreased by $0.2 million due to severance payments noted above. Share based compensation decreased by $0.7 million primarily due to the decrease in the annual option grant valuation. In 2013, 3,380,000 options were granted with a fair-value of $0.58 per option compared to 2012 which 2,935,000 options were granted with a fair-value of $1.33 per option. Further, professional services increased by $0.3 million due primarily due to the increase in legal fees and professional support for process improvement initiatives.

Net finance income in the three and nine month periods was $1.3 million and $2.7 million respectively compared to $2.7 million and $5.0 million in the comparative periods of 2012. Interest income decreased in 2013 by $0.6 million due to lower average cash balances ($82.3 million in 2013 compared to $142.0 million in 2012) and a lower realised interest rate which decreased from 1.78% to 1.61%. Amortization of the flow-through premium income decreased by $1.7 million in 2013 compared to 2012, due to less flow-through financing completed ($20.6 million in 2013 compared to $35.1 million in 2012) and a lower flow-through premium ($1.2 million in 2013 compared to $3.5 million in 2012.

Deferred income tax expense for the three and nine month periods in 2013 was $4.1 million and $5.7 million compared to $5.8 million and $7.3 million in 2012. Overall decrease in 2013 compared with 2012 was a result of less flow-through financing completed.

The primary costs incurred by the Company are associated with exploration and evaluation of its mineral properties and are deferred until the properties are placed into production, sold or abandoned. In the three and nine month periods of 2013, total deferred expenditures were $25.8 million and $66.1 million respectively compared to $26.0 million and $58.8 million in 2012.

Cumulative 2013 exploration expenditures totaled $65.8 million on Back River (2012: $50.4 million) primarily due to costs and increase of $8.4 million in economic assessment and $2.1 million in environmental assessment for work on PFS and draft EIS. Drilling costs were $3.3 million higher due to increased metres drilled; 2013 totalled 81,942 compared to 76,147 in the same period in 2012.

Exploration activity outside of the Back River project was limited as the Company focused its efforts on advancing its flagship project. Exploration expenditures totaled $0.2 million and $0.4 million in the three and nine month periods in 2013 (2012 - $1.8 million and $8.3 million) on the Company's Wishbone, Red Lake, and, Nipigon properties.

Liquidity and Capital Resources

The Company had cash and cash equivalents and short-term investments of $69.0 million at September 30, 2013 compared to cash and cash equivalents of $116.4 million at December 31, 2012.

On June 11, 2013, the Company completed a non-brokered private placement. The placement was comprised of 14,699,295 flow-through common shares at $1.40 per share for total gross proceeds of approximately $20.6 million. The gross proceeds of the flow-through financings must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2014. As at September 30, 2013, the Company had incurred the full $20.6 million of flow-through eligible expenditures.

The Company believes it has sufficient cash resources and liquidity to sustain its planned activities through 2013. 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.

Financial Instruments

The fair values of the Company's financial instruments consisting of cash and cash equivalents, guaranteed investment certificates, accounts receivable, and accounts payable and accruals approximate their carrying values because of their short terms 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 Company's financial assets measured at fair value consist of Investments in Mega Precious Metals, which has been classified as an available-for-sale investment, with a fair value of $80,000 at September 30, 2013 (2012 – $72,000) and classified as Level 1.

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 Unit Warrants; and,
(iii) 5 million Series B Special Unit Warrants.

The Series A Special Unit Warrants are exercisable for no additional consideration 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 Unit Warrants are exercisable for no additional consideration upon a positive production decision on the Back River Assets and in consideration of other events. The Series A and Series B Special Unit Warrants are exercisable to receive one common share and one-half of one common share purchase warrant. One whole share purchase warrant entitles the holders to purchase one common share at a price of $1.07 per share until June 9, 2014.

On October 9, 2013, the Company announced its decision to proceed with the commencement of the feasibility study for the Back River assets. In accordance with the terms of the Series A special unit warrants, the Company issued 5 million shares and 2.5 million share purchase warrants to DPM.

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 $0.3 million in relation to these obligations and has recognized a provision for site reclamation of $2.2 million. In 2012 the provision was increased by $0.3 million for increased disturbance at the Back River Project.

On October 4, 2011, in recognition of Inuit rights under the Nunavut Land Claims Agreement, the Company signed a memorandum of understanding with the Kitikmeot Inuit Association ("KIA") for the creation of a development trust (the "Trust") whereby Sabina would establish and contribute to the Trust from funds received on its silver royalty on the Hackett River project. The Trust would provide short and long term benefits to the Inuit of the Kitikmeot region, including training and education initiatives and infrastructure projects that would serve to support sustainable economic development in the region.

Under the terms of the agreement, the Trust would receive 3% of Sabina's net proceeds from the silver royalty on the Hackett River and Wishbone properties sold to Xstrata Zinc. The Trust would be comprised of a maximum of six trustees of which a majority would be KIA appointees with at least one Sabina appointee. 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. Payments may be made to the Trust in shares at Sabina's election and subject to regulatory approval. To kick off the initiative, prior to creation of the Trust, Sabina paid approximately $1.4 million to an existing KIA fund which provides for development and community initiatives in the region.

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 three years. Minimum rental payments, net of income from sublease, in each of the next three years are as follows:

(thousands of Canadian dollars)		
2013	$	37
2014		130
2015		72
	$	239

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 flagship project, the Back River Project in Nunavut Canada with the objective of becoming a mid-tier gold producer. The Company intends to aggressively complete development and environmental work on Back River in order to advance the project to production.

As noted in the Q3 2013 Highlights section, on October 9th, 2013, the Company announced the results of the ongoing PFS. Based on the positive results of the PFS, the Company has determined that it would commence a FS. The Company plans to select and engage engineering firms for the FS in the fourth quarter and expects that work would commence early in 2014.

The Company has completed sufficient field work in 2013 to complete the necessary baseline environmental studies to support the ongoing work on a draft EIS. The Company is targeting to submit the draft EIS in early 2014.

The Company wrapped up its 2013 exploration field program in early October. The Company completed an aggressive diamond drilling program in excess of 80,000 meters, which was more drilling than previous forecast. Drilling was increased in order to maximize efficiency and to ensure that sufficient infill and geo-tech drilling was completed to support the preparation of the planned FS. Total expenditures on the Back River Project in 2013 are tracking to be approximately $78 million, including exploration, development, environmental and site camp and infrastructure improvements. As a result of the significant amount of work completed in 2013, the Company expects that only minimal additional field work would be necessary in 2014 to support the completion of a FS and a final EIS.

Additionally, included in the 2013 drill program was a significant amount exploration drilling which was focused on adding value in and around existing resources and exploiting high potential satellite targets. Assay results will continue to be received and reported in the fourth quarter. Once all 2013 results have been received, the Company will update its reserve and resources and expects that the update would be completed in early 2014.

The Company estimates that the FS would be completed in Q3 2014 and that the final EIS would be completed by the end of 2014. If the project successfully passes the next stages of development and environment review, a decision to proceed to mine construction may be possible in 2015. Following the construction decision, based on the conceptual timeline in the PFS, the Company estimates that mine construction could be completed over a two-year period.

The Company continues to evaluate gold projects outside of Nunavut. Geologic assessment is ongoing on the Company's 100% owned Newman-Madsen property in Red Lake and additional work has been completed in 2013. The Company also plans to conduct an additional field visit on its 100% owned gold project in the Nipigon area of Ontario which was staked in late 2011 and is believed to have some analogies to the Back River project.

Transactions with Related Parties

For the quarter ended September 30, 2013, the Company had no transactions with related parties. As of December 31, 2011, the common director of the Company and Morton Law LLP. ceased to be a partner of Morton Law LLP. This ended the related party relationship between the Company and Morton Law LLP.

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 evaluation expenditures totalled $242.0 million at September 30, 2013 ($175.8 million – December 31, 2012).

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 results 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, 2013, the Company had a provision for site reclamation of $2.2 million in relation to the Back River exploration camps. 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 method. Under the fair value 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

Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published for the June 30, 2013 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 10 Consolidated Financial Statements for accounting periods on or after January 1, 2013;
- IFRS 11 Joint Arrangement for accounting periods on or after January 1, 2013;
- IFRS 12 Disclosures of Involvement with Other Entities for accounting periods on or after January 1, 2013;
- IFRS 13 Fair Value Measurement for accounting periods on or after January 1, 2013;
- IFRS 19, Employee Benefits for accounting periods on or after January 1, 2013;
- IAS 27 Separate Financial Statements for accounting periods on or after January 1, 2013; and
- IAS 28 Investments in Associates and Joint Ventures.

IFRS 9 Financial Instruments: effective for accounting periods commencing on or after January 1, 2015 is expected to have an impact on the Company; however, the extent of the impact has not yet been determined.

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 September 30, 2013 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, 2013 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 8, 2013, there were 194,019,926 common shares outstanding. There were options and warrants outstanding to purchase an aggregate of 14,102,410 common shares. The options were granted to certain of the Company's executive officers, directors, and employees.

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. The value of Sabina's silver royalty on the Hackett River property is dependent on, among other factors, the ability of Xstrata to define sufficient quantities of minerals that can be economically produced.

Due to the location of the Hackett River Project and the Back River Project, 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.

Qualified Person

The Qualified Person as defined by NI 43-101 as pertains to all scientific and technical information related to the Back River's mineral resource estimate in this MD&A, is Angus Campbell, P.Geo, Vice-President, Exploration, for the Company who has read and approved the scientific and technical contents of the Back River's mineral resource estimate in this MD&A.

The Qualified Person as defined by NI 43-101 as pertains to all scientific and technical information related to the Back River's mineral reserve estimate in this MD&A, is Wes Carson, P.Eng, Vice-President, Project development, for the Company who has read and approved the scientific and technical contents of the Back River's mineral reserve estimate in this MD&A.

The PFS was prepared under the direction of Tetra Tech by leading independent industry consultants, all Qualified Persons under National Instrument 43-101.

John Huang, Ph.D., P. Eng Hassan Gharffari, P. Eng Sabry Abdel Hafez, Ph.D.,P. Eng Harvey Wayne Stoyko, P.Eng Graham Wilkins, P. Eng	Tetra Tech
John Morton Shannon, P. Geo Andrew Fowler, Ph.D.MAusIMM, CP (Geo) Dinara Nussipakynova, P. Geo Herbert Smith, P.Eng	AMC
Les Galbraith, P. Eng	KP
Alistair Kent, P. Eng	Merit

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