Sabina

GOLD & SILVER CORP.

Condensed Consolidated Interim Financial Statements

(unaudited)

Quarters Ended September 30, 2018 and 2017

SABINA GOLD & SILVER CORP.

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

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 30,445	$ 14,124
Short-term investments	9,000	18,227
Accounts receivable (note 4)	1,746	336
Inventory	3,395	1,640
Prepaid expenses and deposits	307	192
	44,893	34,519
Marketable securities (note 5)	191	1,119
Property and equipment (note 6)	48,533	4,951
Mineral properties (note 7)	342,519	306,824
Hackett silver royalty	34,754	34,754
Other assets (note 8)	5,719	2,227
Total assets	$ 476,609	$ 384,394
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 12,905	$ 2,077
Flow-through share premium liability (note 11)	295	1,116
Current portion of capital lease obligation	153	51
	13,353	3,244
Capital lease obligation	-	134
Provision for site reclamation	2,621	2,238
Deferred income tax liability (note 14)	34,974	33,759
Total liabilities	50,948	39,375
Equity:		
Share capital (note 9)	478,720	396,377
Contributed surplus	28,073	25,054
Accumulated other comprehensive income	-	861
Deficit	(81,132)	(77,273)
Total equity	425,661	345,019
Total liabilities and equity	$ 476,609	$ 384,394

Nature of operations (note 1)
Commitments (note 13)

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

Approved on behalf of the Board:

"Bruce McLeod" Director   "Tony Walsh" Director

SABINA GOLD & SILVER CORP.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expenses:				
Administration and general	$ 132	$ 98	$ 411	$ 323
Depreciation	5	15	15	44
Insurance	26	25	72	69
Listing, transfer and shareholder	205	122	732	385
Professional services	354	305	954	442
Salaries and severance	452	368	1,349	1,072
Share-based compensation (note 10(a))	52	73	1,960	1,141
Travel	48	125	164	192
	1,274	1,131	5,657	3,668
Loss from operating activities	(1,274)	(1,131)	(5,657)	(3,668)
Net finance income:				
Interest income	291	136	939	422
Amortization of flow-through premium (note 11)	1,217	1,056	2,333	1,454
	1,508	1,192	3,272	1,876
Income (loss) before other items	234	61	(2,385)	(1,792)
Unrealized loss on change in fair value of marketable securities (note 5)	(430)	-	(235)	-
Gain on disposition of marketable securities (note 5)	269	437	289	607
	(161)	437	54	607
Income (loss) before income taxes	73	498	(2,331)	(1,185)
Deferred income tax expense (note 14)	(1,618)	(967)	(2,389)	(1,279)
Loss for the period	(1,545)	(469)	(4,720)	(2,464)
Other comprehensive income (loss):				
Marketable securities, change in fair value, net of tax	-	64	-	145
Marketable securities, disposal transferred to profit and loss	-	(437)	-	(607)
Unrealized loss on marketable securities	-	(373)	-	(462)
Comprehensive loss	$ (1,545)	$ (842)	$ (4,720)	$ (2,926)
Loss per share, basic and diluted	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	262,794,996	224,658,645	255,010,367	223,193,834

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

SABINA GOLD & SILVER CORP.

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Share capital:				
Balance, beginning of period	$ 477,504	$ 391,466	$ 396,377	$ 386,613
Shares issued for cash, net of share issue costs	1,573	5,952	71,436	11,594
Share issued for surface access rights (note 13)	-	-	11,122	-
Fair value of options transferred to share capital	-	502	122	638
Flow-through premium transferred to deferred liability (note 11)	(366)	(1,805)	(1,512)	(2,846)
Deferred income tax effect of share issuance costs	9	97	1,175	213
Balance, end of period	478,720	396,212	478,720	396,212
Contributed surplus:				
Balance, beginning of period	27,917	25,539	25,054	23,961
Fair value of share-based payments included in operating expenses (note 10(a))	52	73	1,960	1,141
Fair value of share-based payments capitalized to mineral properties (note 10(a))	104	14	1,181	535
Fair value of share-based payments for accrued compensation	-	-	-	125
Fair value of options transferred to share capital	-	(502)	(122)	(638)
Balance, end of period	28,073	25,124	28,073	25,124
Accumulated other comprehensive income:				
Balance, beginning of period	-	1,200	861	1,289
Reclassification on the adoption of IFRS 9, Financial Instruments (note 3(a))	-	-	(861)	-
Other comprehensive loss	-	(373)	-	(462)
Balance, end of period	-	827	-	827
Deficit:				
Balance, beginning of period	(79,587)	(75,472)	(77,273)	(73,477)
Reclassification on the adoption of IFRS 9, Financial Instruments (note 3(a))	-	-	861	-
Loss for the period	(1,545)	(469)	(4,720)	(2,464)
Balance, end of period	(81,132)	(75,941)	(81,132)	(75,941)
Total equity	$ 425,661	$ 346,222	$ 425,661	$ 346,222

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

SABINA GOLD & SILVER CORP.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in) operating activities:				
Loss for the period	(1,545)	(469)	(4,720)	(2,464)
Adjustments for:				
Depreciation	5	15	15	44
Deferred income tax expense	1,618	967	2,389	1,279
Interest income	(291)	(136)	(939)	(422)
Unrealized loss on change in fair value of marketable securities	430	-	235	-
Gain on disposition of marketable securities	(269)	(437)	(289)	(607)
Amortization of flow-through premium liability	(1,217)	(1,056)	(2,333)	(1,454)
Share-based payments	52	73	1,960	1,141
Other	-	-	-	(17)
	(1,217)	(1,043)	(3,682)	(2,500)
Accounts receivable	901	(75)	(1,192)	(331)
Inventory	828	583	(1,755)	(422)
Prepaid expenses and deposits	34	40	(115)	(224)
Accounts payable and accrued liabilities	2,053	(121)	1,198	(74)
	2,599	(616)	(5,546)	(3,551)
Interest received	263	303	721	632
Net cash provided by (used in) operating activities	2,862	(313)	(4,825)	(2,919)
Cash flows provided by (used in) investing activities:				
Expenditures on mineral properties*	(8,570)	(4,256)	(18,418)	(10,690)
Expenditures on property and equipment*	(18,248)	(21)	(38,557)	(21)
Other assets (note 8)	(7)	-	(2,007)	-
Purchase of reclamation bonds (note 8)	(1,485)	-	(1,485)	-
Proceeds (purchase) of short-term investments	3,000	(4,900)	9,227	6,300
Proceeds on disposition of marketable securities	919	536	982	745
Net cash used in investing activities	(24,391)	(8,641)	(50,258)	(3,666)
Cash flows provided by (used in) financing activities:				
Shares issued, net of share issue costs	1,572	5,952	71,436	11,594
Capital leases	(10)	(11)	(32)	(35)
Net cash provided by financing activities	1,562	5,941	71,404	11,559
Net (decrease) increase in cash and cash equivalents	(19,967)	(3,013)	16,321	4,974
Cash and cash equivalents, beginning of period	50,412	16,148	14,124	8,161
Cash and cash equivalents, end of period	30,445	13,135	30,445	13,135

*Changes in accounts payable and accrued liabilities of $1.3 million (2017 – $2.7 million) for the three months and $3.8 million (2017 - $3.0 million) for the nine months ended September 30, 2018 related to mineral property costs, and ($0.4) million (2017 – nil) for the three months and $5.8 million (2017 - nil) for the nine months ended September 30, 2018 related to purchase of property and equipment are included in investing activities for the nine months ended September 30, 2018.

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

1. Nature of operations

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

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

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

2. Basis of preparation

a) Statement of compliance

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

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 13, 2018.

b) Basis of measurement and consolidation

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant judgement is applied in the determination of the Company's ability to continue as a going concern. Significant areas requiring the use of management estimates relate to the assessment of impairment of its mineral properties and the Hackett silver royalty, the provision for site reclamation, share-based payments (note 10(a)), and deferred income tax assets (note 14). Actual results may differ from these estimates.

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

3. Changes in accounting standards

a) Current change – IFRS 9, Financial Instruments

This standard replaces IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 details new requirements for classifying and measuring financial assets. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The standard became effective for annual periods beginning on or after January 1, 2018, which is the date the Company adopted IFRS 9.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is substantially unchanged.

As a result of adopting this standard, the Company has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. An assessment was made and the impact to the Company's condensed consolidated interim financial statements was to reclassify changes in the fair value of its marketable securities through profit or loss as compared to the Company's previous policy of recording such changes in fair value in other comprehensive income. This was the result of the Company classifying its marketable securities as fair value through profit or loss financial assets upon adoption of IFRS 9. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of $0.9 million from accumulated other comprehensive income to deficit on January 1, 2018. Future changes in the fair value of these available-for-sale investments will be recorded directly in profit or loss. No other measurement differences of any significance have been noted in relation to the adoption of IFRS 9.

The following are new accounting policies for financial assets under IFRS 9. All other aspects of our accounting policies for financial instruments as disclosed in note 3(a)(ii) and 3(a)(iii) to the consolidated financial statements for the year ended December 31, 2017 are unaffected.

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

(Tabular amounts expressed in thousands of Canadian dollars)

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification under IAS 39	New Classification under IFRS 9
Cash and cash equivalents	Loans and receivables – amortized cost	Amortized cost
Short-term investments	Loans and receivables – amortized cost	Amortized cost
Accounts receivable	Loans and receivables – amortized cost	Amortized cost
Marketable securities	Available for sale – fair value through other comprehensive income	FVTPL
Reclamation deposits	Loans and receivables – amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities – amortized cost	Amortized cost

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance at adoption or as at September 30, 2018.

b) Future change – IFRS 16, Leases

In January 2016, the IASB published IFRS 16, Leases which will replace IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company is in the process of assessing the impact of this new standard for the Company's leases, including the current corporate office lease which expires in May 2020 and will also consider any new leases entered into prior to adoption.

(Tabular amounts expressed in thousands of Canadian dollars)

4. Accounts receivable

	September 30, 2018	December 31, 2017
GST receivable	$ 1,195	$ 124
Interest receivable	343	127
Other receivables	208	85
	$ 1,746	$ 336

5. Marketable securities

At September 30, 2018 and December 31, 2017, the Company's marketable securities were comprised of common shares of Pure Gold Mining Inc. ("Pure Gold") which were recorded in the consolidated statement of financial position at their fair values, which have been determined by reference to their quoted closing bid price at the reporting date. At September 30, 2018 the Company had 347,500 common shares of Pure Gold with a fair value of $0.2 million. At December 31, 2017 the Company had 1,998,000 common shares of Pure Gold with a fair value of $1.1 million.

During the three months ended September 30, 2018, the Company sold 1,550,500 common shares (2017 – 902,000 common shares) of Pure Gold for net proceeds of $0.9 million (2017 – $0.5 million). On disposition of these common shares the Company recognized a gain of $0.3 million (2017 – gains of $0.4 million).

During the nine months ended September 30, 2018, the Company sold 1,650,500 common shares (2017 –1,252,000 common shares) of Pure Gold for net proceeds $1.0 million (2017 –$0.7 million). On disposition of these common shares the Company recognized a gain of $0.3 million (2017 – gain of $0.6 million).

6. Property and equipment

Cost	Pre-development infrastructure and equipment	Exploration camp and equipment	Office and equipment	Total
Balance at January 1, 2018	$ -	$ 24,605	$ 227	$ 24,832
Additions	45,066	-	-	45,066
Balance at September 30, 2018	$ 45,066	$ 24,605	$ 227	$ 69,898
Accumulated depreciation				
Balance at January 1, 2018	$ -	$ (19,729)	$ (152)	$ (19,881)
Depreciation	(710)	(759)	(15)	(1,484)
Balance at September 30, 2018	$ (710)	$ (20,488)	$ (167)	$ (21,365)
Carrying value				
At January 1, 2018	$ -	$ 4,876	$ 75	$ 4,951
At September 30, 2018	$ 44,356	$ 4,117	$ 60	$ 48,533

Pre-development infrastructure and equipment includes heavy duty construction equipment, temporary fuel storage tanks, various light vehicles and a camp for the marine laydown area as well as the freight costs to deliver this equipment to site.

At September 30, 2018, the net book value of exploration camp and equipment assets held under capital lease arrangements was $0.1 million (December 31, 2017 - $0.1 million).

(Tabular amounts expressed in thousands of Canadian dollars)

7. Mineral properties

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

Summary - by property	September 30, 2018	December 31, 2017
Back River (Nunavut)	$ 332,155	$ 296,460
Wishbone (Nunavut)	4,632	4,632
Red Lake (Ontario)	5,732	5,732
	$ 342,519	$ 306,824

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Back River (Nunavut)				
Balance, beginning of period	$ 321,950	$ 285,554	$ 296,460	$ 276,935
Additions:				
Surface access rights (note 13(c))	7	-	13,629	-
Drilling and camp support	6,648	4,055	10,739	5,866
Detailed engineering and pre-development activities	1,432	1,586	4,854	4,396
Environmental and permitting	1,322	929	3,188	2,409
Geology & geophysics	384	259	658	726
Management & administration	43	51	215	195
Property maintenance	17	51	90	57
Provision for site reclamation	86	-	382	-
Share-based compensation (note 10(a))	104	14	1,181	535
Depreciation	162	458	759	1,838
	10,205	7,403	35,695	16,022
Balance, end of period	$ 332,155	$ 292,957	$ 332,155	$ 292,957

8. Other assets

	September 30, 2018	December 31, 2017
Reclamation deposits	$ 3,712	$ 2,227
Community funding deposit account (note 13(c))	2,007	-
	$ 5,719	$ 2,227

The community funding deposit account includes the initial $2.0 million contribution from May 30, 2018 plus interest earned on the balance.

(Tabular amounts expressed in thousands of Canadian dollars)

9. Share capital and other components of equity

At September 30, 2018, 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:

	2018		2017	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	226,888,181	396,377	220,060,902	386,613
Issued for cash, net of share issuance costs	30,102,151	71,360	5,633,265	11,448
Issued on exercise of stock options	99,214	76	959,485	146
Issued for surface access rights (note 13)	6,700,000	11,122	-	-
Fair value of stock options exercised	-	122	-	638
Deferred income tax effect of share issue cost	-	1,175	-	213
Flow-through share premium liability (note 11)	-	(1,512)	-	(2,846)
Issued and outstanding at September 30	263,789,546	478,720	226,653,652	396,212

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

On May 17, 2018, the Company completed a private placement financing of 3,355,500 flow-through common shares at a price of $2.00 per common share for gross proceeds of $6.7 million. Costs associated with the financing totaled $0.03 million. The proceeds must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2019.

On June 6, 2018, the Company issued 6,700,000 common shares to Kitikmeot Inuit Association ("KIA") related to the provisions of the definitive Framework Agreement between Sabina and KIA, which was finalized on April 23, 2018 (note 13).

On June 7, 2018, the Company completed a private placement financing of 800,000 common shares at $1.67 per share for gross proceeds of $1.3 million. Costs associated with the financing totaled $0.04 million.

On September 28, 2018, the Company completed a private placement financing of 1,016,651 flow-through common shares at a price of $1.56 per common share for gross proceeds of $1.6 million. A further 32,051 flow-through common shares were issued on October 1, 2018 for additional gross proceeds of $0.05 million. Costs associated with the financing totaled $0.01 million. The proceeds must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2019.

10. Share-based payments

a) Share purchase options

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

	2018			2017		
	Number of options		Average exercise price	Number of options		Average exercise price
Outstanding as at January 1	12,234,500	$	1.14	13,972,000	$	1.49
Exercised during the period	(99,214)		1.27	(959,485)		0.74
Forfeited or expired during the period	(2,135,786)		2.64	(2,849,515)		3.16
Granted during the period	3,270,000		2.05	2,391,500		1.29
Outstanding at September 30	13,269,500		1.12	12,554,500		1.13
Not vested at September 30	(968,333)		1.53	(250,000)		0.43
Exercisable as at September 30	12,301,167	$	1.09	12,304,500	$	1.14

As permitted under the Company's Stock Option Plan, 150,000 options (2017 – 262,000 options) were exercised as stock appreciation rights during the nine months ended September 30, 2018, resulting in the issuance of 39,214 common shares (2017 – 85,515 common shares) with no cash proceeds. The common shares issued represent the difference between the market price of the common shares at the date of issuance and the exercise price of the stock options exercised divided by the market price at the exercise date. The difference between the number of options exercised and the number of shares issued is included in forfeited or expired options in the table above. Additionally, 60,000 options (2017 – nil) were exercised during the nine months ended September 30, 2018 for cash proceeds of $0.1 million (2017 – $nil).

(Tabular amounts expressed in thousands of Canadian dollars)

The following table summarizes the outstanding options as at September 30, 2018 by year of expiry:

Year	Number of options		Average exercise price
2018	100,000	$	0.81
2019	1,658,000		0.94
2020	5,820,000		0.60
2021	190,000		0.91
2022	2,246,500		1.31
2023	3,255,000		2.05
Outstanding at September 30, 2018	13,269,500		1.12
Not vested at September 30, 2018	(968,333)		1.53
Exercisable atSeptember 30, 2018	12,301,167	$	1.09

Employee compensation cost

During the three months ended September 30, 2018, the Company recorded $156 thousand (2017 - $87 thousand) in share-based compensation, of which $52 thousand (2017 - $73 thousand) is presented as an operating expense in the consolidated statement of comprehensive loss and $104 thousand (2017 - $14 thousand) is capitalized to mineral property costs.

During the nine months ended September 30, 2018, the Company recorded $3.1 million (2017 - $1.7 million) in share-based compensation, of which $1.9 million (2017 - $1.1 million) is presented as an operating expense in the consolidated statement of comprehensive loss and $1.2 million (2017 - $0.6 million) is capitalized to mineral property costs, and $nil (2017 - $0.1 million) relates to the payment of compensation costs accrued for at the end of the prior year.

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, with weighted average inputs at grant date as follows: a risk-free interest rate of 1.9% (2017 – 1.1%); a dividend yield of 0% (2017 – 0%); an expected volatility of 67% (2017 – 70%) and expected lives of stock options of 5.0 years (2017 – 5.0 years). The weighted average fair value of options granted during the nine months ended September 30, 2018 was $1.13 per option (2017 – $0.76).

b) Back River share consideration

In connection with the original asset purchase dated June 9, 2009 to acquire the Back River assets from Dundee Precious Metals ("DPM"), the Company agreed to provide future equity consideration in the event certain milestones related to the project were met. At September 30, 2018, the remaining consideration consists of 5 million common shares of the Company, which would be issuable upon a positive production decision for the Back River Project.

(Tabular amounts expressed in thousands of Canadian dollars)

11. Flow-through premium liability

		2018		2017
January 1	$	1,116	$	-
Financings		1,512		2,846
Amortization		(2,333)		(1,454)
September 30	$	295	$	1,392

The Company completed a flow-through financing in May 2018 for total gross proceeds of $6.7 million, which must be used to incur Canadian exploration expenditures. The flow-through premium liability of $1.1 million set up from this financing will be amortized over the period in which the funds are spent on qualifying expenditures. At Septemer 30, 2018, Sabina had incurred qualifying expenditures of $6.7 million, resulting in the amortization of $1.1 million of the flow-through premium related to this financing.

The Company completed a flow-through financing in September 2018 for total gross proceeds of $1.6 million, which must be used to incur Canadian exploration expenditures. The flow-through premium liability of $0.4 million set up from this financing will be amortized over the period in which the funds are spent on qualifying expenditures. At Septemer 30, 2018, Sabina had incurred qualifying expenditures of $0.3 million, resulting in the amortization of $0.1 million of the flow-through premium related to this financing.

During 2017, the Company completed two flow-through financings for total gross proceeds of $12.2 million, which must be used to incur Canadian exploration expenditures. A flow-through premium liability of $2.8 million was set up as a result of these financings, of which $1.7 million was amortized during 2017 (based on qualifying expenditures of $7.8 million) with the remaining balance of $1.1 million amortized during the six months ended June 30, 2018 (based on qualifying expenditures of $4.4 million).

12. Related parties

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

		Three months ended September 30,				Nine months ended September 30,		
		2018		2017		2018		2017
Salaries and benefits	$	544	$	374	$	1,412	$	1,229
Share-based compensation, non-cash		138		4		2,307		1,196
	$	682	$	378	$	3,719	$	2,425

13. Commitments

On April 23, 2018, the Company jointly announced with Kitikmeot Inuit Association (“KIA”) completion of a definitive Framework Agreement (“FA”) on terms consistent with the Binding Term Sheet announced on October 18, 2017. The FA, which provides the commercial leases authorizing mine development and operations, is a comprehensive agreement which sets out rights and obligations with respect to surface land access on Inuit owned land at the Back River Project. The FA includes an Inuit impact and benefits agreement (“IIBA”) and other obligations required by the Nunavut land claims agreement with certain key provisions:

- (a) A 20-year term;
- (b) Surface access rights for exploration, development, mine construction and mine operations activities; and
- (c) Certain payments for such rights, including:
  - (i) Annual payments to KIA of $0.5 million until the year Sabina makes a production decision for its Back River Project, following which the annual payments rise to $1.0 million ($0.5 million paid on May 30, 2018);
  - (ii) Issuance to the KIA of 6.7 million common shares of Sabina (issued on June 6, 2018 at a share price of $1.66 for total consideration of $11.1 million);
  - (iii) Grant to the KIA of a 1% net smelter royalty on future production at Back River; and
  - (iv) An initial investment of $4.0 million into regional wealth creation initiatives in the Kitikmeot (Sabina set aside $2.0 million to be held in trust on May 30, 2018 for the benefit of KIA with the remaining $2.0 million to be funded upon Sabina making a production decision for its Back River Project).

(Tabular amounts expressed in thousands of Canadian dollars)

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 the following deferred tax assets and liabilities:

	September 30, 2018	December 31, 2017
Deferred tax assets/(liabilities)		
Tax loss carry forwards	$ 29,939	$ 24,224
Financing costs	1,376	490
Provision for closure and reclamation	707	604
Other	24	(7)
Flow-through share effect on mineral properties	(54,093)	(51,009)
Mineral properties	(14,712)	(12,438)
Property and equipment	1,785	4,377
Net deferred tax liability	$ (34,974)	$ (33,759)

Sabina has tax loss carry forwards at September 30, 2018 of approximately $110.9 million expiring from 2031 to 2038 (December 31, 2017 – $89.7 million).

The income tax expense differs from the expected amount calculated using the combined Canadian federal and provincial statutory income tax rates of 27.0% (2017 – 27.0%) as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expected income tax (expense) recovery	$ (20)	$ (134)	$ 629	$ 320
Share-based payments and other permanent differences	296	324	110	166
Flow-through renunciation	(1,895)	(1,194)	(3,126)	(1,820)
Other	1	37	(2)	55
Income tax expense	$ (1,618)	$ (967)	$ (2,389)	$ (1,279)

This Management's Discussion and Analysis ("MD&A") of Sabina Gold & Silver Corp. ("Sabina" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2018. The MD&A was prepared as of November 13, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2018 and the audited consolidated financial statements for the year ended December 31, 2017, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars unless otherwise stated.

Overview

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

Q3 2018 Highlights:

- The Company had cash and cash equivalents and short-term investments of $39.4 million at September 30, 2018.

- During the quarter, Sabina continued to advance pre-development activities for the Back River Project, including: review of technical and commercial proposals from major vendors for the supply of the gold plant , selection of the single major vendor that will supply the gold plant equipment, completion of earthworks activities at the Marine Laydown Area ("MLA") including the camp pad, construction laydown areas, freight storage pad, shoreline landing pads, desalination pad, and gravel airstrip; commencement of earthworks activities at the Goose property related to initial road and pad construction; and completed delivery of construction heavy equipment, spares and supplies to the MLA via two sealifts in August and September.

- During the quarter, the Company commenced its second phase summer drill program, which was initially planned for 10,000 meters at the Goose property to follow up at the Umwelt Vault Zone and Llama Extension targets, as well as further testing of the Nuvuyak target as an extension to the Goose Main deposit. The program was subsequently expanded to approximately 16,500 meters following completion of a private placement in September (see below). Early success from the program was highlighted by a significant new high-grade gold discovery, the Nuvuyak gold zone, occurring approximately one kilometer to the west of the Goose Main Deposit where drill hole 18GSE545 intersected 11.58 g/t gold over 39.50 meters with abundant visible gold. Additional highlights from the program were focused around the Llama Extension target and included drill hole 18GSE548B which returned 17.96 g/t gold over 4.60 meters and drill hole 18GSE546 which returned 11.43 g/t gold over 5.48 meters.

- On September 24, 2018, the Company announced that the Nunavut Water Board ("NWB") had provided a positive recommendation to the Minister of Intergovernmental Affairs, Northern Affairs and International Trade ("Minister") that the Type A Water License for the Back River Project should be issued with proposed terms and conditions. Sabina expects to receive the Type A Water License in Q4 2018, representing a key step in the environmental permitting process enabling activities at site including both mine construction and operations.

- On September 28, 2018 and October 1, 2018, the Company completed a non-brokered private placement of 1,048,702 flow-through common shares at a price of $1.56 per share for gross proceeds of $1.6 million. The gross proceeds must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2019.

- For the three and nine months ended September 30, 2018, the Company reported net losses of $1.5 million or $0.01 per share and $4.7 million or $0.02 per share, respectively.

Results of Operations

Back River, Nunavut (100% ownership)

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

The 2018 work program is focused on advancing the Back River Project and includes:

- Commencement of pre-development infrastructure activities, earthworks, construction of the MLA and procurement of key infrastructure and equipment for both the MLA and Goose site;
- Completion of detailed engineering required to support full-implementation of the project development in 2019 and further development of the project execution plan;
- Completion of the permitting process and receipt of both Type A and B water licenses (of which, the Type B license was received in Q1 2018 and the Type A license is on track for Q4 2018);
- Completion of a targeted exploration program; and
- Advancement of the project debt finance process.

Back River Project Exploration

During 2018, Sabina planned a significant exploration diamond drilling program along with field mapping, rock sampling, till sampling and diamond drilling at the Goose Property of Back River. This work was designed to expand and optimize existing resources and advance and delineate exploration targets towards the discovery of new mineralization that has the potential to favorably impact project economics with drilling completed in two phases.

The Goose Camp opened in mid-February 2018 and drilling commenced in early March. The 6,000 meter, first phase spring drill program was focused on following up on the 2017 significant results at Vault and Llama, including 16.86 g/t gold over 13.50 m in drill hole 17GSE511B at Vault (see news release May 23, 2017) and 9.48 g/t gold over 38.55 m in drill hole 17GSE516B at Llama Extension (see news release September 5, 2017). During March through May 2018, a total of 6,033 meters of drilling was conducted over 10 holes and six target areas on the Goose property.

In late June, Sabina commenced its second phase summer drill program, which was initially planned for 10,000 meters of drilling, focused on testing targets at Llama Extension, the Nuvuyak target, the Echo deposit, Boulder Project targets and Umwelt Vault zone. Following the significant new high-grade discovery, the Nuvuyak gold zone (see news release dated August 20, 2018), the Company expanded its planned exploration program to 12,000 meters. This was further increased to 16,500 meters given the success of drilling at Nuvuyak and following an additional equity financing of flow-through common shares in September and October. Regional and detailed geologic mapping as well as rock and till sampling programs also complemented the exploration program during the summer months.

Nuvuyak Gold Zone (Goose Main Trend)

There has been limited historical drilling on the Nuvuyak mineralized trend west of the current Goose Main deposit. Recent modeling concepts have highlighted potential for probable extensions to this significant gold structure. The mineralization trend remains open along strike as well as up and down plunge, presenting an opportunity for continued discovery and growth as is found at the Umwelt and Llama deposits.

Drilling in the 2018 spring program included two holes totaling 1,582 meters, whereby Sabina confirmed the presence of positive exploration elements including notable gold values up to 9.50 g/t.

Continued drill testing in the 2018 summer program led to the discovery of the significant high-grade mineralization at Nuvuyak, including the following results:

- Discovery drill hole 18GSE545 returned values of 11.58 g/t gold over 39.50 meters, including 48.73 g/t gold over 3.15 meters and 52.12 g/t gold over 2.45 meters.

- Drill hole 18GSE558 returned values of 16.39 g/t gold over 13.20 meters, 7.78 g/t gold over 12.40 meters and 13.32 g/t gold over 5.10 meters.

The Nuvuyak gold zone discovery intercept is located approximately 850 along strike to the west of the Goose Main deposit and approximately 1,000 meters down plunge. The mineralization is hosted within a polyphase folded sequence of the Back River lower iron formation stratigraphy, with the horizon of mineralization characterized as having many similarities with current Back River resources hosted at the Umwelt Vault zone greater than two kilometers along trend. Early interpretations recognize the potential for a large-scale mineral trend extending from Goose Main to Umwelt Vault that may transect large portions of the central Goose property, much of which is largely underexplored. The Nuvuyak gold zone remains open in all directions with a number of results from the current drill program still pending as of this report.

<u>Umwelt Vault Zone</u>

Drill testing of the Vault zone during 2017 continued to highlight the potential for significant widths of higher grade mineralization along a central corridor with strike potential of over 300 meters. Last year's drill hole 17GSE523B returned 9.00 g/t gold over 28.70 meters.

Drilling in the 2018 spring program included two holes totaling 1,400 meters, with the following significant results:

- Drill hole 18GSE532 returned 4.93 g/t gold over 23.90 meters, including 8.38 g/t gold over 11.45 meters.
- Drill hole 18GSE534 returned 5.24 g/t gold over 17.40 meters.

Drilling in the 2018 summer program with two holes continued to test the high-grade potential at the Vault by targeting high-grade extension opportunities of the deposit. These drill results are expected to be released in late November following receipt and compilation of the assays.

<u>Llama Extension</u>

Drilling in the 2018 spring program included three holes totaling 2,220 meters to test the expansion potential surrounding the high value intercepts reported in 2017 where mineralization was identified well down plunge (~500m) of current deposit resources. Significant results include the following:

- Drill hole 18GSE530 returned 15.67 g/t gold over 23.25 meters, including 32.56 g/t gold over 10.30 meters.
- Drill hole 18GSE535 returned 28.95 g/t gold over 5.65 meters, including 47.51 g/t gold over 2.90 meters.
- Drill hole 18GSE533 returned 15.43 g/t gold over 3.15 meters, including 34.48 g/t gold over 1.25 meters.

Drilling in the 2018 summer program consisted of six holes totaling 4,113 meters, with five holes testing the Llama gold structure up-plunge extension from the previous 2017 and 2018 drilling. Significant results include the following:

- Drill hole 18GSE548B returned 17.96 g/t gold over 4.60 meters.
- Drill hole 18GSE547 returned 6.20 g/t gold over 13.80 meters.
- Drill hole 18GSE546, the lone hole from this summer program testing Llama extension in the down-plunge direction, returned 11.43 g/t gold over 5.48 meters and demonstrates that the gold structure is open at depth.

Success at the target presents an opportunity for underground development at the deeper Llama resource trend, which is not part of the current mine development plan. The high-grade Llama Extension zone remains open in all directions and is now demonstrated to be over 400 meters in length and approximately 150 meters below the current Llama underground resource.

<u>Other Targets</u>

Targeting in the 2018 summer drilling program at the Goose property included the Echo deposit, where vectoring and advancement of the Echo – Kogoyok trend continued. Additionally, targeting on the nearby Boulder property along a 1.5 km long untested stretch of prospective iron formation included several drill holes. These drill results are expected to be released in late November following receipt and compilation of the assays.

<u>Field Exploration</u>

Field exploration mapping, till geochemistry and geochronology programs were completed in September 2018 to advance both the Goose property and regional targeting initiatives. Sabina controls a series of highly prospective exploration properties over an area of approximately 80 km at the Back River project that are believed to have district scale synergies for future development.

Back River Project Development

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

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

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

During 2017, project activities were focused around the completion of basic engineering and certain value engineering initiatives. This work was tasked to a joint venture between Sedgman Canada and CGT Industrial (Clark Builders, the Gisborne Group and Tarpon Energy Services), collectively ("SCGT") (process, infrastructure, and overall project assembly), Golder and Associates (geotechnical, waste/water management, closure), Nor-Ex Ice Engineering (winter road design), Kitnuna BBE Expediting (logistics and transportation) and Nuna West Mining Ltd. and Matrix Kitikmeot Ltd. (early construction works at the MLA and Goose project site).

During Q1 2018, work on detailed engineering continued along with commencement of pre-development activities at the MLA, and procurement of key pieces of equipment and supplies required to start pre-development earthworks at the Goose site. Activities at the MLA included preparation of the ice strip as well as commencing construction of the temporary camp and lay down pads.

During Q2 2018, specific activity at the MLA site included the following:

- Hercules flight campaign to deliver equipment to site, including heavy mobile equipment (drills, rock trucks, loaders, skid-steers and excavators which were supplemented with a dozer and a loader that were transported over winter cat train from the Goose site) as well as temporary fuel storage tanks and various light vehicles for expanded operations;
- Air transport of 0.6 million litres of diesel (first fills of the new storage tanks) required to support work at the MLA;
- Completion of the camp to facilitate additional site personnel (primarily contractors) during the earthworks campaign;
- Addition of a full-time Construction Manager to the owner's team to oversee site operations; and
- Initial blasting in early May as part of the quarry activities for road construction, storage pads and other facilities.

During Q3 2018, specific activity up at the MLA and Goose site included the following:

- Completion of earthworks activities at the MLA including the camp pad, construction laydown areas, freight storage pad, shoreline landing pads, desalination pad, and gravel airstrip;
- Commencement of earthworks activities at the Goose property related to initial road and pad construction, including engineering and design work for a stream crossing at site;
- Delivery in August of the first sealift of materials (including bulk fuel storage tank construction materials) and equipment (including fuel truck, water truck, other mobile fleet items such as manlifts and pickup trucks) from Hay River, Northwest Territories via the western arctic route; and

- Delivery in September of bulk ammonium nitrate on a sealift from the eastern port in Valleyfield, Quebec.

The project team continued to advance various aspects of detailed engineering, including selection of the major vendor for the supply of the majority of the gold plant and developing an updated integrated project execution schedule. Additionally, logistics were planned and executed to support overland and sealift transport of the construction equipment, spares and material supplies required to support early construction works at the Goose site. The first delivery of materials via sealift from the western sea route arrived in mid-August followed closely by the first sealift of mining supplies from the eastern sea route in mid-September. A third sealift had been opportunistically planned to be attempted in 2018, targeting delivery of supplies to the MLA by mid to late September. This final sealift was not completed due to safety precautions given ice conditions. Typically, ocean shipments have open water access from mid-July to mid-October. The Company is planning to deliver by air in early 2019 some of the supplies (including certain equipment and fuel) which had been planned to be delivered on this sealift. The Company does not believe that there would be any impact to the overall Back River Project schedule as a result. The successful completion of two of the three sealifts has provided confirmation of both the eastern and western sealift routes and receiving capabilities of Sabina's MLA facilities, which were constructed in 2018.

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

Back River Project Community and Social Responsibility

Environmental Assessment and Permitting

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

In Q1 2018, the NWB issued the Type B water license to Sabina. The Type B water license is a key authorization to complete work planned for the Back River Project in 2018 and permits Sabina to complete pre-development activities, including infrastructure works at the MLA as well as earthworks to establish all weather roads between the deposits, camp sites and the mill site.

During Q2 2018, Sabina continued to work on advancing the Type A water license process, including completion of technical meetings in Cambridge Bay, Nunavut. The Type A water license represents a key step in the environmental permitting process and will enable all activities at site including mine construction and operations.

During Q3 2018, the Company completed final Type A Water License hearings with the NWB in Cambridge Bay. The NWB subsequently issued its recommendation on September 21, 2018 to the Minister that the Project's Type A Water License should be issued with proposed terms and conditions. This process remains on track for completion and receipt of the Type A water license in Q4 2018.

Sabina will require additional authorizations or approvals from various federal and territorial departments, as well as various notifications from Sabina to various federal and territorial departments, throughout the construction and operational phase of the Project. These include, but may not be limited to:

Authorization/Approval	**Anticipated date of Receipt**
Type A Water License	Q4 2018
MDMER Schedule 2 Listing for Tailing Storage Facility	H2 2019 to H2 2020
Fisheries and Oceans Canada Fisheries Offset Plan & Letter of Authorization	Q2 2019 and ongoing
Crown-Indigenous Relations and Northern Affairs ("CIRNA") Land Lease (x2) • Tailings Storage Facility • Marine environment	 Q4 2018 Received in August 2018
INAIT Land Use License • Winter Ice Road/Cat Train	 Q4 2018

Transport Canada Navigation Protection Program Approval (x3) • Desalination Plant Intake • Desalination Plant Discharge • Lightering Barge Terminal	 Received in June 2018 Received in June 2018 Q4 2018
Transport Canada Navigation Protection Program Approval (x2) • Llama Lake Dewatering • Umwelt Lake Dewatering	 Q2 2019 Q2 2019

The majority of these approvals or authorizations require 30 to 120 days from submission to receipt. As noted above, the Type A Water License process is longer but is anticipated to be completed in Q4 2018.

In December 2017, Sabina commenced the process under the Metal and Diamond Mines Effluent Regulation ("MDMER") related to operation of the tailings storage facility as contemplated in the 3KFS. Under Schedule 2 of MDMER, waterbodies frequented by fish must be approved and listed in the Regulations if a deleterious material is proposed to be placed in the waterbodies. The Company anticipates that the Schedule 2 process could be successfully completed in approximately 12-24 months following Environment and Climate Change Canada's completion of the Regulatory Impact Analysis Statement, the latter of which we anticipate may be completed in Q4 2018. As such, Sabina expects the Schedule 2 process to be completed well in advance of the initial deposition of tailings in late Q4 2021.

Land Tenure Agreements

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

On April 23, 2018, the Company jointly announced with the KIA completion of a definitive Framework Agreement ("FA") on terms consistent with the Binding Term Sheet announced on October 18, 2017. The FA, which provides the commercial leases authorizing mine and development and operations, is a comprehensive agreement which sets out rights and obligations with respect to surface land access on Inuit owned land and includes an IIBA and other obligations required by the Nunavut Agreement, including the following key provisions:

- A 20-year term;
- Surface access rights, including:
  - Land use licenses to conduct exploration work at Back River;
  - Advanced exploration leases permitting various advanced exploration and pre-production activities at Back River; and
  - Commercial leases authorizing the development of mines and related operations and closure activities at the Goose Property;
- Certain payments, including:
  - Annual payments to KIA of $0.5 million until the year Sabina makes a production decision for its Back River Project, following which the annual payments rise to $1.0 million ($0.5 million paid during the quarter);
  - Issuance to the KIA of 6.7 million common shares of Sabina (issued during the quarter at a share price of $1.66 for total consideration of $11.1 million);
  - Grant to the KIA of a 1% net smelter royalty on production at Back River; and,
  - An initial investment of $4.0 million into regional wealth creation initiatives in the Kitikmeot (During the quarter, the Company contributed $2.0 million to a deposit account for the benefit of future Kitikmeot community funding initiatives. The remaining $2.0 million would be funded upon Sabina making a production decision for its Back River Project).

Summary of Results

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

	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Total assets	$ 476,609	$ 472,964	$ 455,291	$ 384,394	$ 387,802	$ 380,166	$ 380,425	$ 374,805
Loss	(1,545)	(565)	(2,610)	(1,332)	(469)	(566)	(1,429)	(1,958)
Per Share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)

1. During the three months ended December 31, 2016, the Company's loss of $2.0 million includes a write-down of mineral properties of $1.9 million.

Overall Performance

For the three months ended September 30, 2018, the Company's net loss of $1.5 million compared to $0.5 million in the comparative quarter in 2017. The difference was largely the result of a net loss on changes in fair market value and disposition of marketable securities (as compared to a gain in the comparative quarter) and higher income tax expense, all partially offset by an increase in net finance income, with the reasons for such changes being consistent with the explanations below for the nine month period ended September 30, 2018.

For the nine months ended September 30, 2018, the Company reported a net loss of $4.7 million compared to $2.5 million in the comparative period in 2017. The difference was largely the result of higher operating expenses (share-based payments, professional fees, listing fees and salaries as discussed below), a smaller gain on disposition of marketable securities and higher income tax expense, all partially offset by an increase in net finance income.

For the nine months ended September 30, 2018, operating expenses were $5.7 million compared to $3.7 million in the comparative period in 2017. Period-over-period increases in operating expenses are summarized below.

(figures in $ millions)

Expense	Variance	Description
Listing, transfer and shareholder	0.3	Higher share listing and filing fees given additional 36.9 million common shares and higher market capitalization.
Professional services	0.5	Financial advisory and legal fees for Back River Project financing initiative.
Salaries and severance	0.3	Driven primarily by staff increases in 2018.
Share-based payments	0.8	Higher fair value of stock options granted combined with greater number of options granted.

For the nine months ended September 30, 2018 net finance income was $1.4 million greater than the same period in 2017 due to the amortization of the flow-through premium associated with flow-through financings completed in 2017 and 2018 as well as higher interest income due to an overall increase in cash.

For the nine months ended September 30, 2018, the net gain on disposition and fair market value changes of marketable securities was $0.1 million (2017 – $0.6 million), the result of share dispositions related to Sabina's investment in Pure Gold Mining Inc. ("Pure Gold").

For the nine months ended September 30, 2018, deferred income tax expense was $2.4 million (2017 – $1.3 million), driven primarily by the renunciation of flow-through expenditures.

For the nine months ended September 30, 2018, deferred mineral properties expenditures were $35.7 million compared to $16.0 million in the comparative period. Period-over-period increases in deferred expenditures are summarized below.

(figures in $ millions)

Deferred Exploration Expenditures	Variance	Description
Surface access rights	13.6	Payments to KIA as required by the FA: issuance of Sabina shares, regional wealth funding and annual payment (see discussion above in subsection "Land Tenure Agreements" for details).
Drilling and camp support	4.9	21,253 meters drilled Q3 2018 year-to-date whereas 11,636 meters drilled in the same period of 2017.
Detailed engineering and pre-development activities	0.5	In 2018, increased expenditures on detailed engineering, including engineering associated with the proposed winter ice road as well as geotech drilling to confirm ground conditions for potential site infrastructure locations.
Environmental and permitting	0.8	Current expenditures relate to KIA land tenure negotiations and Type A water license while previous year expenditures were related to completion of the FEIS Addendum.
Provision for site reclamation	0.4	Increase in the current year relates primarily to earthworks activities at the MLA.
Share-based payments	0.6	Higher fair value of stock options granted combined with greater number of options granted.

For the nine months ended September 30, 2018, pre-development capital additions were $45.1 million, which includes $22.9 million of mobile and construction equipment, earthworks and site infrastructure of $21.5 million, and capitalized depreciation of $0.7 million.

Outlook

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

The Company forecasts expenditures of ~$86 million for its planned activities in 2018, including:

- Pre-development infrastructure activities, earthworks, construction of the MLA and procurement of key infrastructure and equipment for both the MLA and Goose site;
- Completion of detailed engineering required to support full-implementation of the project development in 2019 and further development of the project execution plan;
- Completion of the permitting process and receipt of both Type A and B water licenses (of which, the Type B license was received in Q1 2018 and the Type A license is on track for Q4 2018);
- Completion of a targeted exploration programs; and
- Advancement of the project debt finance process.

The Company planned its initial exploration program in 2018 to follow up on opportunities for additional discoveries that were identified in 2017, including significant results obtained at the Llama Extension and the Umwelt Vault, along with additional drill testing of targets at the Goose Main trend, Echo-Kogoyok trend, and the lower DIF horizon. Following the positive results from the spring drill program completed in May 2018, Sabina completed a flow-through equity financing of $6.7 million. These funds were utilized in the Q3 2018 summer drill program, resulting in the discovery of the significant new high-grade Nuvuyak gold zone. An additional flow-through equity financing of $1.6 million was completed in September to extend the summer drill program to 16,500 meters.

As Sabina continues to advance pre-development activities at its Back River Project toward a production decision, efforts are focused on the advancement and completion of permitting, project de-risking and optimization and project financing.

Liquidity and Capital Resources

The Company had cash and cash equivalents and short-term investments of $39.4 million at September 30, 2018 compared to $32.4 million at December 31, 2017.

During Q1 2018 the Company completed a financing of 24,930,000 common shares with Zhaojin International Mining Co., Ltd. at a price of $2.65 per share for net proceeds of $62.1 million (after financing costs of $4.0 million), with funds to be used to advance development of the Company's Back River Project as well as general corporate purposes.

During Q2 2018 the Company completed a non-brokered private placement of 3,355,000 flow-through common shares at a price of $2.00 per share for gross proceeds of $6.7 million, which must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2019.

Additionally, during Q2 2018, the Company completed a non-brokered private placement of 800,000 common shares at a price of $1.67 per share for gross proceeds of $1.3 million.

During Q3 2018 the Company completed a non-brokered private placement of 1,048,702 flow-through common shares at a price of $1.56 per share for gross proceeds of $1.6 million. The private placement was closed in two tranches, with 1,016,651 common shares issued on September 28 and 32,051 common shares issued on October 1, 2018. The gross proceeds of this financing must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2019.

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

Financial Instruments

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

At September 30, 2018, the Company had 347,500 common shares of Pure Gold with a fair value of $0.2 million (December 31, 2017 – 1,998,000 shares at $1.1 million).

Liabilities and Contingencies

During Q3 2018, the Company issued security of $1.5 million as a condition of the receipt of its Type B water license earlier in the year. This security amount was set by the NWB for the expected additional site reclamation costs for the activities contemplated under the Type B water license. This reclamation obligation currently accounts for $0.4 million of Sabina's provision for site reclamation based on 2018 activities and the disturbances to date.

To date the Company has the legal obligation to reclaim exploration camps for which it holds water licenses and exploration and mining agreements and has recorded a provision for site reclamation of $2.6 million. The Company has issued total security deposits of $3.7 million to the KIA as land owner in relation to these obligations, including the $1.5 million noted above and issued in Q3 2018.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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

See Critical Accounting Estimates in the Company's 2017 annual MD&A as well as note 3 of the 2017 audited consolidated financial statements for a detailed discussion of the areas in which critical accounting estimates are made.

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

New Accounting Standards

On January 1, 2018, the Company adopted IFRS 9, Financial Instruments which replaces IAS 39, Financial Instruments: Recognition & Measurement. An assessment was made and the impact to the Company's consolidated financial statements was to reclassify changes in the fair value of its marketable securities through profit or loss as compared to the Company's previous policy of recording such changes in fair value in other comprehensive income. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of $0.9 million from accumulated other comprehensive income to deficit on January 1, 2018. Future changes in the fair value of these available-for-sale investments will be recorded directly in profit or loss. Additional disclosures have been provided in note 3(a) to the Company's September 30, 2018 interim condensed consolidated financial statements.

In January 2016, the IASB published IFRS 16, Leases which will replace IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company is in the process of assessing the impact of this new standard for the Company's leases, including the current corporate office lease which expires in May 2020 and will also consider any new leases entered into prior to adoption.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Sabina's management is responsible for establishing and maintaining adequate disclosure controls and internal control over financial reporting. Any system of internal controls, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of our financial statements. There have been no changes in our disclosure controls and internal control over financial reporting during the three and nine months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Outstanding Share Data

As at November 13, 2018, there were 263,948,067 common shares outstanding and there were options and warrants outstanding to purchase an aggregate of 18,069,500 common shares.

Risks and Uncertainties

For full details on the risks and uncertainties affecting the Company, please refer to the Company's audited annual consolidated financial statements and notes, annual MD&A and annual information form for the year ended December 31, 2017. These documents may be obtained or viewed on the SEDAR website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

The following supplements or updates the risks and uncertainties included in the documents referred to above.

Surface access rights

With the exception of certain portions of the Back River Project, which are on federal lands, the bulk of the Back River Project lies on Inuit owned lands, the surface rights for which are administered by the KIA. Surface rights have been or are expected to be conferred by the KIA on the Company by way of land use licenses, advanced exploration leases and commercial leases, all of which are governed by the FA. The Company believes it has a good relationship with the KIA and that all its current surface rights are in good standing with the KIA. There can be no guarantee that the terms upon which surface rights are extended to the Company by the KIA will not change materially from those upon which existing surface rights were granted or that the Company will be able to meet the future requirements for accessing surface rights.

Renewing and Obtaining Government Permit and Authorizations

The Company's operations are subject to extensive federal, territorial and local laws and regulations governing, among other things, such matters as environmental protection, management and use of toxic substances and explosives, health, exploration and development of mines, production and post-closure reclamation, safety and labour, taxation and royalties, maintenance of leases and claims, and expropriation of property. The activities of the Company require permits, licenses and authorizations from various governmental authorities and Inuit associations.

The costs associated with compliance with these laws and regulations and of obtaining permits and licenses are substantial, and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities and Inuit associations, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's activities and delays in the development of its properties. There is no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even the actions of former property owners, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company may fail to comply with current or future laws and regulations. Such non-compliance can lead to financial restatements, civil or criminal fines, penalties, and other material negative impacts on the Company.

As the exploration and development activities of the Back River Project proceed, the Company may be required to obtain or renew government permits, licenses and authorizations for its current and contemplated operations. Obtaining or renewing the necessary governmental and Inuit permits, licenses and authorizations can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits, licenses and authorizations are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant authority.

The Company believes it would be required to obtain an amendment to Schedule 2 of the MDMER in order to manage tailings and mine waste as contemplated in the 3KFS. The MDMER includes provisions for the authorization of mine waste disposal in fish-frequented waters for the purposes of a mine waste disposal area. This authorization requires that these water bodies be added, by the Governor in Council, to Schedule 2 of the MDMER. While the Company is advancing the process to request an amendment to Schedule 2 and the timelines required to obtain such authorization have not been confirmed at this time, no disruption to the production schedule is anticipated.

There is an increasing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company seeks to operate in a socially responsible manner and believes it has good relationships with local communities in the Kitikmeot region, NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of the Company in respect of one or more of its properties, regardless of its successful compliance with social and environmental best practices, due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The use of water sources near the Back River Project is subject to certain environmental and permitting restrictions. In particular, much of the water use at the Back River Project is subject to the consent and oversight of the NWB, an agency established in connection with the Nunavut Agreement. While the Company has secured the necessary water-related permits and licenses to conduct its current and near-term contemplated activities, there is no guarantee that the Company will be able to obtain or renew the necessary permits and licenses to secure adequate water supply for all contemplated phases of development and operations at the Back River Project. The Company's targeted development and operation of the Back River Project is a water-intensive activity and the inability of the Company to secure the appropriate authorizations for the use of water, or the storage and treatment of waste water, may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Additional Information

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

Forward Looking Information

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

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