Sabina

GOLD & SILVER CORP.

Condensed Consolidated Interim Financial Statements

(unaudited)

Three and Nine Months Ended September 30, 2019 and 2018

SABINA GOLD & SILVER CORP.
Condensed Consolidated Interim Statements of Financial Position
(unaudited)
(Expressed in thousands of Canadian dollars)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 21,900	$ 45,370
Short-term investments	-	5,000
Accounts receivable (note 4)	1,085	677
Inventory	2,798	2,551
Prepaid expenses and deposits	414	847
	26,197	54,445
Marketable securities (note 5)	100	226
Property and equipment (note 6)	68,465	50,654
Mineral properties (note 7)	353,267	346,200
Hackett silver royalty	34,754	34,754
Other assets	9,735	9,304
Total assets	$ 492,518	$ 495,583
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,271	$ 6,212
Flow-through share premium liability (note 10)	66	-
Current portion of lease obligation	309	131
	5,646	6,343
Lease obligation	63	-
Provision for site reclamation	2,760	2,661
Deferred income tax liability (note 12)	33,517	34,379
Total liabilities	41,986	43,383
Equity:		
Share capital (note 8)	511,337	506,637
Contributed surplus	28,520	28,151
Deficit	(89,325)	(82,588)
Total equity	450,532	452,200
Total liabilities and equity	$ 492,518	$ 495,583

Nature of operations (note 1)

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Expenses:				
Administration and general	$ 14	$ 132	$ 112	$ 411
Depreciation	102	5	307	15
Insurance	35	26	92	72
Listing, transfer and shareholder	224	205	675	732
Professional services	67	354	294	954
Salaries and severance	436	452	1,378	1,349
Share-based payments (note 9(a))	152	52	763	1,960
Travel	36	48	117	164
Write-down of mineral properties (note 7)	-	-	5,737	-
	1,066	1,274	9,475	5,657
Loss from operating activities	(1,066)	(1,274)	(9,475)	(5,657)
Net finance income:				
Interest income	215	291	770	939
Amortization of flow-through premium (note 10)	132	1,217	1,211	2,333
Unrealized loss on change in fair value of marketable securities	(1)	(430)	(52)	(235)
Gain on disposition of marketable securities	-	269	29	289
	346	1,347	1,958	3,326
Income (loss) before income taxes	(720)	73	(7,517)	(2,331)
Deferred income tax recovery (expense) (note 12)	44	(1,618)	780	(2,389)
Loss and comprehensive loss	$ (676)	$ (1,545)	$ (6,737)	$ (4,720)
Loss per share, basic and diluted	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares issued and outstanding	292,235,689	262,794,996	290,881,870	255,010,367

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, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Share capital:				
Balance, beginning of period	$ 511,111	$ 477,504	$ 506,637	$ 396,377
Shares issued for cash, net of share issue costs	(2)	1,573	4,907	71,436
Share issued for surface access rights	-	-	-	11,122
Fair value of options transferred to share capital	227	-	988	122
Flow-through premium transferred to deferred liability (note 10)	-	(366)	(1,277)	(1,512)
Deferred income tax effect of share issuance costs	1	9	82	1,175
Balance, end of period	511,337	478,720	511,337	478,720
Contributed surplus:				
Balance, beginning of period	28,438	27,917	28,151	25,054
Fair value of share-based payments included in operating expenses (note 9(a))	152	52	763	1,960
Fair value of share-based payments capitalized to mineral properties (note 9(a))	157	104	594	1,181
Fair value of options transferred to share capital	(227)	-	(988)	(122)
Balance, end of period	28,520	28,073	28,520	28,073
Deficit:				
Balance, beginning of period	(88,649)	(79,587)	(82,588)	(77,273)
Reclassification on the adoption of IFRS 9, Financial Instruments	-	-	-	861
Loss for the period	(676)	(1,545)	(6,737)	(4,720)
Balance, end of period	(89,325)	(81,132)	(89,325)	(81,132)

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, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash provided by (used in) operating activities:				
Loss for the period	$ (676)	$ (1,545)	$ (6,737)	$ (4,720)
Adjustments for:				
Depreciation	102	5	307	15
Deferred income tax expense (recovery)	(44)	1,618	(780)	2,389
Interest income	(215)	(291)	(770)	(939)
Unrealized loss on change in fair value of marketable securities	1	430	52	235
Gain on disposition of marketable securities	-	(269)	(29)	(289)
Amortization of flow-through premium liability	(132)	(1,217)	(1,211)	(2,333)
Share-based payments	152	52	763	1,960
Write-down of mineral properties	-	-	5,737	-
Other	-	-	(16)	-
	(812)	(1,217)	(2,684)	(3,682)
Accounts receivable	(52)	901	(107)	(1,192)
Inventory	202	828	(231)	(1,755)
Prepaid expenses and deposits	152	34	433	(115)
Accounts payable and accrued liabilities	(22)	2,053	(1,149)	1,198
	(532)	2,599	(3,738)	(5,546)
Net interest received	176	263	469	721
Net cash provided by (used in) operating activities	(356)	2,862	(3,269)	(4,825)
Cash flows provided by (used in) investing activities:				
Expenditures on mineral property	(3,302)	(8,570)	(12,157)	(18,418)
Expenditures on property and equipment	(2,921)	(18,248)	(17,304)	(38,557)
Other assets	(9)	(7)	(27)	(2,007)
Purchase of reclamation bonds	(404)	(1,485)	(404)	(1,485)
Net proceeds of short-term investments	3,500	3,000	5,000	9,227
Proceeds on disposition of marketable securities	-	919	102	982
Net cash used in investing activities	(3,136)	(24,391)	(24,790)	(50,258)
Cash flows provided by (used in) financing activities:				
Shares issued, net of share issue costs	(2)	1,572	4,907	71,436
Lease obligation payments	(107)	(10)	(318)	(32)
Net cash provided by (used in) financing activities	(109)	1,562	4,589	71,404
Net increase (decrease) in cash and cash equivalents	(3,601)	(19,967)	(23,470)	16,321
Cash and cash equivalents, beginning of period	25,501	50,412	45,370	14,124
Cash and cash equivalents, end of period	$ 21,900	$ 30,445	$ 21,900	$ 30,445

Supplemental cash flow information (note 13)

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

1. Nature of operations

Sabina Gold & Silver Corp. (the "Company" or "Sabina") was incorporated in June 1966 under the laws of the Province of British Columbia. 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 cash equivalents and that certain of the Company's expenditures are discretionary in nature, and which can be deferred as required without significant impact on the Company or its mineral properties.

2. Basis of preparation

a) Statement of compliance

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

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 8, 2019.

b) Basis of measurement and consolidation

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

3. Changes in accounting standards

Current change – IFRS 16, Leases

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

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

Transition

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

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

Accounting policy

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

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

(Tabular amounts expressed in thousands of Canadian dollars)

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

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

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

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

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

4. Accounts receivable

	September 30, 2019	December 31, 2018
GST receivable	$ 221	$ 330
Interest receivable	491	191
Other receivables	373	156
	$ 1,085	$ 677

5. Marketable securities

At September 30, 2019 and December 31, 2018, the Company's marketable securities were comprised of common shares of Pure Gold Mining Inc. ("Pure Gold") which were recorded in the consolidated statement of financial position at their fair values, which have been determined by reference to their quoted closing bid price at the reporting date. At September 30, 2019, the Company had 172,500 common shares of Pure Gold with a fair value of $0.1 million. At December 31, 2018, the Company had 347,500 common shares of Pure Gold with a fair value of $0.2 million.

During the three months ended September 30, 2019, the Company sold nil common shares (2018 – 1,550,500 common shares) of Pure Gold for net proceeds of $nil (2018 – $0.9 million).

During the nine months ended September 30, 2019, the Company sold 175,000 common shares (2018 – 1,650,500 commons shares) of Pure Gold for net proceeds of $0.1 million (2018 – $1.0 million).

(Tabular amounts expressed in thousands of Canadian dollars)

6. Property and equipment

Cost		Pre-development infrastructure and equipment		Exploration camp and equipment		Office and equipment		Total
Balance at January 1, 2019	$	47,841	$	24,605	$	238	$	72,684
Additions		20,319		-		590		20,909
Balance at September 30, 2019	$	68,160	$	24,605	$	828	$	93,593
Accumulated depreciation								
Balance at January 1, 2019	$	(1,208)	$	(20,650)	$	(172)	$	(22,030)
Depreciation		(2,358)		(433)		(307)		(3,098)
Balance at September 30, 2019	$	(3,566)	$	(21,083)	$	(479)	$	(25,128)
Carrying value								
At January 1, 2019	$	46,633	$	3,955	$	66	$	50,654
At September 30, 2019	$	64,594	$	3,522	$	349	$	68,465

During the nine months ended September 30, 2019, pre-development capital additions were $20.3 million (2018 – $45.1 million), comprised mainly of transportation costs associated with the winter ice road which were allocated to the equipment delivered, construction costs for bulk fuel tanks at the Port Facility and capitalized depreciation of $2.4 million (2018 – $0.7 million).

7. Mineral properties

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

Summary - by property		September 30, 2019		December 31, 2018
Back River (Nunavut)	$	348,587	$	335,786
Wishbone (Nunavut)		4,680		4,679
Red Lake (Ontario)		-		5,735
	$	353,267	$	346,200

During the first quarter of 2019, the Company completed an assessment of the long-term strategic exploration opportunities of its Red Lake mineral properties. As a result of that assessment, the Company recorded a write-down of $5.7 million (2018 – $nil) on its Red Lake properties.

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

	Three months ended September 30,				Nine months ended September 30,			
		2019		2018		2019		2018
Back River (Nunavut)								
Balance, beginning of period	$	345,747	$	321,950	$	335,786	$	296,460
Additions:								
Surface access rights		9		7		527		13,629
Drilling and camp support		318		6,648		4,702		10,739
Detailed engineering and pre-development activities		1,171		1,432		3,781		4,854
Environmental and permitting		714		1,322		1,966		3,188
Geology and geophysics		193		384		520		658
Management and administration		83		43		100		215
Property maintenance		64		17		178		90
Provision for site reclamation		-		86		-		382
Share-based payments (note 9(a))		157		104		594		1,181
Depreciation		131		162		433		759
		2,840		10,205		12,801		35,695
Balance, end of period	$	348,587	$	332,155	$	348,587	$	332,155

(Tabular amounts expressed in thousands of Canadian dollars)

8. Share capital

At September 30, 2019, the authorized share capital of the Company was comprised of an unlimited number of common shares without par value. The number of issued and outstanding common shares is as follows:

	2019		2018	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	288,134,292	506,637	226,888,181	396,377
Issued for cash, net of share issuance costs	3,361,907	4,907	30,102,151	71,360
Issued on exercise of stock options	984,435	-	99,214	76
Issued for surface access rights	-	-	6,700,000	11,122
Fair value of options exercised	-	988	-	122
Deferred income tax effect of share issue cost	-	82	-	1,175
Flow-through share premium liability (note 10)	-	(1,277)	-	(1,512)
Issued and outstanding at September 30	292,480,634	511,337	263,789,546	478,720

On April 4, 2019, the Company completed a private placement financing of 3,361,907 flow-through common shares at $1.55 per share for gross proceeds of $5.2 million. Costs associated with the financing totalled $0.3 million.

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 $0.3 million.

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.

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.

9. Share-based payments

a) Share purchase options

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

	2019			2018		
	Number of options		Average exercise price	Number of options		Average exercise price
Outstanding as at January 1	13,091,500	$	1.14	12,234,500	$	1.14
Exercised during the period	(2,249,250)		0.80	(210,000)		1.27
Forfeited or expired during the period	(153,750)		0.99	(2,025,000)		2.64
Granted during the period	2,675,000		1.25	3,270,000		2.05
Outstanding at September 30	13,363,500		1.22	13,269,500		1.13
Not vested at September 30	(2,594,167)		1.35	(968,333)		1.53
Exercisable as at September 30	10,769,333	$	1.20	12,301,167	$	1.10

(Tabular amounts expressed in thousands of Canadian dollars)

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

During the nine months ended September 30, 2019, a total of 2,249,250 options were exercised (2018 – 210,000 options), of which nil were exercised for cash proceeds (2018 – 60,000 options for cash proceeds of $0.1 million). The entire amount of 2,249,250 options were exercised as SARs (2018 – 150,000 options as SARs), resulting in the issuance of 984,435 common shares (2018 – 39,214 common shares).

During the nine months ended September 30, 2019, the Company granted 2,675,000 options with a weighted average exercise price of $1.25 per option and a term of 5 years. These options vest over a three year period (25% at date of grant and 25% at each of the next three anniversary dates).

The following table summarizes the outstanding options as at September 30, 2019 by year of expiry:

Year	Number of options		Average exercise price
2020	5,097,000	$	0.60
2021	190,000		0.91
2022	2,081,500		1.32
2023	3,445,000		1.99
2024	2,550,000		1.25
Outstanding at September 30, 2019	13,363,500		1.20
Not vested at September 30, 2019	(2,594,167)		1.35
Exercisable at September 30, 2019	10,769,333	$	1.17

Employee compensation cost:

During the three months ended September 30, 2019, the Company recorded $0.3 million (2018 - $0.2 million) in share-based payment costs, of which $0.2 million (2018 - $0.1 million) is presented as an operating expense in the consolidated statement of comprehensive loss and $0.2 million (2018 - $0.1 million) is capitalized to mineral property costs.

During the nine months ended September 30, 2019, the Company recorded $1.4 million (2018 - $3.1 million) in share-based payment costs, of which $0.8 million (2018 - $2.0 million) is presented as an operating expense in the consolidated statement of comprehensive loss and $0.6 million (2018 - $1.2 million) is capitalized to mineral property costs.

Inputs for measurement of grant date fair values:

The grant date fair values of share options were measured based on the Black-Scholes option pricing model. The weighted average inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following: a risk-free interest rate of 1.9% (2018 – 1.9%); a dividend yield of 0% (2018 – 0%); an expected volatility of 61% (2018 – 67%) and expected lives of stock options of 5.0 years (2018 – 5.0 years). The weighted average fair value of options granted during the nine months ended September 30, 2019 was $0.72 per option (2018 - $1.13 per option). The expected volatility is estimated by considering historic average share price volatility.

b) Share purchase warrants

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

c) Back River share consideration

In connection with the original asset purchase dated June 9, 2009 to acquire the Back River assets from Dundee Precious Metals ("DPM"), the Company agreed to provide future equity consideration in the event certain milestones related to the project were met. At June 30, 2019, 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)

10. Flow-through premium liability

	2019	2018
January 1	$ -	$ 1,116
Financing	1,277	1,146
Amortization	(1,211)	(1,116)
September 30	$ 66	$ 1,146

On April 4, 2019, the Company completed a flow-through financing for total gross proceeds of $5.2 million, which must be used to incur Canadian exploration expenditures. The flow-through premium liability of $1.3 million set up from this financing will be amortized over the period in which the funds are spent on qualifying expenditures. At September 30, 2019, Sabina had incurred eligible flow-through expenditures of $4.9 million related to this financing.

11. Related parties

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and benefits	$ 484	$ 544	$ 1,562	$ 1,412
Share-based payments, non-cash	197	138	937	2,307
	$ 681	$ 682	$ 2,499	$ 3,719

12. Income taxes

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

	September 30, 2019	December 31, 2018
Deferred tax assets/(liabilities)		
Tax loss carry forwards	$ 37,045	$ 31,809
Financing costs	1,383	1,679
Provision for closure and reclamation	718	718
Other	4	18
Flow-through share effect on mineral properties	(55,785)	(54,451)
Mineral properties	(15,604)	(15,404)
Property and equipment	(1,278)	1,252
Net deferred tax liabilities	$ (33,517)	$ (34,379)

Sabina has tax loss carry forwards at September 30, 2019 of approximately $137.2 million (December 31, 2018 – $117.0 million) expiring from 2031 to 2039.

(Tabular amounts expressed in thousands of Canadian dollars)

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Income (loss) before income taxes	$ (720)	$ 73	$ (7,517)	$ (2,331)
Canadian federal and provincial tax rates	27.0%	27.0%	27.0%	27.0%
Expected income tax (expense)/recovery	194	(20)	2,030	629
Share-based payments and other permanent differences	(6)	296	117	110
Flow-through renunciation	(145)	(1,895)	(1,334)	(3,126)
Other	1	1	(33)	(2)
Income tax (expense)/recovery	$ 44	$ (1,618)	$ 780	$ (2,389)

13. Supplemental cash flow information

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Change in accounts payable and accrued liabilities related to mineral property costs	$ (750)	$ 1,283	$ (383)	$ 3,832
Change in accounts payable and accrued liabilities related to the purchase of property and equipment	799	(352)	589	5,800
Addition to property and equipment related to right-of-use asset and lease obligation (note 3)	-	-	560	-
Issuance of common shares for surface access rights capitalized to mineral properties	-	-	-	11,122
Provision for site reclamation capitalized to property and equipment	99	-	99	-
Depreciation capitalized to mineral property costs	131	162	433	759
Depreciation capitalized to property and equipment	947	400	2,358	711
Share-based payments capitalized to mineral property costs (note 9(a))	157	104	594	1,181
Fair value of stock options allocated to share capital upon exercise (note 8)	227	-	988	122