Sabina

GOLD & SILVER CORP.

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Management's Report

The accompanying consolidated financial statements have been prepared by management and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal control has been developed and is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable.

The Board of Directors approves the consolidated financial statements and ensures that management discharges its financial reporting responsibilities. The Board's review is accomplished principally through the Audit Committee, which is composed of non-executive directors. The Audit Committee meets periodically with management and the auditors to review financial reporting and control matters.

"Bruce McLeod"
President and Chief Executive Officer

"Elaine Bennett"
Vice President, Finance and Chief Financial Officer

Vancouver, British Columbia, Canada
March 29, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sabina Gold & Silver Corp.

Opinion

We have audited the consolidated financial statements of Sabina Gold & Silver Corp. ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019;
- the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of indicators of impairment for long-lived non-financial assets

Description of the matter

We draw attention to Notes 3(f), 3(g)(ii), 7, 8 and 9 to the financial statements. The carrying amounts of the Entity's long-lived non-financial assets, being its mineral properties, the Hackett silver royalty, and property and equipment, are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The balance of these long-lived non-financial assets total $496.1 million at December 31, 2020. Significant judgment is required in assessing indicators of impairment. The Entity completes an evaluation at each reporting period of potential impairment indicators.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for long-lived non-financial assets as a key audit matter. Long-lived non-financial assets are material to the financial statements. Significant auditor judgment is required to evaluate the results of our audit procedures and assess the Entity's evaluation of whether indicators of impairment exist.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We evaluated the Entity's analysis of impairment indicators by:

- Assessing whether the information in the analysis was consistent with information included in Entity's press releases, management's discussion and analysis, and other public filings
- Reading updated technical reports for any indicators of impairment arising from changes to estimates of mineral reserves and resources
- Inspecting publicly available information for changes in the price of gold and silver commodity prices
- Considering evidence obtained in other areas of the audit, including the status of significant mineral licenses and expenditures on mineral properties
- Comparing the Entity's market capitalization to the carrying value of its net assets.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett.

Vancouver, Canada
March 29, 2021

SABINA GOLD & SILVER CORP.

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

		December 31, 2020		December 31, 2019
Assets				
Current assets:				
Cash and cash equivalents	$	23,986	$	21,235
Short-term investments		21,000		5,000
Accounts receivable (note 5)		485		615
Exploration supplies		3,417		2,798
Prepaid expenses and deposits		337		229
		49,225		29,877
Marketable securities (note 6)		74		-
Property and equipment (note 7)		82,871		69,633
Mineral properties (note 8)		378,451		356,083
Hackett silver royalty (note 9)		34,754		34,754
Other assets (note 10)		9,759		9,744
Total assets	$	555,134	$	500,091
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	4,901	$	5,451
Flow-through share premium liability (note 14)		5,058		1,014
Current portion of lease obligations (note 16)		411		416
		10,370		6,881
Community funding obligation		2,066		-
Lease obligations (note 16)		611		1,022
Provision for site reclamation (note 11)		3,315		2,894
Deferred income tax liability (note 19)		34,153		33,034
Total liabilities		50,515		43,831
Equity:				
Share capital (note 12)		570,462		518,150
Contributed surplus		29,014		28,784
Deficit		(94,857)		(90,674)
Total equity		504,619		456,260
Total liabilities and equity	$	555,134	$	500,091

Nature of operations (note 1)
Commitments (note 16)
Subsequent event (note 21)

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

Approved on behalf of the Board:

"Bruce McLeod" Director "Tony Walsh" Director

SABINA GOLD & SILVER CORP.

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

For the years ended December 31, 2020 and 2019

		2020		2019
Expenses:				
Administration and general	$	262	$	163
Depreciation		434		409
Insurance		195		134
Listing, transfer and shareholder		898		858
Professional services		747		359
Salaries and benefits		2,874		2,663
Share-based payments (note 13(a))		946		914
Travel		60		196
Write-down of mineral properties (note 8)		-		5,737
Reversal of write-down of exploration supplies		(23)		(16)
		6,393		11,417
Loss from operating activities		(6,393)		(11,417)
Net finance income:				
Interest income		759		937
Amortization of flow-through premium liability (note 14)		3,432		1,289
Unrealized gain on change in fair value of marketable securities		40		-
Gain (loss) on disposition of assets		54		(25)
		4,285		2,201
Loss before income taxes		(2,108)		(9,216)
Deferred income tax (expense) recovery (note 19)		(2,075)		1,130
Loss for the year and comprehensive loss	$	(4,183)	$	(8,086)
Loss per share, basic and diluted	$	(0.01)	$	(0.03)
Weighted average number of common shares outstanding		313,841,748		291,430,454

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

SABINA GOLD & SILVER CORP.

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

For the years ended December 31, 2020 and 2019

		2020		2019
Share capital:				
Balance, beginning of year	$	518,150	$	506,637
Shares issued, net of share issue costs		57,638		12,589
Fair value of options transferred to share capital		1,194		1,012
Flow-through premium transferred to flow-through share premium liability (note 14)		(7,476)		(2,303)
Deferred income tax effect of flow-through shares and issuance costs		956		215
Balance, end of year		570,462		518,150
Contributed surplus:				
Balance, beginning of year		28,784		28,151
Fair value of share-based payments included in operating expenses		946		914
Fair value of share-based payments capitalized to mineral properties		478		731
Fair value of options transferred to share capital		(1,194)		(1,012)
Balance, end of year		29,014		28,784
Deficit:				
Balance, beginning of year		(90,674)		(82,588)
Loss for the year		(4,183)		(8,086)
Balance, end of year		(94,857)		(90,674)
Total equity	$	504,619	$	456,260

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

SABINA GOLD & SILVER CORP.

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

Years Ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used in) operating activities:		
Loss for the year	(4,183)	(8,086)
Adjustments for:		
Depreciation	434	409
Deferred income tax expense (recovery)	2,075	(1,130)
Interest income	(759)	(937)
Unrealized gain on change in fair value of marketable securities	(40)	-
(Gain) Loss on disposition of assets	(54)	25
Write-down of mineral properties	-	5,737
Reversal of write-down on exploration supplies	(23)	(16)
Amortization of flow-through premium liability	(3,432)	(1,289)
Share-based payments	946	914
	(5,036)	(4,373)
Accounts receivable	290	(7)
Exploration supplies	(596)	(231)
Prepaid expenses	(108)	618
Accounts payable and accrued liabilities	193	(152)
	(5,257)	(4,145)
Interest received	599	1,005
Net cash used in operating activities	(4,658)	(3,140)
Cash flows provided by (used in) investing activities:		
Expenditures on exploration of mineral properties	(19,875)	(12,940)
Expenditures on property and equipment	(13,943)	(19,977)
Community funding deposit account (note 10)	(15)	(36)
Purchase of reclamation deposits (note 10)	-	(404)
Net purchases of short-term investments	(16,000)	-
Proceeds on disposition of assets	20	201
Net cash used in investing activities	(49,813)	(33,156)
Cash flows provided by (used in) financing activities:		
Issue of common shares for cash, net of share issue costs	57,638	12,589
Lease obligation payments	(416)	(428)
Net cash provided by financing activities	57,222	12,161
Net increase (decrease) in cash and cash equivalents	2,751	(24,135)
Cash and cash equivalents, beginning of year	21,235	45,370
Cash and cash equivalents, end of year	23,986	21,235

Supplemental cash flow information (note 20)

The accompanying notes are an integral part of these consolidated 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 on the project. The Company has not yet determined if 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.

The Company may experience continuing and additional business interruptions, expenses and delays relating to COVID-19, which could have a material adverse impact on the Company's business, operating results, financial condition and the market for its securities. As at the date of these financial statements, the duration of the business disruptions and related financial impact of COVID-19 cannot be reasonably estimated.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2020.

The consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2021.

The accounting policies set out in note 3 have been applied consistently to all years presented in these consolidated financial statements.

b) Basis of measurement and consolidation

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

The consolidated financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss and share-based payments, 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

These consolidated 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 the consolidated 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 and in assessing if there are indicators of impairment with respect to its mineral properties and associated property and equipment and the Hackett silver royalty (notes 3(f) and 3(g)(ii)). Significant areas requiring the use of management estimates relates to the determination of the recoverable amount of an asset if an impairment indicator exists (note 3(g)(ii)), the provision for site reclamation (notes 3(h) and 11), and share-based payments (notes 3(j) and 13). 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. Significant accounting policies

a) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL.

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.

The Company’s non-derivative financial assets are its cash and cash equivalents, short-term investments, accounts receivables, reclamation deposits and community funding deposit account, which are classified at amortized cost, and its marketable securities, which are classified as FVTPL.

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.

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.

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

The Company's non-derivative financial liabilities are its accounts payable and accrued liabilities as well as its community funding obligation, all of which are classified at amortized cost.

Such financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to their initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through common shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Upon issuance of flow-through shares, the quoted value or the non-flow-through share price, as appropriate, is used to record the increase to share capital. The difference between the amounts recognized in common shares and the amount paid by the investor is recognized as a flow-through share premium liability which is amortized into earnings when eligible expenditures are made extinguishing the obligation. A deferred tax liability and the associated income tax expense are recorded when eligible expenditures are made.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less and guaranteed investment certificates with no penalty for early redemption.

c) Short-term investments

Short-term investments consist of investments with terms to maturity at acquisition of greater than 90 days but not more than one year.

d) Exploration supplies

Exploration supplies are measured at the lower of cost and net realizable value. The cost of exploration supplies is based on a weighted average cost formula, and includes expenditures incurred in acquiring the exploration supplies and other costs incurred in bringing them to their existing location and condition.

e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses and reversals. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognized net within the statement of comprehensive loss.

(ii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation on corporate assets is recognized in the statement of loss and comprehensive loss on a declining balance basis or on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, based on how this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation for exploration assets is capitalized to mineral properties in the statement of financial position.

The depreciation rates used are as follows:

Office furniture	20% declining balance
Computer and other equipment	30% declining balance
Leasehold improvements	Straight-line over the life of the lease
Exploration camp, pre-development infrastructure, and equipment	Straight-line over the estimated useful life (2 to 16 years)

Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted if appropriate.

f) Mineral properties

The cost of acquiring mineral properties and related exploration and evaluation costs are deferred on an individual area of interest basis until the properties are placed into production, sold or abandoned. Once a license to explore an area has been secured, directly attributable expenditures on exploration and evaluation activities are capitalized to mineral properties. Costs incurred to acquire an interest in a mineral property are capitalized as a mineral property acquisition cost. Costs incurred prior to obtaining the right to explore are expensed as incurred.

Management reviews the carrying value of capitalized exploration costs at least annually and when facts and circumstances suggest that the carrying amount may exceed its recoverable amount and considers if any evidence of impairment exists. In the case of undeveloped projects there may be no resources; or only inferred or indicated resources to form a basis for the impairment review. The impairment review is based on the exploration and evaluation results to-date and a status report regarding the Company's intentions for development of the mineral property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on the successful development or sale of the undeveloped project. If a project does not prove viable, all unrecoverable costs associated with the project are written off.

g) Impairment

(i) 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 as at December 31, 2019 or December 31, 2018.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than exploration supplies, primarily being its mineral properties, the Hackett silver royalty, and property and equipment, are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. Discounted cash flow techniques require management to make estimates and assumptions concerning future production revenues and expenses. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures and site reclamation costs. Additionally, these reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions, and hence affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding its mineral properties.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there had been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

h) Provision for site reclamation

The Company recognizes management's best estimate of a future asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the acquisition, construction, development and/or normal use of its assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset which is amortized over the life of the asset.

i) Leases

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
- 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.

Arrangements for the use of land that grant the Company the right to explore, develop, produce or otherwise use the mineral resource contained in that land are excluded from the scope of IFRS 16, Leases.

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 is 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.

j) Share-based payments

The Company has a share option plan which is described in note 13(a). Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services. Share-based payments to employees and Directors are measured at the grant date fair value of the equity instruments issued and are amortized over their applicable vesting periods. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

k) Finance income and finance costs

Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, increases in the fair value of financial assets, and increases in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues, using the effective interest method.

Finance costs comprise interest expense, interest charges relating to flow-through share issuances, declines in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(Tabular amounts expressed in thousands of Canadian dollars)

m) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares, which comprise share options granted to employees and share purchase warrants. For the years ended December 31, 2020 and 2019, diluted loss per share is the same as basic loss per share as the effect of all outstanding options and warrants would be anti-dilutive.

4. Changes in accounting standards

The Company has reviewed future new and amended IFRS pronouncements and determined that there are no standards that are not yet effective that would be expected to have a material impact on the entity's current financial reporting.

5. Accounts receivable

		2020		2019
GST receivable	$	202	$	37
Interest receivable		283		122
Other receivables		-		456
	$	485	$	615

The Company's exposure to credit risk, and impairment losses related to its receivables is disclosed in note 17.

6. Marketable securities

At December 31, 2020, the Company's marketable securities were comprised of common shares of Prosper Gold Corp. ("Prosper"), which were recorded in the consolidated statement of financial position at their fair value, determined by reference to their quoted closing bid price at the reporting date. At December 31, 2020, the Company had 50,000 common shares of Prosper with a fair value of $0.1 million.

During 2019, the Company sold its remaining 347,500 common shares of Pure Gold Mining Inc. for net proceeds $0.2 million (2018 – $1.0 million) and recognized a loss of $0.025 million.

(Tabular amounts expressed in thousands of Canadian dollars)

7. 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		21,481		-		1,792		23,273
Provision for site reclamation (note 11)		91		-		-		91
Balance at December 31, 2019		69,413		24,605		2,030		96,048
Additions		17,962		171		253		18,386
Provision for site reclamation (note 11)		29		-		-		29
Balance at December 31, 2020	$	87,404	$	24,776	$	2,283	$	114,463
Accumulated depreciation								
Balance at January 1, 2019	$	(1,208)	$	(20,650)	$	(172)	$	(22,030)
Accumulated depreciation		(3,412)		(564)		(409)		(4,385)
Balance at December 31, 2019		(4,620)		(21,214)		(581)		(26,415)
Accumulated depreciation		(4,062)		(681)		(434)		(5,177)
Balance at December 31, 2020	$	(8,682)	$	(21,895)	$	(1,015)	$	(31,592)
Carrying value								
At December 31, 2019	$	64,793	$	3,391	$	1,449	$	69,633
At December 31, 2020	$	78,722	$	2,881	$	1,268	$	82,871

During 2020, pre-development infrastructure and equipment additions were $18.0 million (2019 – $21.5 million), comprised mainly of earthworks activities at site related to the airstrip extension and various pads, the procurement of heavy equipment, and capitalized depreciation of $4.1 million (2019 – $3.4 million).

At December 31, 2020, the total right-of-use assets carrying value included office and equipment is $0.9 million (December 31, 2019 – $1.3 million) and the total depreciation on right-of-use assets during 2020 was $0.4 million (2019 – $0.4 million).

8. Mineral properties

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

Summary - by property		2020		2019
Back River (Nunavut)	$	373,764	$	351,403
Wishbone (Nunavut)		4,687		4,680
	$	378,451	$	356,083

During the year ended December 31, 2019, the Company recorded a write-down of the remaining carrying value of $5.7 million on its Red Lake properties following an assessment of their long-term strategic exploration opportunities.

(Tabular amounts expressed in thousands of Canadian dollars)

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

		2020		2019
Back River (Nunavut)				
Balance, beginning of period	$	351,403	$	335,786
Additions:				
Surface access rights (note 16(b))		526		536
Drilling and camp support		5,770		4,740
Detailed engineering and pre-development activities		9,966		5,256
Environmental and permitting		2,933		2,371
Geology and geophysics		1,088		760
Management and administration		260		232
Property maintenance		267		285
Provision for site reclamation (note 11)		392		142
Share-based payments (note 13(a))		478		731
Depreciation		681		564
		22,361		15,617
Balance, end of period	$	373,764	$	351,403

a) Back River (Nunavut)

The Company owns 100% of the Back River Project, comprised of the Goose, George, Boulder, Boot and Del properties as well as the port facility at Bathurst Inlet, which totals approximately 564 square km. The Back River Project has National Instrument 43-101 compliant gold mineral reserves and resources in eight known deposits, namely Llama, Umwelt, Goose Main and Echo on the Goose property and Locale 1 & 2, LCP, GH and Slave on the George property. Certain additional share consideration remains payable to the previous owners should a positive production decision be reached for the Back River Project (note 13(c)).

On May 31, 2011, the Company completed the purchase of certain royalties on the Back River and Wishbone projects. The royalty required payment of 1.5% of the value of minerals mined until the royalty payments aggregated $5.0 million after which the royalty decreased to 0.75%. The buyback was completed through the purchase of all issued and outstanding shares of R.A. Olson Consulting Ltd. (Royalty 2, noted below) for $4.5 million in cash and the issue of 750,000 common shares of the Company. A value of $5.2 million was attributed to the shares based on their market value at the time of issue.

The Back River Project is subject to net smelter return (“NSR”) royalties payable to various parties. The following royalties apply to the George Lake property. Royalty 1 pays 0% on the first 800,000 ounces and pays 5% (gross before sub-royalty deductions) after the first 800,000 ounces of gold produced after deducting Royalties 2 and 3. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5 million has been paid on each royalty; after $5 million each, Royalties 2 and 3 drop by 50%. Royalty 4 pays 0.45% until a total of $7.5 million has been paid after which this royalty also drops by 50%. Royalties payable, (excluding Royalty 2 which is owned by the Company) depending on gold price and gold production, could range from 0.35% to 0.7% on the first 800,000 ounces and 3.5% to 4.25% thereafter.

The Goose property is subject to the following royalties. Royalty 1 pays 0% on the first 400,000 ounces and pays 5% (gross before sub-royalty deductions) after the first 400,000 ounces of gold produced after deducting Royalty 2. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5 million has been paid on each royalty; after $5 million Royalties 2 and 3 each drop by 50%. Royalties payable (excluding Royalty 2 which is owned by the Company), depending on gold price and gold production, could range from 0.35% to 0.7% on the first 400,000 ounces and 3.5% to 4.25% thereafter.

In addition, as described in note 16 b), the Company has granted the KIA a 1% NSR related to a definitive Framework Agreement which sets out rights and obligations with respect to surface land access on Inuit owned land and includes an Inuit impact and benefits agreement and other obligations as required by the Nunavut land claims agreement.

b) Wishbone (Nunavut)

The Company owns 100% of certain mineral claims on the Wishbone Greenstone Belt, which is adjacent to and surrounding the Hackett River Greenstone Belt and hosts the Hackett River silver-zinc project. The Wishbone property area totals approximately 312 square km and covers underexplored geology prospective for gold mineralization.

c) Red Lake (Ontario)

(i) Golden Sidewalk, Red Lake:

The Company owns 100% of its Golden Sidewalk property comprised of 600 hectares, 5 mineral claims and 12 mining leases. There are no royalties or carried interests attached to the property. The property is located in Skinner township, 67 km east-northeast of Red Lake.

(ii) Skinner, Red Lake:

Sabina owns a 100% of its Skinner property comprised of 2,610 hectares and 18 mineral claims. The property is in Skinner township, 69 km east-northeast of Red Lake and adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $0.5 million. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions.

(iii) Redaurum, Red Lake:

Pursuant to an option agreement with Goldcorp Inc. (now Evolution Mining Ltd.), the Company has a 20% interest carried to production on the 14 patent claims Redaurum property located at Red Lake.

(iv) Option Agreement for Golden Sidewalk and Skinner

During the year ended December 31, 2020, the Company completed an agreement with Prosper Gold Corp. ("Prosper") whereby Sabina granted Prosper an option to acquire a 100% interest in its Golden Sidewalk and Skinner gold properties in the Red Lake mining district of Ontario. The agreement provides Prosper an option to earn a 100% interest in the properties over a four-year period by paying Sabina $50,000 in cash and 1.5 million Prosper common shares and completing a total of $2.6 million of work on the properties. As at December 31, 2020, the Company had received $20,000 in cash and 50,000 Prosper common shares with respect to the option agreement.

9. Hackett silver royalty

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

On October 4, 2011, the Company completed the sale of the Hackett River property and certain claims on the Wishbone Greenstone Belt to Glencore plc ("Glencore", formerly Xstrata Zinc) for cash consideration of $50 million along with Sabina retaining a silver production royalty (the "Hackett Silver Royalty") equal to 22.5% of the first 190 million ounces of payable silver from the then current resource at Hackett River and other properties (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. The retained interest in the Hackett River project was valued at $34.8 million at the time of the transaction. Following closing of the transaction on November 14, 2011, Glencore was required to incur at least $80 million of exploration expenditures on the Properties over a seven-year period with a view of completing a NI 43-101 compliant feasibility study. As at December 31, 2018, Glencore had incurred sufficient exploration expenditures to satisfy its $80 million spending commitment.

Glencore did not publicly announce a definitive decision to begin construction of a mine within 12 months of the anniversary date of November 14, 2018. This triggered Sabina's buy back right until May 14, 2019 to purchase the Properties, which the Company elected not to exercise. As a result, Sabina's Hackett Silver Royalty was unaffected and remains as described above. As at December 31, 2020 and to the date of these financial statements, Glencore has not made a production decision.

(Tabular amounts expressed in thousands of Canadian dollars)

10. Other assets

		2020		2019
Reclamation deposits	$	7,693	$	7,693
Community funding deposit account (note 16(b))		2,066		2,051
	$	9,759	$	9,744

The reclamation deposits cover certain future planned disturbances for which there is no existing reclamation provision at December 31, 2020.

The community funding deposit account includes the initial $2.0 million contribution plus interest earned on the balance.

11. Provision for site reclamation

The Company has recorded a provision for the estimated cost of site reclamation relating to exploration activities at its Back River Project.

The Company is unable to reliably estimate when the work will be performed and accordingly recognizes the full amount of the provision and thus does not discount and accrete the provision. The Company does not expect to incur any reclamation costs in the next year.

		2020		2019
Balance at January 1	$	2,894	$	2,661
Increase in estimate during the year		421		233
Balance at December 31	$	3,315	$	2,894

12. Share capital

At December 31, 2020, 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:

	2020		2019	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	296,639,414	518,150	288,134,292	506,637
Issued for cash, net of share issuance costs	27,395,165	57,178	7,420,687	12,546
Issued on exercise of stock options	2,530,211	460	1,084,435	43
Fair value of options exercised	-	1,194	-	1,012
Flow-through share premium liability (note 14)	-	(7,476)	-	(2,303)
Deferred income tax effect of share issue cost (note 19)	-	956	-	215
Issued and outstanding at December 31	326,564,790	570,462	296,639,414	518,150

On June 3, 2020, the Company completed a financing of 15,400,000 common shares at $2.00 per share and 8,962,000 flow-through common shares at a weighted average price of $2.65 per share for gross proceeds of $54.6 million. On the same date, the Company completed concurrent private placement financings of 2,882,082 common shares at $2.00 per share and 151,083 flow-through shares at $2.40 per share for gross proceeds of $6.1 million. Costs associated with both financings totalled $3.5 million.

On December 20, 2019, the Company completed a private placement financing of 2,137,000 flow-through common shares at $2.34 per share for gross proceeds of $5.0 million. On the same date, the Company completed a concurrent private placement financing of 1,921,780 common shares at $1.63 per share for gross proceeds of $3.1 million. Costs associated with both financings totalled $0.5 million.

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.

(Tabular amounts expressed in thousands of Canadian dollars)

13. Share-based payments

a) Share purchase options

The Company has a share option plan that allows it to grant options to its employees, officers, directors and consultants. A rolling maximum of 10% of the common shares issued may be granted. The exercise price of each option shall not be less than the closing market price for the common shares on the trading day prior to the date of the grant. Options may have a maximum term of ten years. Vesting conditions are at the discretion of the Board of Directors at the time the options are granted. The Plan also provides for a cashless exercise option provision which is, in substance, a stock appreciation right and for which the stock options can only be equity-settled. When the cashless option is exercised, the full amount of equity related to the options exercised is recorded in share capital.

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

	2020			2019		
	Number of options		Average exercise price	Number of options		Average exercise price
Outstanding as at January 1	13,138,500	$	1.20	13,091,500	$	1.14
Exercised during the period	(3,550,500)		0.61	(2,349,250)		0.84
Forfeited or expired during the period	(1,153,750)		1.52	(278,750)		1.89
Granted during the period	2,530,000		1.21	2,675,000		1.25
Outstanding at December 31	10,964,250		1.36	13,138,500		1.20
Not vested at December 31	(3,033,750)		1.23	(2,544,167)		1.35
Exercisable as at December 31	7,930,500	$	1.40	10,594,333	$	1.16

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. During 2020, a total of 2,810,500 options (2019 – 2,249,250) were exercised as stock appreciation rights, resulting in the issuance of 1,790,211 common shares (2019 – 984,435 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. Additionally, 740,000 options (2019 – 100,000 options) were exercised during 2020 for cash proceeds of $0.5 million (2019 – $0.04 million).

The following table summarizes the outstanding options as at December 31, 2020 by year of expiry:

Year	Number of options		Average exercise price
2021	1,874,000	$	0.79
2022	1,861,500		1.30
2023	2,490,000		2.07
2024	2,302,500		1.25
2025	2,436,250		1.21
Outstanding at December 31, 2020	10,964,250		1.36
Not vested at December 31, 2020	(3,033,750)		1.23
Exercisable at December 31, 2020	7,930,500	$	1.40

(Tabular amounts expressed in thousands of Canadian dollars)

Employee compensation cost

During 2020, the Company recorded $1.4 million (2019 - $1.6 million) in share-based payment costs, of which $0.9 million (2019 - $0.9 million) is presented as an operating expense in the consolidated statement of loss and comprehensive loss and $0.5 million (2019 - $0.7 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 0.6% (2019 – 1.9%); a dividend yield of 0% (2019 – 0%); an expected volatility of 62% (2019 – 61%) and expected lives of stock options of 5.0 years (2019 – 5.0 years). The weighted average fair value of options granted in the year was $0.67 per option (2019 - $0.72 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 December 31, 2020, 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.

14. Flow-through share premium liability

The flow-through share premium liability is amortized over the period in which the funds are used on qualifying expenditures.

		2020		2019
January 1	$	1,014	$	-
Financings		7,476		2,303
Amortization		(3,432)		(1,289)
December 31	$	5,058	$	1,014

In June 2020, the Company completed a bought deal flow-through financing of 9,113,083 flow-through common shares at a weighted average price of $2.65 per share for gross proceeds of $24.2 million, which must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2021. The flow-through premium liability of $7.5 million set up from this financing will be amortized over the period in which the funds are spent on qualifying expenditures. At December 31, 2020, the Company had incurred eligible flow-through expenditures of $7.3 million related to this financing.

In December 2019, the Company completed a private placement flow-through financing of 2,137,000 flow-through common shares at $2.34 per share for gross proceeds of $5.0 million, which must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2020. The flow-through premium liability of $1.0 million set up from this financing will be amortized over the period in which the funds are spent on qualifying expenditures. At December 31, 2020, the Company had incurred the $5.0 million in required flow-through eligible expenditures.

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 as defined by the Income Tax Act (Canada) by December 31, 2020. 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 December 31, 2020, the Company had incurred the $5.2 million in required flow-through eligible expenditures.

(Tabular amounts expressed in thousands of Canadian dollars)

15. Related parties

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

	2020	2019
Salaries and benefits	$ 2,887	$ 2,896
Share-based payments, non-cash	922	1,133
	$ 3,809	$ 4,029

Upon resignation, executives are entitled to the following:
- in the first 12 months of employment, termination benefits are capped at 12 months; and
- thereafter, one additional month for each completed year of service to a maximum of 24 months.

16. Lease obligation and commitments

a) Obligations under capital leases

The Company has financed certain office space and mobile equipment by entering into lease obligations. Minimum lease payments as at December 31, 2020 are as follows:

Total minimum lease payments	$ 1,138
Less amount representing interest	(116)
Present value of net minimum lease payments	1,022
Less current portion of lease obligations	(411)
Non-current portion of lease obligations	$ 611

During the year ended December 31, 2020, lease payments totalled $0.5 million (2019 – $0.5 million), of which the interest expense totalled $0.06 million (2019 – $0.04 million).

The table below sets out total minimum lease payments by year:

2021	$ 485
2022	463
2023	190
Total minimum lease payments	$ 1,138

b) Commitments

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

Under the terms of the agreement, the Trust would receive 3% of Sabina’s net proceeds from the silver royalty on the Hackett River and Wishbone properties sold to Glencore plc (formerly Xstrata Zinc). The Trust would be comprised of a maximum of six trustees of which a majority would be KIA appointees with at least one Sabina appointee. Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure. Payments may be made to the Trust in shares at Sabina’s election and subject to regulatory approval. To implement the initiative, prior to creation of the Trust in 2011, Sabina paid approximately $1.4 million to an existing KIA fund which provides for development and community initiatives in the region, which was capitalized to mineral properties.

On April 23, 2018, the Company jointly announced with 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:
1. A 20-year term;
2. Surface access rights for exploration, development, mine construction and mine operations activities; and
3. 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 (which have been paid annually since 2018);
(ii) Issuance to 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 KIA of a 1% net smelter royalty on future production at Back River; and
(iv) An initial investment of $4 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).

17. Financial risk management

Overview

The Company has exposure to the numerous risks from its use of financial instruments, including credit risk, liquidity risk, market risk and operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit Risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the carrying value of its cash and cash equivalents, short-term investments, accounts receivable and reclamation and other deposits. The Company limits its exposure to credit risk by dealing with high credit quality counterparties.

The Company's cash and cash equivalents, short-term investments and reclamation and other deposits are primarily held through, or issued by, large credit worthy Canadian financial institutions. These investments mature at various dates over 2021. The Company's receivables consist primarily of sales taxes due from the Federal Government of Canada and interest from Canadian financial institutions. The Company set up an allowance of $0.3 million during 2020 related to one doubtful account in its other receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk is managed through capital structure. The Company's cash and cash equivalents and short-term investments are liquid and available to meet the Company's ongoing obligations.

Market Risk

Market risk is the risk that changes in market values, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. Market risk management seeks to limit exposures to acceptable values, while optimizing return. The Company is exposed to interest rate and equity price risk. The Company has no material foreign exchange or equity price risk exposures.

(Tabular amounts expressed in thousands of Canadian dollars)

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk with respect to interest earned on cash and cash equivalents. The Company does not use derivative instruments to reduce its exposure to interest rate risk. Based on balances of these instruments at December 31, 2020, a plus or minus 1% change in interest rates would result in a negligible change in net income, assuming all other variables remain constant.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages its capital structure and adjusts based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, share options or share purchase warrants.

The Company considers the components of shareholders' equity to be its capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

18. Fair value measurements

The fair value of a financial instrument that is measured subsequent to initial recognition at its fair value is measured within a 'fair value hierarchy':

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of the Company's cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

The fair values of the Company's reclamation deposits and community funding deposit account are not expected to differ materially from their carrying values given the interest rate being received (Level 2).

The carrying value of the Company's marketable securities is based on the quoted market price of the shares in the publicly traded company to which the investment relates (Level 1).

19. Income taxes

The provision for income taxes differs from the expected amount calculated using the Canadian federal and provision statutory income tax rates as follows:

	2020	2019
Loss before income taxes	$ (2,108)	$ (9,216)
Canadian federal and provincial tax rates	27.0%	27.0%
Expected income tax recovery	569	2,488
Share based compensation and other permanent differences	675	97
Flow-through renunciation	(3,331)	(1,423)
Other	12	(32)
Income tax recovery/(expense)	$ (2,075)	$ 1,130

(Tabular amounts expressed in thousands of Canadian dollars)

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

	2020	2019
Deferred tax assets/(liabilities)		
Tax loss carry forwards	$ 48,029	$ 39,384
Financing costs	1,600	1,364
Provision for closure and reclamation	895	781
Other	1	8
Flow-through share effect on mineral properties	(59,204)	(55,874)
Mineral properties	(19,367)	(16,470)
Property and equipment	(6,107)	(2,227)
Net deferred tax liabilities	$ (34,153)	$ (33,034)

Sabina has tax loss carry forwards at December 31, 2020 of $177.9 million expiring from 2031 to 2040 (2019 - $145.9 million).

Movements in temporary differences as follows:

December 31, 2020	Opening Balance	Recognized in Income Tax Expense	Recognized in Shareholders' Equity	Closing Balance
Deferred tax assets:				
Tax loss carry forwards	$ 39,384	$ 8,645	$ -	$ 48,029
Financing costs	1,364	(720)	956	1,600
Provision for closure and reclamation	781	114	-	895
Other	8	(7)	-	1
Deferred tax liabilities:				
Mineral properties	(16,470)	(2,897)	-	(19,367)
Flow-through shares	(55,874)	(3,330)	-	(59,204)
Property and equipment	(2,227)	(3,880)	-	(6,107)
	$ (33,034)	$ (2,075)	$ 956	$ (34,153)

December 31, 2019	Opening Balance	Recognized in Income Tax Expense	Recognized in Shareholders' Equity	Closing Balance
Deferred tax assets:				
Tax loss carry forwards	$ 31,809	$ 7,575	$ -	$ 39,384
Financing costs	1,679	(530)	215	1,364
Provision for closure and reclamation	718	63	-	781
Other	18	(10)	-	8
Deferred tax liabilities:				
Mineral properties	(15,404)	(1,066)	-	(16,470)
Flow-through shares	(54,451)	(1,423)	-	(55,874)
Property and equipment	1,252	(3,479)	-	(2,227)
	$ (34,379)	$ 1,130	$ 215	$ (33,034)

(Tabular amounts expressed in thousands of Canadian dollars)

20. Supplemental cash flow information

Certain non-cash financing and investing transactions during the year are as follows:

	2020	2019
Change in accounts payable and accrued liabilities related to mineral property costs	$ 927	$ 1,241
Change in accounts payable and accrued liabilities related to the purchase of property and equipment	382	(1,850)
Change in accounts payable and accrued liabilities related to the reclassification of community funding obligation	(2,060)	-
Addition to property and equipment related to right-of-use assets and lease obligations (notes 4 and 7)	-	1,734
Depreciation capitalized to mineral property costs (note 8)	681	564
Depreciation capitalized to property and equipment (note 7)	4,062	3,412
Provision for site reclamation capitalized to mineral property costs (note 11)	392	142
Provision for site reclamation capitalized to property and equipment (note 11)	29	91
Share-based payments capitalized to mineral property costs (note 13(a))	478	731
Fair value of stock options allocated to share capital upon exercise (note 12)	1,194	1,012

21. Subsequent event

In March 2021, the Company completed an equity financing of 20,117,640 common shares at a price of $1.95 per common share for gross proceeds of $39.2 million. The financing was comprised of a bought deal prospectus financing of 18,000,000 common shares and an associated non-brokered private placement of 2,117,640 common shares.

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Sabina Gold & Silver Corp. ("Sabina" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2020. The MD&A was prepared as of March 29**,** 2021 and should be read in conjunction with the Company's annual audited financial statements and related notes for the years ended December 31, 2020 and 2019, 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 asset is its 100% owned Back River gold project ("Back River Project" or the "Project") (updated feasibility study completed in February 2021, environmental assessment completed in December 2017 and social license obtained in May 2018). The Company also owns a silver royalty on the Hackett River project, both projects are located in Nunavut, Canada.

The Company continues to closely assess and monitor the COVID-19 situation as it evolves and has undertaken measures to mitigate associated risks, including establishing pre-deployment monitoring and testing, and procedures and protocols to safeguard employees while on site. Given the highly uncertain nature of this situation, the Company is not able to reliably estimate the duration and severity of this pandemic nor the potential impact it could have on the Company's operating activities and financial position. Potential future impacts of COVID-19 could include increased costs for additional testing, lower availability of employees and contractors due to quarantine restrictions, reduced flexibility in crew rotations, limitations on numbers of people at site increasing site overhead costs and reducing productivity, higher cost of transporting crews to site if commercial air travel options are reduced, and additional mandated lockdowns which could shutdown or delay site activities.

2020 Highlights:

- The Company ended the year with cash and cash equivalents and short-term investments of $45.0 million.
- Subsequent to year end, on March 16, 2021, the Company completed bought deal prospectus financing of 18,000,000 common shares at a price of $1.95 per common share for gross proceeds of $35.1 million. The Company has granted the Underwriters an option, exercisable at the offering price for a period of 30 days following the closing of the Offering, to purchase up to an additional 15% of Common Shares issued to cover over-allotments, if any. Additionally, pursuant to the Shareholder Agreement between the Company and Zhaojin International Mining Co., Ltd. ("Zhaojin"), Zhaojin elected to maintain its 9.9% holdings in Sabina. On March 22, 2021 the Company completed the Zhaojin private placement for 2,117,640 Common Shares $1.95 per Common Share for gross proceeds of approximately $4.1 million. The net proceeds of the financings were approximately $36.9 million.
- In Q3 2020, the Company commenced work on an update to its 2015 feasibility study. The updated feasibility study ("UFS") was completed and announced on February 24, 2021. The UFS included revisions to the mine schedule to bring forward high-grade areas at Umwelt underground amongst other changes. The revised mine plan increased total gold production by 1.0 million ounces, with annual average production of 287 koz in years 1 through 5 and 223 koz per year over the 15-year mine life. The UFS indicates the Project generates a post-tax internal rate of return ("IRR") of 27.7% and net present value(5%), ("NPV5%") of C$1.1B (US$860M) with a rapid pay back of 2.3 years using a gold price of US$1,600/oz and an exchange rate of 1.31 $C/$US.
- Subsequent to year end, the Company announced an updated mineral resource estimate for the Project. Resources now total 6.32 million ounces (33,452,000 tonnes at 5.88 g/t) in the Measured and Indicated ("M&I") categories and an additional 2.86 million ounces (13,794,000 tonnes at 6.44 g/t) in the Inferred category. These resources were the foundation of the updated mineral reserve estimate included in the UFS. The Company increased the mineral reserve estimate on the Goose Project from 2.3 million ounces to 3.5 million ounces.
- In 2020 the Company completed a multi-faceted exploration program on the Back River Project as follows:
    - Summer drill program –The Company completed total drilling of 8,095 meters, targeting additional high-grade potential at Umwelt, infill and plunge extension at Llama Extension and other new exploration

targets within the 8km Goose Property gold complex. The initial focus was at Umwelt to test the continuity of the underground high-grade corridor up plunge from Vault towards the bottom of the planned open pit. Drilling was successful in highlighting a 300m plunge extent "V2 zone" below the current limits of the planned open pit with exceptional widths of strong gold mineralization that averages 2 to 3 times the current underground reserve grade. Significant results include:
    - Drill hole 20GSE575C, which returned 19.89 g/t Au over 32.20m;
    - Drill hole 20GSE581, which returned 16.59 g/t over 20.55m;
    - Drill hole 20GSE582, which returned 14.78 g/t over 22.75m; and
    - Drill hole 20GSE571, which returned 15.15 g/t over 19.40m.
  - Summer field program – The Company also completed an airborne geophysics program totaling 2,063-line kilometers in and around the Goose, George and Del sites.

- The Company advanced several key pre-development activities on the Back River Project as follows:
  - Extension of the existing all-weather airstrip from 3,000 to 4,500 feet to facilitate the use of large capacity cargo and transport aircraft to support underground development and future operations;
  - The procurement and transport of underground equipment required for 2021 to collar and advance the exploration decline;
  - Completion of the box cut excavation in preparation for advancing the underground exploration decline in 2021;
  - Completion of the underground equipment workshop pad and progressing the major earthworks for the underground water settling pond;
  - Advancement on preparation of the pads for bulk fuel storage and accommodation complex; and
  - Construction of approximately 4 km of all-weather roads connecting the exploration camp, the underground portal workshop/collar area, the underground water settling pond, the fuel tank pads and the permanent accommodation camp complex area.

- The Company completed its assessment of alternative Project execution strategies for construction, electing a cost reimbursable model for all remaining Project engineering aspects. The Company selected Sacre-Davey Engineering to complete most of the remaining detailed engineering work and CGT Industrial ("CGT") to complete a constructability and operational review.

- The Company completed equity financings for total gross proceeds of $60.7 million, including:
  - Bought deal prospectus financing of 15,400,000 common shares at a price of $2.00 per common share and 8,962,000 flow-through common shares at a weighted average price of $2.65 per share for gross proceeds of $54.6 million.
  - The Company completed a concurrent private placement financing of 2,882,082 common shares at $2.00 per share with Zhaojin International Mining Co., Ltd. ("Zhaojin") on election of its participation right to maintain its ownership at 9.9%.
  - The Company also completed a concurrent private placement financing of 151,083 flow-through common shares at $2.40 per share.
  - The gross proceeds from the flow-through funding of $24.2 million must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2021.
  - Costs associated with the financings totaled approximately $3.5 million.

- For the year ended December 31, 2020, the Company reported a net loss of $4.2 million or $0.01 per share.

Results of Operations

Back River, Nunavut

On June 9, 2009, the Company completed the acquisition of the Back River and Wishbone properties in Nunavut, Canada (collectively known as the "Back River Assets") from Dundee Precious Metals. The Back River Assets were acquired for cash of $7.0 million and 17 million common shares and future equity consideration that would be issued upon successful completion of certain development milestones (see below in Liabilities and Contingencies section).

The Back River Project is located approximately 520 km NE of Yellowknife and 70 km south of Bathurst Inlet, and is comprised of 54 Federal Mineral Leases, 18 Federal Mining Claims covering approximately 58,000 hectares. It is divided into the Goose, George, Boot, Boulder, Del and Bath properties, with the Goose property hosting the Goose Main, Llama, Nuvuyak, Echo and Umwelt gold deposits, and the George property (located approximately 50 km northwest of Goose) hosting six known gold deposits.

Back River Project and site activities in 2020 were focused on advancement of a variety of initiatives, including:

1. Project expansion:
   - Exploration – Drilling program targeting additional high-grade potential at Umwelt, infill and plunge extension at Llama and other new high potential exploration targets within the 8km Goose property gold complex. Continued exploration modelling of the Nuvuyak discovery, Llama Extension zone and an extensive project wide target pipeline was completed. And an airborne geophysical survey and summer field work program in support of new discovery potential.
   - Commencement of construction of ramp for underground exploration of Umwelt Vault zone, including purchase and mobilization of mining equipment and supplies, and construction of road to portal, laydown area, workshop, portal box cut and collar.
2. Pre-development activities which de-risk Project construction
   - Earthworks – Phased extension of the Goose property airstrip to accommodate larger aircraft including procurement of additional construction equipment as well as airlift campaign to deliver to site.
   - Engineering – Commencement of detailed engineering including "issued for construction drawings" for process plant and other key infrastructure.
   - Permitting – submissions related to permit modifications identified during the 2018 and 2019 pre-development site works which provide for project improvements.

Back River Project Exploration

The Goose site initially opened in early March 2020; however, on March 17, 2020, the Company elected to suspend activities due to the COVID-19 pandemic and deferred its planned spring drilling program. Management's decision was aligned with and in the best interests of all our stakeholders and reflected Sabina's commitment to the safety of our employees. During Q2 2020, the Company worked in consultation with external parties to develop camp protocols to ensure the safety of our workforce and the surrounding communities. A COVID-19 Operational Framework was established, and camp was reopened in late June and operations resumed in early July. Sabina continues to engage with relevant parties regarding the safety and wellbeing of our employees and will modify protocols as needed based on new information to ensure our measures are protective.

The priority focus for exploration advancement at Back River during 2020 was a drilling program that ran July through September. Total drilling of 8,095 meters, targeted additional high-grade potential at the Umwelt deposit, infill drilling at the Llama Extension target and drill testing of other new exploration targets within the 8km Goose property gold complex.

The initial focus was at Umwelt to test the continuity of the underground high-grade corridor up plunge from Vault towards the bottom of the planned open pit. This drilling encompassed nine holes up plunge towards the proposed pit as well as three drill holes lateral to the high-grade corridor in the Umwelt anticline structure. Drilling was successful in highlighting a 300m plunge extent, called the "V2 zone", below the current limits of the planned open pit with exceptional widths of strong gold mineralization that average 2 to 3 times the current underground reserve grade.

Exploration drilling was also completed on select targeting at Llama Extension to better inform mineralization continuity within portions of the 500m extension to the current underground resource, and on three greenfield exploration targets (Hook, Jackaroo, and Hackles) within the Goose Property that had been identified during ongoing targeting exercises.

Other exploration work completed during 2020 included continued exploration modelling of the Nuvuyak discovery, Llama Extension zone and an extensive project wide target pipeline. Additionally, a two-week airborne geophysical survey was conducted during the first half of August, with a total of 2,063-line kilometers flown in and around the Goose, George and Del properties.

<u>Umwelt High Grade Zone</u>

The 2020 drilling results strongly support the existence of a second Vault type zone ("V2 Zone") just below the bottom of the proposed open pit at Umwelt. Drilling was designed to delineate and detail the nature of the high-grade structure, which has never been discretely targeted. Drilling was completed with nine drillholes, seven of which define the V2 Zone.

All seven of the drill holes within the V2 zone returned exceptional results with respect to width and grade of strongly mineralized and altered iron formation over a 300m plus plunge length.

Significant results from the 2020 summer program on the V2 Zone include the following:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Au (g/t) Capped	Lithology	Gram x Metre	Gram x Metre (capped)
20GSE571	228.60	248.00	19.40	16.28	15.15	Iron Formation	316	294
20GSE572	345.50	372.95	27.45	5.01	n/a	Iron Formation	138	n/a
20GSE573	254.00	278.75	24.75	7.50	n/a	Iron Formation	186	n/a
20GSE575C	279.70	311.90	32.20	20.18	19.89	Iron Formation	650	640
20GSE581	180.20	200.75	20.55	20.02	16.59	Iron Formation	411	341
20GSE582	312.25	335.00	22.75	23.52	14.78	Iron Formation	535	336
20GSE584	319.45	344.25	24.80	14.78	n/a	Iron Formation & Felsic Dyke	366	n/a

^ True widths of the intercepts reported are estimated between 75% and 85%.

* Assay capping for Umwelt Deposit at 80 g/t Au.

Back River Project Development

During Q3 2020, the Company commenced work on an update to its 2015 feasibility study ("3KFS"). The objective of the UFS focused on incorporation of Project enhancements, including an updated Back River Mineral Resource, project execution strategy, capital and operating expenditures and mine schedule to bring high-grade areas into the mine schedule earlier in the mine life. The updated mine plan would also include areas previously excluded in the 3KFS, including Llama Underground, Goose Underground, and the Echo deposit.

Subsequent to year-end on February 24, 2021, the Company completed and announced the results of its UFS on its Back River Project. Base case economics in Canadian dollars were based on a gold price of US$1,600/oz and an exchange rate of 1.31 ($C:$US). The UFS highlights include:

- An after-tax internal rate of return of 27.7%;
- An NPV5% of $1.1 billion based on a 5% discount rate;
- Life-of-mine ("LOM") after-tax net cash flow of $2.0 billion on gross revenues of $7.0 billion;
- Payback period of 2.3 years (from start of operations);
- A total of 18.7 million tonnes of ore to be milled over 15 years
- Total gold production of 3.35M oz over life-of-mine ("LOM")
- LOM average grade of 6.0 g/t gold and average metallurgical recoveries of 93.4%;
- Annual LOM gold production of 223 koz, including 287 koz per year in the first 5 years;
- Approximately half of mine production to come from open pits with underground production scheduled from year 1 to year 15;
- Initial capital estimate of $610 million and LOM sustaining capital and closure costs of $419 million;
- Total LOM cash costs of US$679/oz of payable gold (including third party royalties, refining and transport);
- LOM all-in sustaining cash costs of US$775/oz (including sustaining capital and closure costs);
- Base case assumptions of delivered diesel price of $0.91 per litre for power generation and $0.95/L for mobile and stationary equipment; and
- LOM open pit strip ratio of 10.1:1.

On March 4, 2021, 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 March 3, 2021 on www.sedar.com.

Pre-development activities that were executed at the Goose site during the second half of 2020 included:

- Extension of the existing all-weather airstrip from 3,000 to 4,500 feet to facilitate the use of large capacity cargo and transport aircraft to support underground development and future operations;
- The procurement and transport of underground equipment required for 2021 to collar and advance the exploration decline;
- Completion of the box cut excavation in preparation for advancing the exploration decline 2021;
- Completion of the underground equipment workshop pad and major earthworks for the underground water settling pond;
- Advancement of the pad for fuel bulk fuel storage and accommodation complex; and
- Construction of approximately 4 km of all-weather roads connecting the exploration camp, the underground portal workshop/collar area, the underground water settling pond, the fuel tank pads and the permanent accommodation camp complex area.

The Company has selected Sacre-Davey Engineering to complete most of the remaining detailed engineering work and CGT Industrial ("CGT") to complete a constructability and operational review. Sacre Davey has successfully executed projects for mining, oil fields and the pulp and paper industries. CGT is an experienced Arctic constructor that has gained a comprehensive understanding of the Project from their work on a previous EPC proposal. Sabina is in the process of soliciting proposals from power plant technology providers for design and construction drawings for a power plant for the Project.

The Company has also selected FLSmidth & Co. for all major process plant equipment as originally contemplated under the previous EPC model. Negotiations are underway on a definitive pricing contract with a performance guarantee structure. Potential price variation will be tied to market indexes thus ensuring certainty throughout the project execution phase. The contract will provide the cornerstone for the process plant from the detailed design phase to commissioning, optimization, and operational readiness.

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

Back River Project Community and Social Responsibility

Environmental Assessment and Permitting

Following an extensive environmental assessment process that spanned several years, in December 2017 the Minister of Crown-Indigenous Relations and Northern Affairs Canada ("CIRNAC") accepted the recommendation of the Nunavut Impact Review Board ("NIRB") that the Back River Project should proceed to the final licensing phase after the granting of a Project Certificate. This enabled the Nunavut Water Board ("NWB") to commence a review of the Type A water license required for mine construction and operations at the Back River Project. In November 2018 Sabina received the approved Type A water license.

In December 2017, following the granting of the Project Certificate by NIRB, Sabina commenced the process under the Metal and Diamond Mines Effluent Regulation ("MDMER") to operate the tailings storage facility as contemplated in the feasibility study. 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. Sabina received approval to use the primary tailings storage facility in June 2020. This final authorization is a milestone that enables full operations at the first mine at Back River.

In addition to these key authorizations Sabina holds numerous other approvals from the federal government including CIRNAC land leases (expiry date of 2048), fisheries authorizations from the Department of Fisheries and Oceans Canada (expiry date of 2031), and navigable waters authorizations from Transport Canada (no expiry date). Additionally, despite the mine plan in the UFS being focused on a 3,000 to 4,000 tonne per day operation, permitting was advanced on the basis of the previous 6,000 tonne per day feasibility (excluding the George Property) with eight mining areas, thus providing significant future project flexibility. Sabina anticipates some normal-course regulatory engagement to ensure management plans and associated requirements align with changed activities planned within the UFS.

In mid 2020 various project enhancements were submitted for consideration by interested parties including the Nunavut Planning Commission ("NPC"), NIRB, NWB, Kitikmeot Inuit Association ("KIA"), and federal and territorial governments. These enhancements included the extension of airstrips, use of additional fresh water, land-based work on the winter ice road, and deeper mining at the Umwelt deposit to access the Vault zone. Sabina has received approval from both NPC and NIRB and is currently moving through the NWB process.

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.

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

Hackett River Silver Royalty, Nunavut

The Hackett River project consists of approximately 13,000 hectares and is located approximately 480 km northeast of Yellowknife and approximately 60 km from the Back River Project.

On October 4, 2011 the Company completed the sale of the Hackett River property and certain claims on the Wishbone project to Glencore plc ("Glencore", formerly Xstrata Zinc) for cash consideration of $50 million along with Sabina reserving a silver production royalty (the "Hackett Silver Royalty") equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina.

Following closing on November 14, 2011, Glencore was required to spend not less than $80 million on the Properties ("FS Expenditures") over a seven-year period. As at December 31, 2018, Glencore had incurred sufficient exploration expenditures to satisfy its $80 million spending commitment.

Glencore did not publicly announce a definitive decision to begin construction of a mine within 12 months of the anniversary date of November 14, 2018. This triggered Sabina's buy back right until May 14, 2019 to purchase the Properties, which the Company elected not to exercise. As a result, Sabina's Hackett Silver Royalty was unaffected and remains as described above. As at December 31, 2020 and to the date of these financial statements, Glencore has not made a production decision.

Glencore has completed work to advance the project. Key project accomplishments were: in 2012 approximately 51,500 meters of diamond drilling was completed, including 43,500 meters of exploration both near known deposits and on new targets and 8,000 meters of geotechnical and metallurgical drilling; baseline environmental studies; and, commencement of economic evaluation studies; and, in 2013 approximately 38,500 meters of drilling was completed at Hackett; approximately 6,000 meters of geotechnical drilling was completed at the proposed infrastructure sites; and, various airborne surveys were completed across the Hackett River property.

At December 31, 2020, Glencore's reported indicated resources of 27 million tonnes (Zn 4.5%, 0.6 Pb%, 0.5 Cu%, Ag 130 g/t, Au 0.3 g/t) and inferred resources of 60 million tonnes (Zn 4%, Pb 1%, Cu 0.4%, Ag 150 g/t, Au 0.2 g/t) for the Hackett River project. Glencore disclosed that Aline Côté, Industrial Lead of Glencore International AG, co-head of Zinc industrial assets, served as the Competent Person in connection with this mineral resource estimate. Glencore is not an issuer in Canada and therefore is not required to file a 43-101 technical report on the new resource. A Hackett River technical report was announced and filed by Sabina on www.sedar.com on March 12, 2014. Readers are cautioned that mineral resources, which are not mineral reserves, do not demonstrate economic viability.

Red Lake Properties

During August 2020, the Company completed an agreement with Prosper Gold Corp. ("Prosper") whereby Sabina granted Prosper an option to acquire 100% interest in its Golden Sidewalk and Skinner gold properties in the Red Lake mining district of Ontario. The agreement provides Prosper an option to earn 100% interest in the properties over a four-year period by paying Sabina $50,000 in cash and 1.5 million Prosper common shares and completing a total of $2.6 million of work on the properties. As of December 31, 2020, the Company had received $20,000 in cash and 50,000 Prosper common shares with respect to the option agreement.

Summary of Results

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

	2020	2019	2018
Total assets	$ 555,134	$ 500,091	$ 495,583
Loss	(4,183)	(8,086)	(6,176)
Per Share	$ (0.01)	$ (0.03)	$ (0.02)

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Total assets	$ 555,134	$ 562,741	$ 555,049	$ 497,541	$ 500,091	$ 492,518	$ 493,048	$ 490,745
Loss	(1,186)	(1,008)	(1,171)	(818)	(1,349)	(676)	(782)	(5,278)
Per Share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.02)

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

Overall Performance

For the three months ended December 31, 2020, the Company reported a net loss of $1.2 million, a decrease of $0.2 million compared to the same period of 2019. The difference quarter over quarter was primarily the result of a decrease in operating costs combined with a higher deferred income tax recovery, partially offset by a decrease in finance income.

For the year ended December 31, 2020, the Company reported a net loss of $4.2 million, a decrease of $3.9 million compared to the same period of 2019. The decrease in loss year over year was driven by lower operating expenses ($5.0 million, detailed in the table below) and higher net finance income ($2.1 million), partially offset by a higher deferred income tax expense ($3.2 million).

Operating expenses for the year ended December 31, 2020 were $6.4 million compared to $11.4 million in the comparative period in 2019. Year-over-year (favourable)/unfavourable variances are summarized below:

Expenses	Variance $ millions	Description
Professional services	0.4	Increase to financial advisory and independent engineering fees in 2020 related to Back River Project financing.
Write-down of mineral properties	(5.7)	Pre-tax write-down in 2019 of non-core Red Lake mineral properties.
Other operating expenses	0.3	Increase to Salaries and severance ($0.2M) and Administration and general ($0.1M)

For the year ended December 31, 2020, net finance income was $4.3 million compared to $2.2 million in the comparative period in 2019. The increase was driven primarily by higher amortization of flow-through premium, which was impacted not only by the 2020 spending of flow-through funds raised in December 2019 but also the financing that closed in June 2020.

For the year ended December 31, 2020, deferred income tax expense of $2.1 million compared to a deferred tax recovery of $1.1 million during 2019. The expense in 2020 was the net result of the renunciation of eligible 2020 expenditures to flow-through investors, partially offset by the deferred tax recovery on the loss before tax.

For the three and twelve-month periods ended December 31, 2020, capitalized exploration and evaluation expenditures were $9.6 million and $22.4 million compared to $2.8 million and $15.6 million in the comparative periods in 2019. Year-over-year increases/(decreases) are summarized below.

Capitalized Exploration & Evaluation Expenditures	Variance ($ millions)	Description
Drilling and camp support	1.0	Additional costs in 2020 due to the planned start-up in spring and subsequent deferral due to COVID-19.
Detailed engineering and pre-development activities	4.7	Increase relates to primarily to the work associated with the UFS as well as pre-development earthworks related to plan to develop an underground ramp for exploration, namely the road to the underground portal location, the portal laydown, the portal box cut, and the underground storage pond.
Environmental and permitting	0.6	Increase driven by additional consulting work related to the environmental support for the updated feasibility study.
Geology and geophysics	0.3	Increase driven by airborne geophysical survey in August 2020.
Provision for site reclamation	0.3	Increase driven by the additional land disturbances at site related to the various earthworks activities.
Share-based payments	(0.3)	Lower fair value of stock options granted in 2020.

During the year ended December 31, 2020, pre-development capital additions were $18.0 million (2019 – $21.5 million), comprised mainly of earthworks activities at site related to the airstrip extension and various pads, the procurement of heavy equipment, and capitalized depreciation of $4.1 million (2019 – $3.4 million).

Outlook

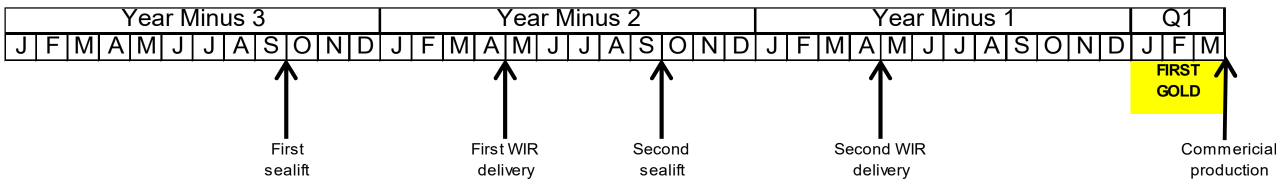
The Company's strategic plan is focused on exploring and developing its primary asset, the 100% owned Back River Project, with the objective of becoming a mid-tier gold producer. The UFS, released in February 2021, demonstrates the positive economics of the Project on a greater scale and over a longer 15-year mine life than previously released feasibility studies.

In 2021, based on our current treasury (including net proceeds from equity financing described above completed in March 2021, the Company intends to continue to advance various initiatives, including:

1. Project expansion:
   - Exploration – Winter drilling program at Goose targeting approximately 4,000, as well as summer field programs to continue exploration modelling at various other discovery areas.
   - Commencement of construction in Q2 2021 of ramp for underground exploration of Umwelt Vault zone.
2. De-risk Project construction
   - Procurement – critical path equipment and supplies which are needed to be delivered to site via sealift in 2021 to maintain production schedule targeted in UFS
   - Earthworks – Continued work at the Port and Goose site.
   - Construction – Significantly increase fuel storage capabilities at Goose to match those at the Port site. Harvest select eskers to be used as future concrete aggregate supply.
   - Engineering – Advancement of detailed engineering including "issued for construction drawings" for process plant and other key infrastructure.
   - Permitting – Permit modifications identified during the 2018 and 2019 pre-development site works which provide for project improvements are expected to complete the regulatory approval process in 2021.

The Company plans to continue its approach of measured project advancement by continuing to focus on activities that add value and de-risk the project. The Company is in discussions with various lending groups exploring debt financing options.

The Project execution schedule is driven by the seasonality of shipping to the Port Facility combined with the logistics of construction and transport by way of WIR. The UFS execution schedule contemplates that the first seasonal sealift of construction materials would be completed by September of the year 27 months prior to first gold and the second seasonal sealift completed by September of the year 15 months prior to first gold. From delivery of that first seasonal sealift to the Port Facility, the Company estimates that the Back River Project would be 30 months to first gold, and 6 months to commercial production inclusive of commissioning and ramp up period. Maintaining this schedule is dependant on the timing of completion of Project financing and a production decision by the Company to proceed with mine construction.



Liquidity and Capital Resources

The Company had cash and cash equivalents and short-term investments of $45.0 million at December 31, 2020 compared to $26.2 million at December 31, 2019.

During 2020, Sabina completed equity financings with total gross proceeds of $60.7 million as follows:

- **Q2 2020** – Bought deal prospectus financing of 15,400,000 common shares at a price of $2.00 per common share and 8,962,000 flow-through common shares at a weighted average price of $2.65 per share for gross proceeds of $54.6 million. The Company completed concurrent private placement financings of 2,882,082 common shares at $2.00 per share and 151,083 flow-through shares at $2.40 per share for gross proceeds of $6.1 million. Total flow-through funding of $24.2 million must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2021.

During 2019, Sabina completed equity financings with total gross proceeds of $13.3 million as follows:

- **Q2 2019** – Non-brokered private placement of 3,361,907 flow-through common shares at a price of $1.55 per flow-through common share for gross proceeds of $5.2 million, which were used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) during 2019.
- **Q4 2019** – Bought deal private placement of 2,137,000 flow-through common shares at a price of $2.34 per flow-through common share for gross proceeds of $5.0 million, which were used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) during 2020.

The Company forecast its cash requirements for the next fiscal year and believes it has sufficient cash resources and liquidity to sustain its planned 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 project debt and equity financings.

Subsequent to year-end in March 2021, the Company completed an equity financing of 20,117,640 common shares at a price of $1.95 per common share for gross proceeds of $39.2 million. The financing was comprised of a bought deal prospectus financing of 18,000,000 common shares and an associated non-brokered private placement of 2,117,640 common shares with Zhaojin resulting from the exercise of its equity financing participation rights.

Reconciliation of Use of Proceeds for June 3, 2020 Financing

Disclosed Use of Proceeds	Amount	Actual Use of Proceeds	Amount
Surface exploration program at Goose	$5.0 million	Used to fund exploration programs, primarily drilling	$1.9 million
Surface preparations for decline activities	$5.3 million	Used to fund the construction of the road to the portal, the portal box cut, the portal laydown, the underground storage pond, and the portal workshop	$5.9 million
Equipment purchases for decline activities	$6.5 million	Used to fund the spending on mobile mining equipment, including a jumbo drill and two loaders, as well as transport costs to deliver to site	$6.1 million
Commencement of decline development	$12.0 million	Funds expected to be used during 2021	$nil
Goose site pre-development including earthworks for process plant site pads and roads, extension of airstrip and erection of bulk fuel storage	$13.0 million	Used to fund construction of the airstrip extension, roads throughout site, and pads for both the camp and tank farm	$6.7 million
Detailed engineering of all planned mine site facilities	$6.9 million	Used to fund initial spending on detailed engineering and updated feasibility study. Detailed engineering is expected to be completed in the first half of 2021.	$3.5 million
Procurement of 500-person camp for future mine construction and operation	$7.0 million	Owners costs associated with activities described above.	$1.8 million
General corporate and working capital purposes	$1.8 million	Funds for general corporate and working capital purposes	$1.8 million
Total	$57.5 million		$27.7 million
Less: Unexercised portion of the underwriters' over-allotment option	$(0.6) million		$nil
Total	$56.9 million		$27.7 million

Reconciliation of Use of Proceeds for April 4, 2019 and December 20, 2019 Flow-Through Financings

Disclosed Use of Proceeds	Amount	Actual Use of Proceeds	Amount
Exploration programs	$10.2 million	Used to fund exploration programs during 2019 as well as the nine month period ending September 30, 2020	$10.2 million
General corporate and working capital purposes	$3.1 million	Funds for general corporate and working capital purposes	$3.1 million
Total	$13.3 million		$13.3 million

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 values of the Company's reclamation deposits and community funding deposit account are not expected to differ materially from their carrying values given the interest rate being received. The fair value of marketable securities is determined based on quoted market prices.

At December 31, 2020, the Company had 50,000 common shares of Prosper Gold Corp. with a fair value of $0.1 million (December 31, 2019 – nil shares with a fair value of $nil).

Liabilities and Contingencies

In connection with the original asset purchase dated June 9, 2009 to acquire the Back River Assets from DPM, the Company agreed to provide future equity consideration in the event that certain milestones related to the Back River Project were met. At December 31, 2020, the remaining potential consideration consists of 5 million common shares of the Company, which would be issuable upon a positive production decision for the Back River Project.

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 $3.3 million. The Company has issued security deposits of $7.7 million in relation to these obligations, with the difference between the provision and the funding representing future planned disturbances.

In 2014, the Company and KIA completed a Development Trust Fund Agreement (the "Trust") whereby Sabina agreed to establish and contribute to the Trust on behalf of the KIA. The Trust will be established with an objective of contributing funding towards short and long-term KIA development projects and initiatives including training and education as well as infrastructure projects that will serve to support sustainable economic development in the region. Under the terms of the agreement, the Trust would receive 3% of Sabina's net proceeds from the silver royalty on the Hackett River and Wishbone properties sold to Glencore. The Trust would be comprised of a maximum of six trustees, of which a majority would be KIA appointees with at least one Sabina appointee. Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure. Payments may be made to the Trust in shares at Sabina's election and subject to regulatory approval.

Contractual Obligations

The Company has recorded a lease obligation for the rental of its corporate head office in Vancouver, which expires in May 2023. Minimum rental payments over the next three years total $1.1 million, of which $0.4 million was paid in 2020.

The Company has recorded a lease obligation for certain mobile equipment used at its Back River exploration camp, which expires in March 2022. Minimum lease payments over the next three years total $0.05 million, of which $0.04 million will be paid in 2020.

As part of the FA completed on April 23, 2019, the Company is required to make annual payments to KIA of $0.5 million until the year that Sabina makes a production decision for its Back River Project, following which the annual payments rise to $1.0 million. Also, upon a production decision, the Company has an additional funding commitment of $2.0 million for regional wealth creation initiatives in the Kitikmeot region.

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

Accounting for Exploration and Development Costs
Exploration expenditures related to mineral properties are deferred only if it is probable that these costs will be recovered from future operations. The carrying values of mineral properties are assessed at the balance sheet date to determine whether any indicators exist that the properties may be permanently impaired. The Company's progress in its development activities towards its planned operations is a key factor to be considered as part of the ongoing assessment of the recoverability of the carrying amount of capital assets and deferred exploration and development costs. If there are indicators of impairment, the asset is written down to its estimated net recoverable value. Deferred acquisition, exploration and evaluation expenditures totalled $378.5 million at December 31, 2020 (December 31, 2019 – $356.1 million).

Provision for Site Reclamation
The Company recognizes management's best estimate of a future asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the acquisition, construction, development and/or normal use of its assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset which is amortized over the life of the asset. At December 31, 2020, the Company had a provision for site reclamation of $3.3 million (December 31, 2019 – $2.9 million) in relation to the Back River exploration camps and the Port Facility. Key activities required to be carried out and used in estimating the costs include removal of the camps, reclamation of the site pads, re-vegetation (as needed) and post-closure site monitoring.

Stock-based Compensation
Stock-based compensation is accounted for using the fair value method. Under the fair value method, compensation cost is measured at fair value of the options at the date of grant and is expensed over the vesting period of the award. The 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 payments during the year ended December 31, 2020 are as follows: a risk-free interest rate of 0.6% (2019 – 1.9%); a dividend yield of 0% (2019 – 0%); an expected volatility of 62% (2019 – 61%) and expected lives of stock options of 5.0 years (2019 – 5.0 years). The weighted average fair value of options granted in the period was $0.67 per option (2019 - $0.72). The expected volatility is estimated by considering historic average share price volatility.

Changes in Accounting Standards

At this time, new standards, interpretations or amendments to existing accounting standards are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of disclosure controls and procedures ("DCP") and internal control over financial reporting ("ICOFR"). In its assessment, the Company used Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management conducted its assessment and concluded that, as of December 31, 2020, the Company's DC&P and ICOFR were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods. There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Any system of DC&P, particularly for junior exploration companies, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all inaccuracies. These limitations include limited personnel available for such work, geographical logistics and human error among others. Any system of ICOFR, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

Outstanding Share Data

As at March 29, 2021, there were 347,860,308 common shares outstanding and there were options and warrants outstanding to purchase an aggregate of 18,862,750 common shares. These shares include stock options that were granted to certain of the Company's executive officers, directors, employees and 9 million warrants.

Additional Information

Sabina is a Canadian public mineral exploration company listed on the TSX Exchange trading under the symbol "SBB" and is a reporting issuer in all provinces and territories of Canada. Additional information relating to the Company may be obtained or viewed from the System for Electronic Data Analysis and Retrieval (SEDAR) website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

Risks and Uncertainties

Risks Related to the Business of the Company

COVID-19, the respiratory illness COVID-19 (also referred to a s the "coronavirus") has resulted in a widespread health pandemic that has already adversely affected the Canadian economy and financial markets, as well as the economies and financial markets of many countries around the world. The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; a general reduction in consumer activity; operating, supply chain and project development delays and disruptions; declining trade and market sentiment; all of which have and could further affect commodity prices, interest rates, credit ratings and credit risk.

Out of concern for the well being of the Company's employees, contractors, their families, and their communities, the Company has elected to implement a work from home policy for its corporate office employees in Vancouver (for which the Company has the appropriate IT support). The Company has implemented measures for activities at the Goose site to mitigate risks associated with COVID-19. These measures include pre-deployment monitoring and testing, and procedures and protocols to safeguard employees while on site.

Potential future impacts of COVID-19 could include increased costs for additional testing, lower availability of employees and contractors due to quarantine restrictions, reduced flexibility in crew rotations, limitations on numbers of people at site increasing site overhead costs and reducing productivity, higher cost of transporting crews to site if commercial air travel options are reduced, and additional mandated lockdowns which could shutdown or delay site activities.

The Company will experience continuing and additional business interruptions, expenses and delays relating to COVID-19, which could have a material adverse impact on the Company's business, operating results, financial condition and the market for its securities. As at the date of these financial statements, the duration of the business disruptions and related financial impact of COVID-19 cannot be reasonably estimated.

Exploration Hazards and Risks

Natural resource exploration generally involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following; environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave ins, landslides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration of precious and base metals, any of which could result in work stoppages, asset write downs, damage to or destruction of equipment and other facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry at reasonable terms or at all. In addition, the Company's insurance coverage may not continue to be available at commercially acceptable premiums, or at all. Any such event could have a material adverse effect on the Company's business.

Exploration and Development of Natural Resource Properties

There is no assurance that the exploration programs on the Company's current or future natural resource properties will result in the discovery of new resources or lead to the development of a commercially viable orebody. The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

The economics of developing gold, silver and base metal properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, and fluctuating mineral markets. Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production. The economic feasibility of development projects is based on many factors such as; estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future gold prices and anticipated capital and operating costs of these projects. The Back River Project has no operating history upon which to base estimates of future projection and cash operating costs. Particularly for development projects, estimates of Proven and Probable Mineral Reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, estimated operating costs, anticipated climactic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Depending on the prices of gold, silver or base metals, the Company may determine that it is impractical to continue exploration or to commence development of a mineral property. Substantial expenditures are required to discover an orebody, to establish resources and reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations and conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and financial condition.

Uncertainty Relating to Production Estimates

The Company has prepared estimates of future production and future production costs for the Back River Project. No assurance can be given that production estimates will be achieved. These production estimates are based on, among other things: the accuracy of reserve estimates; the accuracy of assumptions; metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing. Actual production may vary from estimates for a variety of reasons, including, among other things: actual ore mined varying from estimates of grade, tonnage, dilution, metallurgical and other characteristics; short term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Failure to achieve production estimates could have an adverse impact on the future cash flows, earnings, results of operations and financial condition of the Company.

No History of Commercial Production and No Revenue from Operations

The Company has no commenced commercial production on any of its mineral resource properties. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There can be no assurance that significant losses will not occur in the near future or that the company will be profitable in the future. The company's operating expenses and capital expenditures may increase in the future as consultants, personnel and equipment costs associated with advancing exploration, development and commercial production of its properties increase. The company expects to continue to incur losses unless and until such time, if ever, it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Back River Project will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues. If the Company is unable to generate significant revenues at the Back River Project, it will not be able to earn profits or continue operations. The Company cannot provide investors with any assurance that it will ever develop a mine at the Back River Project. Development of the Back River Project will be Subject to all of the Risks Associated with Establishing New Mining Operations

Development of the Back River Project will require the construction and operation of mines, processing plants and related infrastructure. As a result, the Company is and will continue to be subject to all the risks associated with establishing new mining operations, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labour, mining equipment and principal supplies needed for operations;
- the availability and cost of appropriate smelting and refining arrangements;
- the need to obtain and maintain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, aboriginal groups, environmental groups, local groups or other stakeholders which may delay or prevent development activities; and
- potential increases in construction and operating costs due to changes in the cost of labour, fuel, power, materials and supplies.

The costs, timing and complexities of developing the Back River Project may be greater than anticipated because the majority of such property interests are not located in developed areas, and as a result, its property interests are not located in developed areas, and as a result, its property interests may not be served by appropriate road access, water and power supply and other support infrastructure. Cost estimates may increase as more detailed engineering work is completed on the Back River Project. It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. Accordingly, the Company cannot provide assurance that its activities will result in profitable mining operations at its mineral properties.

General Economic Conditions

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Some of the key impacts of the current market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility on global equity, commodity, foreign exchange and precious metal markets and a lack of market confidence and liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and profitability. A number of issues related to economic conditions could have a material adverse effect on the Company's financial condition and results of operations, specifically;

- turmoil in the global financial markets could impact the cost and availability of financing and the Company's overall liquidity;
- the volatility of gold and other metal prices would impact the Company's revenues, profits, losses and cash flow;
- continued or worsened economic slowdown could adversely impact demand for the Company's production;
- volatile energy, commodity and consumables prices and currency exchange rates would impact the Company's production costs; and
- the devaluation and volatility of global stock markets would impact the valuation of the Company's equity and other securities.

Transportation to the Back River Project is Limited and Risky

Due to the location of the Back River Project, there is presently limited infrastructure, other than infrastructure developed by the Company, available to explore or, if a production decision is ultimately made, develop or engage in production from the Back River Project. As a result of the minimal infrastructure, access to the Back River Project is limited. The access to the Back River Project is also subject to seasonality constraints related to ocean access and winter road construction. Delays in procurement and delivery could result in critical items missing the necessary timeframes to meet the seasonal sea lift. Delays in construction and operations could result in missing particular site access timeframes.

The inability of the Company to secure the transportation necessary to support its current and proposed operations, including in respect of development at the Back River Project may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Inadequate Infrastructure May Constrain Development and Mining Operations

Commercial production at the Back River Project depends on adequate infrastructure. In particular, reliable power sources, water supply, transportation and surface facilities are all necessary to develop and operate a mine. Failure to adequately meet these infrastructure requirements in a timely and cost-effective manner could affect the Company's ability to commence or continue production at the Back River Project and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Uncertainty of Funding

The Company has limited financial resources, and the exploration and development of the mineral properties in which the Company has an interest require substantial financial expenditures to be made by the Company.

There can be no assurance that adequate funding will be available to the Company to enable it to maintain its interests, conduct exploration activities and, if warranted, commence development of a mineral property. Further exploration work and development of the properties in which the Company has an interest depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Precious and Base Metal Price Fluctuations

The ability of the Company to raise funds to continue exploration of the mineral properties in which it has an interest will be significantly affected by changes in the market prices of precious metals. In addition, although the Company no longer has direct exposure to base metal prices, such prices will significantly affect the manner in which Glencore carries on exploration and, if warranted, development of the Hackett River Back River Project. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of precious and base metals, foreign currency exchange rates, international investments, regulation of monetary systems, speculative activities, international economic conditions and political developments. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not being able to continue its planned exploration programs. Declining market prices for these metals could materially adversely affect the Company's operations and financial condition.

Passive Nature of Hackett River Project Royalty

The Hackett Royalty reserved by the Company on the Hackett River Project represents an asset with substantial potential value. However, as a holder of a royalty interest, the Company will have no right to participate in the decision-making process with respect to the future exploration and, if warranted, development of the project. Glencore is the world's largest zinc producer with the financial and other resources necessary to develop the Hackett River Project along with the infrastructure that will be required to conduct a major mining operation in Nunavut. In addition, the Hackett agreement has provisions intended to create financial incentives for Glencore to incur significant exploration expenditures and to complete a feasibility study. As of December 31, 2018, Glencore had incurred sufficient exploration expenditures to satisfy its $80 million spending commitment over a seven-year period. Glencore did not publicly announce a definitive decision to begin construction of a mine within 12 months of the anniversary date of November 14, 2018. This triggered Sabina's buy back right until May 14, 2019 to purchase the Properties, which the Company elected not to exercise. As a result, Sabina's Hackett Silver Royalty was unaffected and remains as described above. As at December 31, 2020 and to the date of these financial statements, Glencore has not made a production decision.

Calculation of Reserves, Resources and Precious Metal Recoveries

There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and the corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

Government Regulation

The Company's exploration operations are, and any development activities which it conducts in the future will be, subject to extensive federal, provincial, territorial and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post-closure reclamation, safety and labour, mining law reform, price controls, import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities. The costs associated with compliance with these laws and regulations 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, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. 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 retains competent and well trained individuals and consultants in jurisdictions in which it does business. However, even with the application of considerable skill the Company may fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

Obtaining and Renewing of Government Permits

New mining projects in Nunavut are subject to environmental assessment and review prior to certification and issuance of permits to authorize construction and operations. The primary environmental review and approval process applicable to the Back River Project is the environmental assessment administered by the NIRB. The Company has received approval from NIRB and has obtained a project certificate needed to construct and operate the Back River Project. KIA administers the surface title to Inuit owned lands in the Kitikmeot region of Nunavut, including surface rights over certain portions of the Back River Project. Sabina has secured the surface rights authorizing mine development and operations by way of the commercial leases in the FA.

The Company may be required to obtain and renew government licenses and permits from the KIA for activities beyond the term or outside the scope of existing authorizations. The Company may require additional permits for the development, construction and commencement of any mining operations. Obtaining or renewing the necessary governmental permits is a time-consuming process involving numerous regulatory agencies and 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 are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can ultimately recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations.

Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties but are unknown to the Company.

Title to Assets

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

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. There can be no assurance that the Company will be able to acquire any interest in additional projects that would yield resources or reserves or result in commercial mining operations.

Employee Recruitment and Retention

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. If the Company is not able to attract, hire and retain qualified personnel, its operations could be impaired.

Potential Conflicts of Interest

Reference is made to "Directors and Executive Officers – Conflicts of Interest" contained within the Company's Annual Information Form for information concerning potential conflicts of interest of the Company's directors and officers. There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition and exploration of natural resource properties, thereby allowing these companies to (i) participate in larger properties and programs, (ii) acquire an interest in a greater number of properties and programs, and (iii) reduce their financial exposure to any one property or program. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Information Systems and Cyber Security Threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts; damage to physical plants; natural disasters; terrorism; fire; power loss; hacking; computer viruses; vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software to mitigate the risk of failures.

Any of these and other events could result in information loss, system failures, business interruptions and/or increases in capital expenses, which could adversely impact the Company's reputation, business, financial condition and results of operations. Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that Sabina will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks Related to the Common Shares

Reliability of Financial Statements

In the preparation of financial statements, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting details are described in more detail in the notes to the Company’s annual consolidated financial statements for the year ended December 31, 2018. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, it cannot provide absolute assurance in that regard.

Substantial Volatility of Share Price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Common Shares is also significantly affected by short term changes in mineral prices or in the Company’s financial condition or results of operations as reflected in its quarterly financial reports. Other factors unrelated to the Company’s performance that may have an effect on the price of its Common Shares include the following: the extent of analytical coverage available to investors concerning the Company’s business may be limited if investment banks with research capabilities do not follow the Company’s securities; lessening in trading volume and general market interest in the Company’s securities may affect an investor’s ability to trade significant numbers of the Common Shares; and the market price of the Common Shares and size of the Company’s public float may limit the ability of some institutions to invest in the Company’s securities.

Potential Dilution of Present and Prospective Shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of Common Shares or the issue of securities convertible into or exercisable for Common Shares. The Company cannot predict the size of future issues of Common Shares or the issue of securities convertible into or exercisable for Common Shares or the effect, if any, that future issues and sales of the Common Shares will have on the market price of the Common Shares. Any transaction involving the issue of previously unissued shares, or securities convertible into or exercisable for shares, would result in dilution, which may be substantial, to existing holders of shares.

Lack of Dividends

No dividends on the Common Shares have been paid to date. The Company currently plans to retain earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after considering many factors, including the Company’s operating results, financial condition, and current and anticipated cash needs.

Tax Uncertainty

Tax rates and methods of calculating tax in jurisdictions related to the Company’s business may be subject to changes. The Company’s interpretation of taxation law where it operates and as applied to its transactions and activities may be different than that of applicable tax authorities. As a result, tax treatment of certain operation, action or transactions may be challenged and reassessed by applicable tax authorities, which could result in adverse tax consequences for the Company, including additional taxes, penalties, interest and may also adversely affect the Company’s ability to repatriate earnings and otherwise deploy its assets.

Passive Foreign Investment Company (“PFIC”) and Potential Adverse Income Tax Consequences to US Shareholders
The Company was a PFIC for US federal income tax purposes during the fiscal year ended December 31, 2020 and we expect that we will be a PFIC in the current year and in future years. The determination of whether the Company is a PFIC

is a factual determination dependent on a number of factors and cannot be made until the close of the applicable tax year and accordingly no assurances can be given regarding the Company's PFIC status for the current year or any future year. If the Company is a PFIC at any time during a US shareholder's holding period, then certain potentially adverse tax consequences could apply to any such US shareholders acquisition, ownership and disposition of common shares.

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.